Club Deal

SECURITIZATION SOLUTIONS

Project Finance
Actively Managed Certificates
Debt Issuance

INNOVATIVE CAPITAL SOLUTIONS SPECIALIST

GTT Capital Solutions S. A.
Switzerland

ARRANGER | GTT Capital Solutions S.A.

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Our experienced Team of professionals know and understand the challenges of effective wealth management, **securitization strategies**, corporate finance and exchange listings. We develop sophisticated customized solutions to meet the unique needs of each client.

Our global network of specialists aims to deliver the highest and most up-to-date standards of service, risk management, compliance expertise and regulatory knowledge.

We are committed to delivering an exceptional experience for our clients. Our people are experts of finance; progressive thinkers, in tune with economic, political and market conditions of your business environment.

This combination allows us to give you the advice you need to maximize your opportunities and overcome your challenges.

Our delivery platform operates globally and comprises of three fully integrated services components that can be used individually, or on a combined basis, alongside our financial structuring expertise, that are:

Capital Markets • Private Equity • M&A

Our internal and external Teams are dedicated to performing with the highest management discipline in order to meet deadlines and remain within budget.

VEHICLE | Alpha Investor Securitization Vehicle

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Alpha Investor Securitization Vehicle ("AISV") is a Luxembourg public company (Société Anonyme) under the act concerning commercial companies of 10 august 1915 (loi du 10 août 1915 Concernant les sociétés commerciales), as amended (the "commercial companies act 1915"), organized as a securitization company (société de titrisation) within the meaning of the act relating to securitization of 22 march 2004 (loi du 22 mars 2004 relative à la titrisation), as amended (the "securitization act"), registered in the Luxembourg register of commerce and companies under number B135.698.

AISV's mission is to provide specialized solutions for Banks, Asset Managers, Family Offices, Professional Clients, Financial Advisors and Independent Promoters with a "tailored-made" approach.

Its operations in Luxembourg enable the Company to benefit from an international vision of markets, combined with the specific needs of European investors.

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Securitization

Securitization is a financial technique that enables the transfer of risk pertaining to certain underlying assets to an SPV which will finance the acquisition of the underlying by the issue of transferable securities. The amended law of 22 March 2004 on securitization, defines securitization as "the transaction by which a securitization undertaking acquires or assumes, directly or through another undertaking, risks relating to claims, other assets, or obligations assumed by third parties or inherent to all or part of the activities of third parties and issues securities, whose value or yield depends on such risks". The securitization vehicle takes on these risks by acquiring the securities, guaranteeing the obligations or bearing the risk in some other manner. Securitizations, can take place in several jurisdictions. Luxembourg remains as of today the leader in securitization vehicles with thousands of related compartments. It operates whiting Europe's most prominent regulatory environment and benefits from a strong access to the European market and exchanges.

Key Benefits

- Unlimited pool of securitizable assets;
- No Issuer risk;
- The securities issued are usually over-collateralized;
- Time to market is expedient compared to other structures;
- Possibility to list on public exchanges (MIFID compliant);
- Broad possible combinations of yield, risk and maturity;
- The flexibility of the product allowing tailoring capabilities;
- Diversification and higher returns;
- Easily purchased via bank/broker using the Isin code;
- The purchased Bond appears in your bank's portfolio;
- Tax optimization potential.

Luxembourg

Luxembourg, as a very well established European financial center, has a renowned investment fund regime in place and an abundance in double tax treaties which allows for the needed stability as a financial center. In 1983 the Luxembourg Exchange became the first exchange to list an MBS in Europe. Today, 25% of all securitization transactions pass through Luxembourg, reflecting its status as a hub for asset-backed securities. Around 1,300+ Luxembourg securitization vehicles existed as at mid May 2020.

STANDARD &POOR'S
Confirmed **AAA** RATING.

SECURITIZATIONS REPLACE TRADITIONAL WAYS OF FINANCING BRIDGING THE GAP BETWEEN INVESTORS AND INVESTABLE PROJECTS

Securitization Process

Essentially securitization is the pooling of assets which will be acquired through the issuance of securities. This acquisition of risk from an originator by issuing securities reflect the value of the assets and the associated yields which are linked to the underlying asset that is securitized. Investors through their bank will acquire the securities that are issued by the securitization vehicle to benefit from the returns/proceeds from the underlying assets. The related investment risk of the securities and hence the underlying securitized assets is what the investors are exposed to.
The investors invest in so-called asset-backed securities due to the underlying assets which serve as collateral for the investment. Henceforth the investor is exposed to the following risk: the cash flow returns of the assets as well as the valuation returns upon the sale of the underlying assets.

Investor Protection

One of the most important aspects of the Luxembourg Securitizations Law is to ensure enhanced investor protection. The bankruptcy remoteness principle separates the securitized assets from any insolvency risks of the securitization vehicle or of the originator, service provider, and all other involved parties. In the event of bankruptcy of the originator or the servicer to whom the securitization vehicle has delegated the collection of the cash flow from the assets, the Law states that the securitization vehicle is entitled to claim the transfer of ownership of the securitized assets and any cash collected on its behalf before liquidation proceedings are opened. Moreover, it allows for contractual provisions that are valid enforceable and which aim to protect the vehicle from the individual interests of involved parties. Finally, the compartment segregation prevents insolvency contamination between different compartments.

