

Securitisation – working with originators

Making it easier for originators. In this publication we discuss our services and solutions to help make sure transactions run smoothly and efficiently, whether you are securitising for the first time or a repeat issuer.



Making life easier for originators

Whether you are securitising for the first time or are a repeat issuer, the PwC Structured Finance Group (SFG) can provide you with a range of services which are tailored to meet your specific needs and requirements, helping to make sure that your transaction runs smoothly and efficiently.

Whether considering securitisation for the first time or considering re-entering the market, the process can often be daunting. Evaluating whether securitisation is the right business option in the current environment and then dealing with the practical problems of implementing a transaction can absorb a considerable amount of management time and detract from the day-to-day running of the business.

Who we are

We are a dedicated team of securitisation specialists, offering a wide range of services to originators who are considering securitisation for the first time or are experienced repeat issuers. We provide independent advice and practical solutions using a multi-disciplined team of capital markets, corporate finance, accounting, tax, IT and industry experts who specialise in securitisations.

Working closely with key stakeholders throughout each stage of the transaction, we help resolve critical issues as they arise.

Our services and solutions

Whilst our services are tailored to the specific requirements of each client, we commonly provide assistance in the following areas:

Feasibility reviews

A feasibility review ensures that securitisation supports your funding objectives and business strategy.

We can assist you in evaluating the cost and benefits of securitisation, and ensure that it is appropriate to your particular circumstances. Typically we run workshops for client staff involved, helping to mobilise rapidly the project and reveal potential issues.

Key features of the feasibility study usually include:

- **Identifying critical issues and potential showstoppers**
Before too much is invested in your securitisation programme, we will confirm that securitisation is a viable option, given the characteristics of your asset pool. We will also identify critical tax issues (corporation tax, stamp duty and VAT), accounting treatments (UK, IFRS, US and other European GAAPs) and regulatory issues.
- **Identifying potential rating agency issues**
We have been involved in hundreds of securitisation transactions over the last ten years. We have extensive knowledge of specific criteria that rating agencies require when reviewing a transaction.

- **Initial assessment of structuring options**

Our experience with a wide range of asset classes allows us to provide a variety of suggestions for structuring transactions, enabling us to help identify those that meet your funding requirements and then evaluate the available options and the implications of each including how best to meet the relevant requirements of Article 122a.

- **Review of potential operational requirement issues**

IT and systems problems can prevent many transactions from proceeding past this stage. Using industry and rating agency standards, we will identify critical data and systems requirements and propose solutions where needed.

- **Identify potential service providers**

Using information collected during the feasibility review, we can gauge initial interest from investment banks, resulting in more efficient bidding for your securitisation mandate. Additionally, we will assist you in the selection of Special Purpose Entity (SPE) locations, trustees, legal advisors, other third party service providers, etc.

Operations review and infrastructure preparation

Invariably practical problems often arise in a company's ability to provide historical data and information concerning the asset pool with its ongoing ability to meet servicing and reporting requirements. Drawing on our previous experience of securitisations and extensive IT resources, we can help you perform a review designed to identify likely problems and implement quick and effective solutions.

Our services often include:

- **Systems evaluation**

We will determine whether your existing system is sufficiently robust and has the flexibility to address the servicing and reporting requirements of a securitisation. Also, we will ensure that the data can be quickly exchanged with outside parties after a transaction closes (trustees, back-up servicer, rating agencies, etc).

- **Assessment of underwriting standards and collection policy**

We will compare the originator's servicing capabilities with the existing requirements and best practices of the market and determine whether the originator has sufficient capacity to service a securitisation transaction. If needed,

we can design and implement IT servicing solutions that are in line with current market standards.

- **Review report generation capabilities**

The ability to generate accurate periodic reports is essential to the management of all securitisations. We can review existing systems and, where necessary, design and implement reporting capabilities that are in line with the market standards, and with the Regulation AB Standard for SEC registered issuers.

Collateral analysis

Before presenting asset-specific information to rating agencies, originators should undertake a complete review to confirm historical performance of the assets being securitised. Transparent review and analysis of underlying collateral for a transaction can save an originator money by translating into a higher rating by the credit agencies.

Our services include:

- **Portfolio data analysis**

We will conduct a static pool analysis on the underlying collateral portfolio where we will provide an in-depth look at the portfolio's performance over a specific period of time.

- **Asset file review**

In addition to the static pool analysis, we will review physical asset files to check for completeness of original loan documentation, and the accuracy of data in the originator's IT system.

