

MAYER | BROWN

SYNTHETIC SECURITIZATION

Practice Overview



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Mayer Brown offers a versatile capital markets practice with a solid footing in the securitization and derivatives market... Mayer Brown's clientele mostly comprises national and international banks, which benefit from the law firm's global network and capability to effectively handle cross-border mandates.

Chambers Global



INTRODUCTION

Mayer Brown is widely acknowledged as having one of the premier securitization practices in the world. With more than 100 structured finance lawyers in offices across Europe, the Americas and Asia, we have one of the largest structured finance practices in the world – and with that size comes the knowledge, experience and workforce to tackle transactions of any scale in almost any jurisdiction. We are regularly engaged on global projects that require multi-jurisdictional teams that few other firms can offer.



As financial markets become increasingly integrated, working with a law firm that understands the complexities and nuances of the key technologies and markets can deliver that elusive competitive edge. We are adept at handling the issues that arise as financial products converge and thrive on the challenges this presents. Drawing on our firm's collective experience, we deliver creative, practical, business-oriented solutions no matter how a transaction evolves.

INNOVATION IN THE LEGAL MARKET

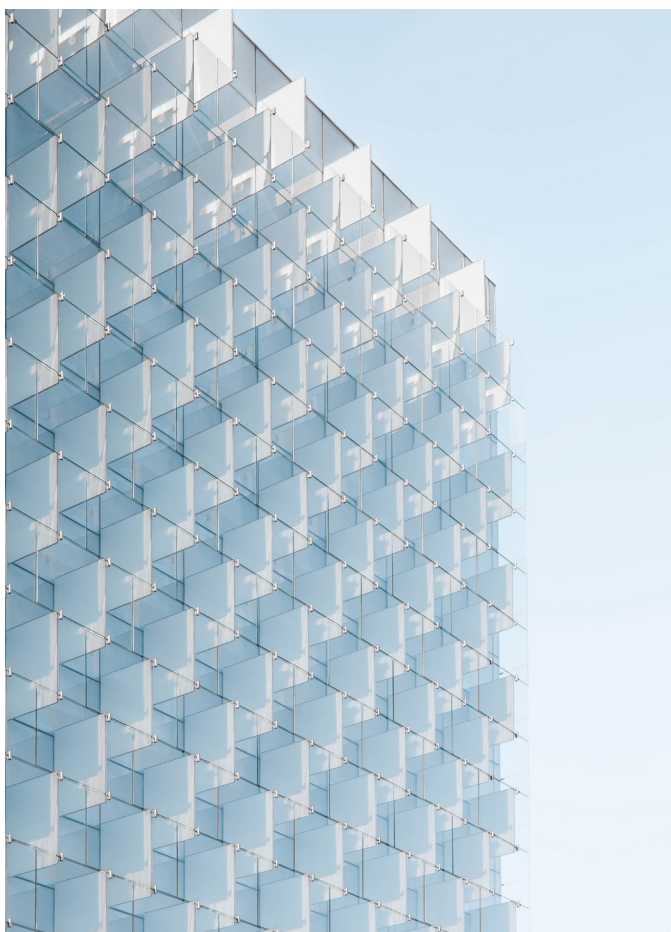
We bring innovation to the global securitization market. We have a reputation in the market for developing new technology and structuring innovative solutions. Our team handled:

- the first Finnish CMBS transaction and first dual EU and US risk retention compliant CMBS transaction;
- the first French CMBS transaction since the financial crisis;
- the first Swiss credit card receivables securitization;
- the first Finnish and Danish auto receivables;
- the first Belgian securitization of auto fleet leases;
- the first Norwegian auto loan securitization; and
- the first securitization of dealer stocking financing arrangements that utilise a discounted deferred payment sale and purchase mechanism (rather than loans).

REGULATORY CAPABILITY

The practice is at the forefront of the regulatory developments affecting the securitization industry in the UK and Europe. We are one of a handful of firms in London that is consistently called upon to respond to regulations and government initiatives affecting, or involving, the securitization industry. We are one of only a few firms in the world that actively participate in both the Association for Financial Markets in Europe (AFME) and the Structured Finance Industry Group (SFIG), the two leading industry bodies for securitization. This participation, combined with our industry-recognised practices on both sides of the Atlantic, means that we help shape the future of securitization across Europe and the US.

We also lead on an on-going basis for ISDA, the New York-based trade organization of participants in the market for over-the-counter derivatives. Our experienced team provides thought leadership, in its role as industry counsel, to the recently-formed, ISDA Sanctions Working Group. Our work encompasses a review of all of the areas in which sanctions laws, as well as anti-bribery and corruption laws, globally may impact the derivatives markets. Our team's role includes advising the working group; drafting position papers; outreach to the relevant regulators; and documentation initiatives. We have acted for ISDA on all sanctions issues affecting the derivatives markets since the imposition of the Russia Ukraine-related sanctions in 2014. We have provided numerous memoranda of advice to ISDA and its members and have lead advocacy initiatives with regulators. This work has included expert legal and strategic counsel leading to the issuance of the first OFAC general licence specifically protecting derivatives contracts. We have since advised ISDA and major market participants on the sanctions programmes with respect to Venezuela and PDVSA (including a market-wide protocol for the global credit derivatives market) and EN+ and Rusal.



