

BASEL III SECURITIZATION FRAMEWORK SUPPORT



Bank regulators have finalized adoption of the revised Basel III capital framework and have set forth due diligence requirements with respect to private label securitizations (e.g., ABS, MBS, CDOs) and structured credit derivatives. In addition to broadening the definition of securitization exposures, the adopted rules remove the ratings-based approach found in Basel II with respect to calculating the capital charge to comply with the Dodd-Frank Act.

SSFA

Loan-level
Collateral Performance

Detailed Capital Structure

Funded Reserve Accounts

Capital Charge of
Underlying Assets

With the introduction of the **Simplified Supervisory Formula Approach (SSFA)** and the continued use of the gross-up approach, institutions have the ability to choose how to calculate the risk weighting of securitization exposures. Based on our experience, the SSFA approach results in lower capital charge on senior, well-capitalized tranches compared to the gross-up approach. In order to use the SSFA, however, institutions must have access to the appropriate deal and loan-level data as well as the necessary expertise to carry out the calculation.

Gross-Up

Exposure to Tranche

Amount of Senior Tranche(s)

Amortized Cost of Exposure

Risk Weight of
Underlying Assets



Black Swan Consulting can provide guidance and support on applying the SSFA or the gross-up approach and can ensure accuracy of the calculation through use of established third-party data providers. In cases where deal and loan-level information from third-party analytic providers are not available, our capital market specialists will work to ensure 100% security coverage. With a successful track record working with regulators and accountants, we can provide guidance on navigating current regulatory requirements.

SECURITIZATION EXPOSURE DETERMINATION

- Identify securitization exposures and appropriate treatment
- Calculation performed by structured finance experts
- Guidance on selecting SSFA versus gross-up approach
- Independent validation and support
- Expertise to ensure 100% securities coverage
- Analyze re-securitization exposures
- Comprehensive documentation and reporting
- Assistance and support in dealing with regulators and auditors

SECURITIZATION DUE DILIGENCE SUPPORT

- Comprehensive transaction summaries
- Highlight important structural features
- Summarize mechanics of cash flow waterfalls
- Report current status of deal triggers including events of default
- Automate deal and loan-level performance surveillance
- Perform extensive issuer-mapping on blind pool transactions
- Provide relevant market context and performance data
- Identify secondary-market trade comparables

About Black Swan

Black Swan Consulting is a specialized fixed income advisory firm focused specifically on securitized products. Our team of structured finance specialists is dedicated to assisting financial institutions meet the operational requirements for securitization exposures. We help investors gain a comprehensive understanding of the unique features of each securitization exposure and alert them to any potential events that would materially impact performance. We do this in a cost-effective manner by utilizing a comprehensive analytical platform we have developed specifically to support the securitization framework.

Please visit us at: www.BlackSwanConsultingGroup.com

Our telephone number is **(917) 338-2380**

Inquiries related to our products and services can be directed to



Aaron Wong | Aaron.Wong@BlackSwanConsultingGroup.com

Kristen Verberkmoes | Kristen.Verberkmoes@BlackSwanConsultingGroup.com