

Understanding Securitization & ABS

This one-day introductory workshop provides an overview of securitization and a framework for evaluating ABS.

TARGET AUDIENCE

An introductory workshop for those new to the securitization market or seeking an understanding of the ABS product.

COURSE OBJECTIVES

Participants will be equipped to:

- Use a structured approach to understand ABS (using credit card ABS as the illustration asset class): basic transaction structures, roles of the parties, and originator motivations
- Recognize the main risks pertaining to the collateral, originator and servicer
- Appreciate how asset characteristics and desired ratings impact credit enhancement levels
- Identify key risks and understand how they are allocated within ABS structures
- Understand the impact of recent government initiatives and regulatory changes on the ABS market.

CONTENT

INTRODUCTION

- Why securitization? Originator and investor motivations
- Parties to the transaction and their roles
- Overview of securitization market.

PURPOSE: PAYBACK

Analytic approach to credit

- Introducing a structured approach to analysis: purpose, payback, risk and structure
- Application of the structured approach to various types of ABS securities.

RISKS TO REPAYMENT

Collateral

- Analytic focus: credit card ABS
- Key performance variables: applying steady state assumptions and credit stresses
- Understanding how credit enhancement is sized
- Modelling the impact of various stress scenarios across different credit card portfolios

Originator / servicer evaluation

- Company analysis: commercial and financial viability
- Risks arising from the business model
- Servicer ratings: why, how and impact on credit enhancement

Structure

Credit enhancement (CE)

- Understanding the role and various forms of CE
- Unravelling CE across asset classes (credit card, auto, and mortgage transactions)
- Clarifying loss allocation
- Safeguards: ensuring credit enhancement mechanisms provide adequate protection

Note Profile

- Cash-flow waterfalls: Amortizing and non-amortizing assets
- Cash flow allocation mechanics
- Early amortization triggers: how they are set and how they operate

Legal Safeguards

- Key legal safeguards: isolation of assets
- Reps and warranties.

MONITORING PERFORMANCE

- Surveillance: collateral, originator / servicer
- Interpreting performance to identify early warning signals
- Overview of performance across asset classes.

RELATIVE VALUE

- Pricing of ABS transactions: risk vs. return
- Credit trends in ABS: pockets of risk.

Learning Paths

