Workshop on

Cashflow modelling and structuring Securitisation and pool transfers

October 11th | 9.:30 am to 5:30pm
Mumbai | Venue to be announced

Faculty

Vinod Kothari
Director, VKCPL

Resources

Our resource centre:
Securitisation;
Transfer of Loan Exposures;
Co-lending

Rs.15,000 + tax per participant

Register here-
https://forms.gle/dmzuWFjxp8sL3VR4A

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Reach us on social media

Why this workshop?

Over the past couple of years, securitisation and transfer of loan exposures ("TLE") have been key sources of funding for NBFCs. There is clearly a visible surge of interest in non-PSL assets, and expectations are that the volumes on FY 23 will be quite strong. Co-lending has also emerged as a direct alternative to DA, particularly in priority sector lending.\

The key to an efficient securitisation transaction, as also direct assignments, is a deep understanding of the pool risks and the pool delinquencies. The understanding of the probability distribution of defaults is the crux of any structured finance transaction. We will deal with the basic understanding of the expected losses, unexpected losses, catastrophic losses, and the derivation of the thickness of support required for an expected rating.

Credit enhancement for any transaction has to be optimal - neither too high, nor too low. Also, equally important is to distinguish between liquidity needs and credit support. The form of enhancement is also critical, as hard and static forms of enhancement make the transaction burdensome as it significantly amotises. One would realise that several of the transactions in India are currently not optimally structured. The structuring of the transaction not only affects its economics, but also its potential de-recognition and impact on capital adequacy.

Direct assignments, aka transfer of loan exposures, may often be taken as just another name for a financial facility for the seller; but one needs to realise that there is a pari-passu transfer of risks and rewards in case of direct assignments. Hence, the splitting of interest and principal payments has to be done very carefully.

The full day workshop entails several spreadsheet models whereby you may see the underlying numbers come live and understand the pieces that go behind the structure.

Course Outline

1. Concept, motivations, SPV, transaction structures
   a) The basic concept of securitisation
   b) Credit enhancements and probability of default
   c) Essence of bankruptcy remoteness and asset-based risk
2. Credit enhancements, liquidity support, structural triggers, the idea of a non-discretionary transaction
   a) The basic concept of a probability distribution and sizing of credit enhancements
   b) Forms of credit enhancements-internal, structural and external; funded and unfunded support
   c) Liquidity support and the need for segregating liquidity and credit support
   d) Structural triggers; cash reserves, etc.
3. Simple classroom transaction
   a) Key architecture of a securitisation cashflow model- revenues, principal distribution, loss allocation
   b) Preparing a cashflow model with hypothetical assumption
4. Retail pools securitisation structure
   a) Key features of RMBS/auto loan and similar transactions- understanding prepayment rate, default rate and their movements over time
   b) Multiple time tranches and clean up call
   c) Prepayment risk and prepayment protection classes
5. Revolving assets
   a) Understanding early amortization triggers and seeing their movement over time
   b) Creating a replenishing structure, with seller's pari-passu interest
6. CMBS, future flows
   a) CMBS structure- the key risk mitigants- LTV ratio, DSCR ratios
   b) Understanding the refinancing risk