- **Ensuring saleability of assets**

Using rating agency eligibility criteria standards and utilising our experience with a wide range of asset types, we will help select the optimal pool to be securitised.

- **Maintaining data confidentiality**

We are sensitive to our client's concerns for data confidentiality and will keep disclosure of closely held customer information to a minimum.

Prepare institution for rating agency review

After our in-depth analysis of our clients' collateral, systems and operations, we will work closely with the client to ensure the best presentation of their position to the rating agencies who, in turn, will determine the overall funding costs by assigning ratings to the offered notes.

Structuring services

Because investor demand decides the structure that will ultimately prevail, we will work with your investment

Figure 1:



Source: PwC



bank to ensure that the structure chosen is the most efficient and cost-effective for all parties involved in the transaction.

Our services include:

- **Cashflow modelling**
By developing securitisation cashflow models we can clearly illustrate to you how the securitisation programme will work.
- **Resolve outstanding tax, accounting and regulatory issues**
The accounting and regulatory treatment of a transaction is often critical to the originator. We have wide experience of creating structures which suit the issuer and originator best from an accounting, tax and regulatory perspective.
- **Customised structuring**
Given an originators collateral and funding objectives, we will assist in determining the most efficient type of securitisation needed. For example, warehouse versus term, revolving versus non-revolving etc.

Pre-closing transaction services

Our traditional securitisation services revolve around comforting information contained in the offering circular or marketing materials. These services often begin with data preparation and collateral file due diligence and continue through comforting collateral stratification tables and data attributes listed in these documents.

We can provide analytical and cashflow modelling services in a timely manner, fully supporting your transaction.

Our services typically include:

- **Agreed-upon procedures**
We will perform agreed-upon procedures and compile our findings in a report ready for closing.
- **Transaction modelling**
Using assumptions and methodologies set forth in the offering documentation, we will recalculate the cashflows, the stratification of pool data according to characteristics of the assets, the weighed average life of the securities,

and other figures that might appear in offering documentation or marketing materials.

- **Asset pool reviews**
Physical loan file due diligence, pool sampling and data validation are traditional services that ESFG provides for transaction closing. For deals requiring asset-specific expertise, we can draw upon collateral specialists within the relevant groups of PwC. For example, professionals from our commercial real estate group are usually included in due diligence projects for CMBS transactions.

Post-closing services

Our services include:

- **Regulation AB**
Our work on one of the first Regulation AB attestation exercises in Europe as well as the first in Australia gave us a detailed insight into the process for new issues and enables us to give you the support you need in this complex area.

- ***SPE audit services***

Our global presence allows us to provide audit and taxation compliance services for special purpose entities created for securitisations and structured finance transactions, irrespective of the jurisdiction in which they are located.

- ***Back-up servicing and collections***

PwC offers back-up servicing services through its Receivables Management Group. The Group provides a full range of credit management and collections outsourcing, and has particular expertise in acting as standby servicer for a number of European banks. The Group also acts as liquidation or collection agents on several securitisation transactions both in the US and in Europe.

About the Global Structured Finance Group

The Global Structured Finance Group at PwC brings together a unique blend of individuals from the areas of securitisation and structured finance, corporate finance, tax, accounting and capital markets in every major European country, working closely with our US and Asia Pacific teams. We can bring to bear detailed current knowledge of individual industries and expertise in specific types of asset pools, based on our extensive corporate client base. We work closely with other specialist teams within the firm, including the Financial Services Regulatory Practice, the European and US Listings Groups and the Receivables Management Group.

About the Structured Finance Group

By creating the SFG in 2000, PwC highlighted its commitment to provide securitisation and structured finance services to its UK and Continental Europe, US and global clients. Our objective is to provide a comprehensive range of securitisation and structured finance services including feasibility studies, operational and infrastructure reviews, collateral analysis, structuring advice, accounting advice and postclosing services – by using experienced specialists drawn from across our global practice. Effective and timely delivery of these products has enabled SFG to establish itself as a major player in all securitisation markets. SFG comprises individuals with expertise in a variety of functional specialties, including capital markets, investment banking, transaction consulting, tax and accounting. The combination of leveraging this skillset with considerable transaction experience enables the group to offer a well-rounded service to our clients.

We work closely with other specialist teams within the firm, including the Financial Services Regulatory Practice, the European and US Listings Groups and the Receivables Management Group, which provides standby servicer arrangements and liquidation services.

Contacts

To discuss any of the issues raised in more detail, please speak to your usual PwC contact or one of our structured finance leadership team listed below:

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