Securitization Summary

Securitization is a technique by which a long term, non-negotiable and high value financial asset is converted into tradable securities of small values.

Basic Securitization Structure

Parties involved and their roles

**Originator:** entity holding illiquid assets.

**Special purpose vehicle (SPV):** entity, which buys illiquid assets from the originator and issues securities.

**Credit Rating Agency:** rates the securities issued by SPV. Rating helps correct pricing of securities and makes them more marketable.

**Trustees/guarantors:** independent parties to oversee the day-to-day operations and management of SPV.

**Investors:** buyers of securities.

For detailed information on this topic please visit www.ascentfinancials.com
Balance Sheet impact of Securitization

- Sponsoring Company

  - Accounts Receivable

- Special Purpose Vehicle

  - Issues Asset-Backed Securities

  - Accounts Receivable

  - Sale or Assignment

Benefits of Securitization

- Separates credit risk of assets from risk of originator
- Lowers the cost of borrowing
- Provides an alternated low cost funding source to the originator
- Illiquid assets converted into marketable security.
- Remove assets from balance sheet and thus improve capital adequacy ratio.

For detailed information on this topic please visit www.ascentfinancials.com
Detailed Securitization Process

Benefits of forming Special Purpose Vehicle

- Bankruptcy remoteness: in the event of bankruptcy of the originator, assets transferred to SPV are not attached.
- Possibility of higher credit rating: because of bankruptcy remoteness
- Decreased capital adequacy ratio: risky assets are moved from the balance sheet of the originator which results in reduced capital adequacy requirements.