Taxation

The Luxembourg Securitization Law has been successful in achieving almost complete tax neutrality. Securitization companies are in principle taxed on their net accounting profits. Exception can happen when the securitization company invests in entities that should be regarded as transparent for tax purposes. The vehicle also benefits from tax treaty network and from the EU Parent-Subsidiary Directive. Since securitization funds are treated in the same way as investment funds in Luxembourg, they are exempt from CIT and MBT. Funds furthermore benefit from a subscription tax exemption. Dividend distributions and payments on fund units are thus exempt from withholding tax. Vehicles qualify as VAT taxable persons in Luxembourg.

Asset Classes

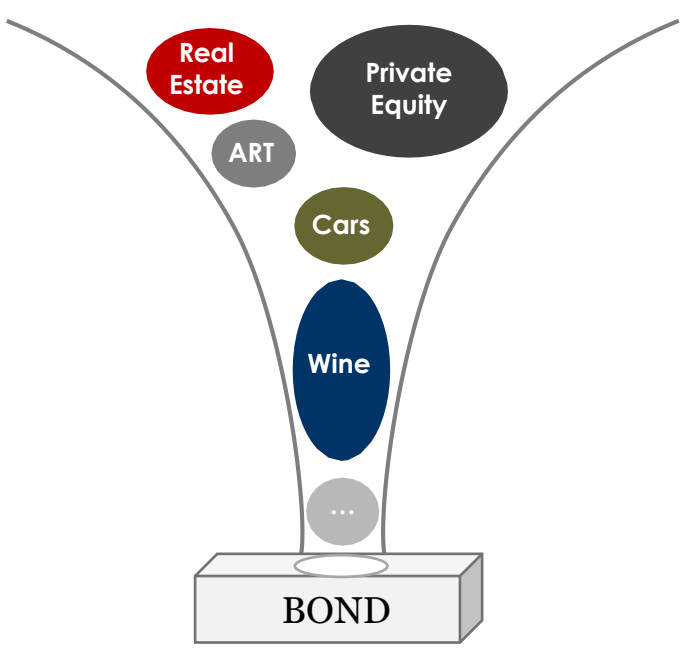
There are no restrictions on which assets can be securitized. Securitization transactions therefore can consequently directly involve movable or immovable assets. The underlying can for example be, but is not limited to: shares, loan agreements, receivables, patents, airplanes, real estate, commodities, etc.
Moreover, the risks deriving from the ownership of such movable or immovable property can form the subject of a securitization transaction.
There are numerous examples of securitization transactions that can occur alongside the traditional securitization of credits, delta one notes on alternative investment funds, re-wrapping of difficult to trade securities, investment products based on managed accounts, refinancing for commercial real estate, club loans, etc.

TAILOR-MADE SECURITIZATION OF PUBLICLY TRADED ASSETS, PRIVATE SHARES OF A COMPANY OR FUNDS, NON-BANKABLE ASSETS & LOAN AGREEMENTS

Cases Studies

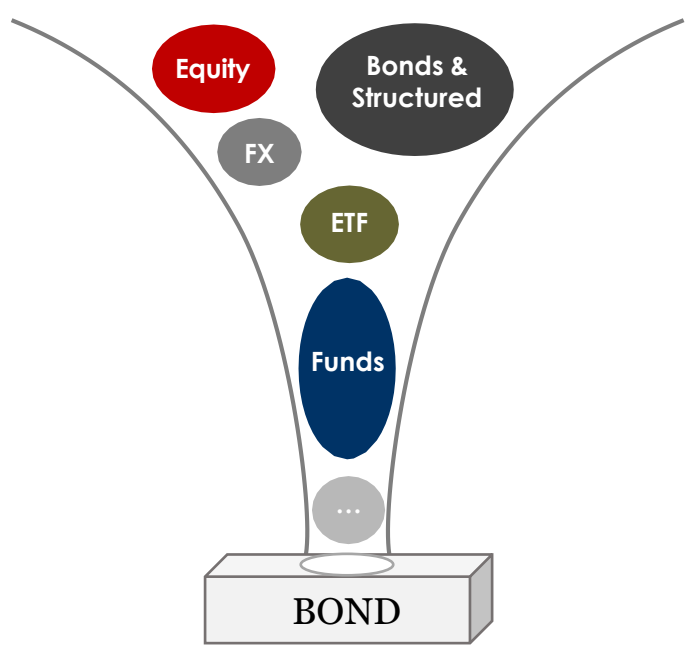
Securitizations allow families or investors to pool their interest and hold certain assets in a bankable way allowing for strategic planning of long-term commitments. During the last decade, due to the financial crisis and investors looking for alternative investment solutions, securitization has become an attractive alternative for companies or investment managers looking to attract capital. The traditional way of financing with bank debt or debt issuance has been partly replaced by securitizations, and for investors, there might be a better risk-return trade-off as the securitizations link the underlying asset directly to the security which is issued. This removes the promotor or credit institution risk and makes it easier for investors to analyze the direct linked investment risk. This type of solution ensured that entrepreneurs had an efficient financing alternative to the traditional banking channel.