SPECIFIC LEGAL EXPERTISE

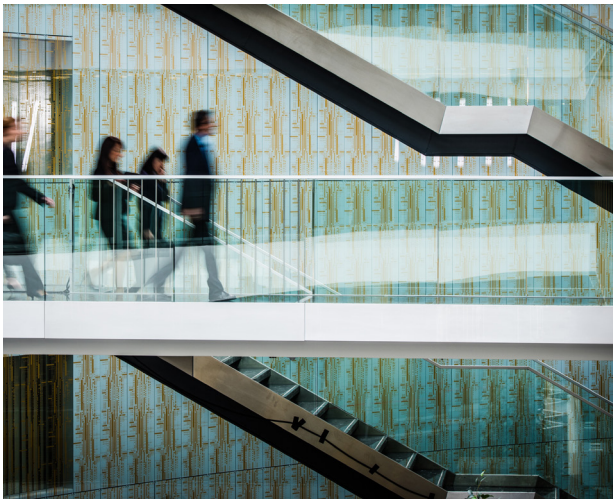
The success of our clients and the cooperation with them is what matters most of us. We believe that we are particularly qualified to work with you for the following reasons:

Leading securitization group: Our team of lawyers have securitised nearly every conceivable asset type. When combined with our experience in the conduit, CDO, derivative and synthetic markets, we offer experienced teams with the intellectual depth and industry insight needed to assist clients as they explore and maximise both current and developing market opportunities.

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They are on the top of the legal and regulatory topics and they are very strong at managing large-scale projects with a worldwide scope, excelling at coordinating local offices.

Chambers UK



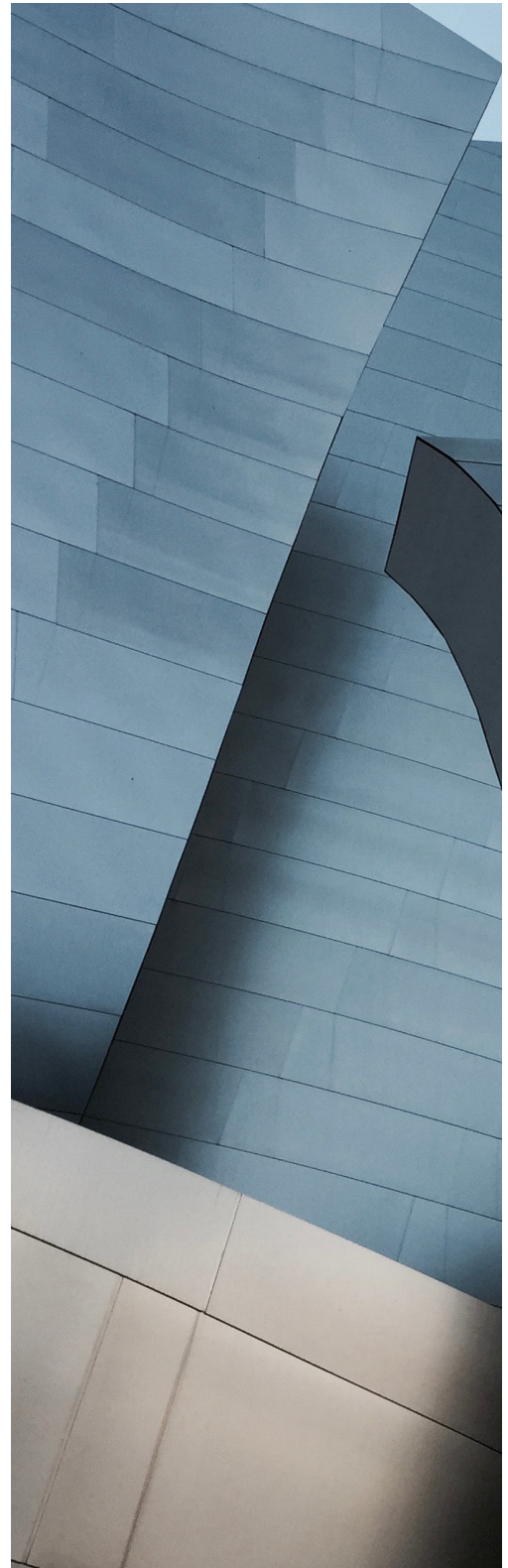
In-depth knowledge in relation to synthetic securitization transactions: Our team have experience in structuring and documenting, in particular arrangements using a financial guarantee from an institutional credit protection provider.

Our lawyers have also advised non-originator participants in synthetic securitizations including investors here and in the US and the rating agency DBRS on a number of synthetic securitizations of various portfolios including corporate loan and commercial real estate books of large financial institutions.

