

TSI Congress 2010 – Outline

Risk spreads have narrowed considerably in all segments of the credit markets since March 2009. The securitisation markets have benefited from this positive development and have now returned to the pre-Lehman collapse level. Furthermore, the first public transactions have been placed successfully in the market. These developments have helped to boost public opinion with regard to securitisation, whereas other asset classes, such as government bonds issued by certain countries, are being viewed more critically.

The current debate is focusing on the pre-conditions for a well-functioning securitisation market, which include, in particular, binding quality standards and enhanced transparency requirements. New regulatory approaches together with the establishment and further development of standards for the banking industry and their interplay with central bank requirements are being used to implement these objectives.

The key topics at the TSI Congress 2010 will be as follows.

The German credit and securitisation markets – opportunities for investors

Payment arrears for German transactions are still at a low level and, on balance, in the third year of the crisis there are no striking developments to report. German auto ABS are one of the asset classes that, after hitting bottom in early 2009, are demonstrating the best developments in terms of performance or spread. Tender offers by German ABS issuers have shown that, under these conditions, many investors prefer to retain their paper. In the prime market, some public transactions have been placed successfully. The SME risk asset class, however, is seen as controversial. The international rating agencies, in particular, expect there to be a marked increase in payment defaults and insolvencies in the German SME sector in the years ahead. In this regard, the expectations of the German business and banking sectors are more positive. At the Congress, a special investor stream in English will examine the specific features as well as the opportunities and risks of the German credit and securitisation markets and provide a platform for a more in-depth discussion between issuers and investors about quality and meaningful standards.

New regulatory framework conditions for the credit and securitisation markets

The appraisal of the financial market crisis has led to a host of new legal regulations. Many have already become law, while others have merely been announced or are in preparation. The implementation in German law (new section 18a of the Banking Act) of the CRD amendments, the new framework conditions for rating agencies, and the new Basel proposals concern equity, liquidity and the in-house incentives systems at banks will have far-reaching effect on banks and the credit markets. There are also changes in the area of the BilMoG and IFRS as well as in the ECB's criteria for



repo transactions involving securitisation. Moreover, the coalition agreement signed by the governing parties also raises the issue of a German securitisation act.

Securitisation – the banks' present view

At the moment, a shift in bank thinking can be observed. Two years ago, because of the shortage of liquidity in the interbank market, refinancing held pride of place. Most securitisation transactions were held on the banks' own books and were used as collateral for ECB refinancing. Since then, however, banks have been resorting increasingly to securitisation transactions as a means of raising the equity capital needed. Given the significance of this topic, the intention is to address all these issues. The discussions will focus on the various securitisation options for refinancing purposes (Pfandbrief, covered bonds, securitisation) as well as on means of providing equity relief (synthetic and true sale securitisation).

Challenges for corporate finance – developments on the credit and securitisation markets

The low capital market integration of German enterprises and their high dependence on bank loans unite banks and the business sector in a common destiny. German enterprises are hence directly affected by deleveraging in the banking sector. In particular, against the background of a wave of refinancing transactions set to take place over the next five years, the „credit crunch“ will present a risk for further economic development. What options are open to government economic policy and promotion and to what extent can the instrument of securitisation be used in this context?

Restructuring of loans and securitisation transactions

In the period from 2005 to 2007, the credit business was booming. Many of those financing transactions have now matured and many need to be restructured. Securitisation transactions may also be affected. Initial experience with the new bond legislation is being acquired. In several workshops an attempt will be made to estimate the expected volume of restructuring and the extent to which securitisations are also affected and to study the economic and legal options available for the restructuring of commercial finance.

Status of the financial market crisis – the state and central banks

Consistent government action in 2009 helped to revive the credit markets, which is evidenced by spread development across all segments. The securitisation markets also calmed down. Growing government deficits and the expansion of central bank balance sheets are, however, the price to pay for the government crisis management and are increasingly coming in for criticism. At the same time, the pre-crisis expansionary monetary and financial policy is seen as bearing a decisive share of the responsibility for the liquidity flood and the decline in risk awareness among market players. Against that background, future crisis policy will have to strike a difficult balance between exiting from the state and central bank on the one hand and continued crisis management on the other. The TSI Congress 2010 will therefore seek the key conclusions that can be derived for the credit and securitisation markets in the years ahead.