INVEST IN DIFFERENT UNDERLYINGS VIA ISIN CODE



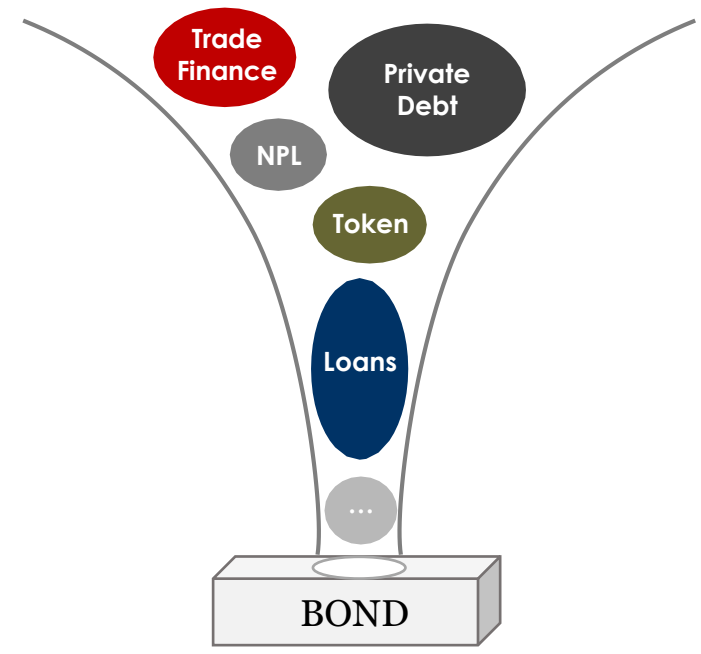
PROJECT FINANCE

Lots of securitization transactions are linked to real estate projects or to business projects of various kind, come in all shapes and sizes. In general, the financing is either related to the development process which is already generating income or in a new business (Corporate Finance). In this case, the securitization vehicle issues securities to finance the development of a specific project, which will be sold off after the development has taken place to a third party. Upon completion of the transaction, the securitization vehicle will receive the proceeds of the transaction and distribute these in the form of capital and income to the investors. By attracting capital through a securitization, the Originator can attract therefore fresh capital to replace bank debt and can free up income for further development.
Securitization products can be used to allow investors to take exposure on art for example. The growing recognition of Art as an investment class allow banks and asset managers to incorporate pieces of Art or entire collections as a new investment class in their portfolio for diversification purposes. The Art collection can be transferred or acquired by the securitization structure and in return, the investors will receive securities. Next to art securitization vehicles can securitize other non-bankable assets such as wine, classic cars, jewels, watches, boats.



ACTIVELY MANAGED CERTIFICATES

AMC's are debt instruments issued by the Luxembourg securitization vehicle (program) and function as a structured product with a basket of underlying values.
Managed dynamically, they offer a high degree of flexibility for the asset manager.
Moreover, they are cheaper and easier to handle than funds. Fund structures are, in many cases, neither accessible nor suitable due to various limitations, such as high setup costs, poor flexibility, and regulatory restrictions.
An AMC can package a custom-made portfolio to meet the needs and preferences of a specific client.
The investors receive transferable securities that can easily be bought through their normal bank/broker relationship (via the ISIN CODE) and which are deposited at Clearstream, SIX SIS or Euroclear.
Compared to the setup of investment funds, AMCs will substantially reduce the manager it's time to market with the product when the external asset manager decides to create its certificate through the securitization of an underlying portfolio of securities.
The AMCs offer great flexibility, and the asset manager has the ability to securitize next to listed securities, ETF and (hedge) funds, non-bankable assets such and other valuables.



DEBT ISSUANCE

Securitization can be used to 'wrap' liabilities. These liabilities can be pools of loans related to company debt, mortgages, credit card debt, or single loans. Of course, securitizations can also be used for other debt types such as trade finance, commodity finance, real estate finance, NPL, token and so forth. The bonds issued by securitization vehicles can be purchased by institutional clients and can represent an attractive opportunity for higher yields in a low-interest environment. Debt issuance can be used by companies looking to attract a more diverse investor base and can complement bank financing. By working together with professional fundraisers, companies will have better access to capital funding and maximize their growth potential. With regards to the type of underlying assets, residential mortgage loans remained the most significant asset class in Luxembourg with about 50% of the European securitization issuances (RMBS). Collateralized Debt Obligations (CDO) have again been strong with around 20% of all issuances in this period. As for the past, Commercial Mortgage-Backed Securities (CMBS) stayed insignificant in Europe. Other Asset-Backed Securities (ABS) including consumer loans, credit card receivables, other leases and securitization of whole businesses (WBS) and financing of "SME" made up around 25%.

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