MARKET LEADING CREDIT DERIVATIVES PRACTICE

We advise clients on the full range of structural, legal and documentation considerations that arise in derivatives and structured product transactions across all major asset classes, including credit, equity, fixed-income, currency and commodity-linked instruments. Examples of notable transactions include the following:

- We acted as Advocate in the External Review process for the majority members of **ISDA's EMEA Credit Derivatives Determinations Committee** ("DC") who supported the position that no Governmental Intervention Credit Event had occurred in respect of credit derivatives on Portuguese bank Novo Banco. This was the **first ever test of the new 'Governmental Intervention' and the first time in the DC's 7 year history** that the External Review process had been used as the required supermajority was not met.
- We acted as deal counsel for a global **US financial institution on a \$500m structured deposit with Bank of Ghana (the central bank)**. The deposit was secured over a portfolio of the Central Bank of Ghana's foreign government bond holdings held with the Bank of New York Mellon in London. The deal was unique and used complex dynamic collateralisation technology to manage the credit risk associated with the bond portfolio. The deal raised complex issues of sovereign immunity, cross-border security enforcement, the Financial Collateral Arrangement Regulations and capacity and authority of a central bank.
- In addition, **Ed Parker** is the author of the two leading market text books on credit derivatives: *Credit Derivatives: Documenting and Understanding Credit Derivative Products*, published in 2007; and *Credit Derivatives: Understanding and Working with the 2014 ISDA Credit Derivatives Definitions*, published in 2017.



OUR EXPERTISE IN SYNTHETIC SECURITIZATION

We regularly represent a diverse group of originators, issuers, investors and rating agencies in securitization transactions particularly in credit derivatives. We acted as **counsel to ISDA** on many occasions on significant drafting and advocacy projects. The firm is the author of the US industry netting and collateral opinions and numerous other opinions and legal memoranda on issues related to derivatives markets.

The firm's derivatives specialists regularly speak at conferences around the world on **regulatory reform and documentation issues**. Our lawyers frequently appear in front of regulators in the US on behalf of ISDA and its members to educate them about the functioning of derivatives markets and to discuss regulatory proposals and implementation. The firm also advised ISDA on issues affecting credit derivatives and other derivatives markets as a result of the imposition of the Ukraine-related sanctions, involving discussions with the **US Treasury's Office of Foreign Assets Control (OFAC)** and the granting by OFAC of a general licence expressly protecting derivatives contracts.

Our derivatives team includes lawyers that have worked on the following major documentation and infrastructure projects for ISDA:

- The '**Big Bang**' and '**Small Bang**' protocols that first established the Determinations Committees.
- The **ISDA Amend solution** (working with Markit), transforming the world of derivatives documentation by bringing it onto a dynamic web platform.
- Template **ISDA documentation for CDS contracts**.
- The **ISDA Disclosure Statement** and the underlying annexes for all asset classes, as published on the ISDA website.
- A **detailed memorandum** comparing CFTC rules made under the Dodd-Frank Act against the equivalent laws in the European Union.



Our derivatives lawyers have also advised clients on **every major DC determination of the EMEA DC over its 7 year history**. In 2011, we were appointed by the majority grouping to **act as Advocate in the Seat Pagine Gialle Credit Event determination** when it was referred to External Review (before subsequent events rendered the question moot) and in 2016, the majority grouping of 11 DC members chose Mayer Brown to act as their Advocate in the Novo Banco External Review (the only ever External Review of the EMEA DC), successfully arguing in written and oral presentations that no Credit Event had occurred.



DEAL HIGHLIGHTS

- We represented the Czech subsidiary of an Austrian financial services firm, **Raiffeisen Bank** in connection with a synthetic securitization and credit-linked notes (CLNs) referencing its loan portfolio. The portfolio size was EUR 1 billion with a related issue of EUR 77 million CLNs by the bank's securitization program. The notes were purchased by two institutional investors, and the transaction was co-arranged by Credit Suisse International and the Austrian bank. The Austrian bank entities both arranged and originated the transaction.

The transaction marked a return of this type of transaction following the financial crisis, and featured particularly complicated regulatory capital elements and credit derivatives issues. It allowed the bank at a group level to reduce its risk-weighted-assets (RWA) by approximately €530 million, thus strengthening the Common Equity Tier 1 (CET1) ratio by 10 basis points.

- We represented a **Mexican subsidiary of a Spanish bank** on the synthetic securitization of a portfolio of Mexican SME Loans through a guarantee structure. This sophisticated structure used credit derivatives technology to provide regulatory capital relief to the bank. The counterparty was a multilateral institution. This is a highly-complex matter, requiring deep technical knowledge of derivatives to facilitate the synthetic securitization of the loan portfolio. This was the first deal of its kind successfully executed in Mexico.
- We represented the **European subsidiary of a Spanish bank** in its issuance of \$300 million worth of unsecured securities that are credit-linked to the performance of an underlying reference portfolio consisting of a pool of fixed rate motor vehicle retail installment sale contracts and/or installment secured by new and used automobiles, light-duty trucks, SUVs and vans. This is one of the first transactions in the US market, and also required drafting compliance with EU CRR rules and a CRR memo for the EBA.

- We acted as legal advisers the **US subsidiary of a UK bank** in its issuance of \$300 million issued by the Beneficiary. The Beneficiary transferred to third parties the first loss risk of a portfolio of commercial term loans and revolving credit facilities provided to various borrowers that are on the Beneficiary's balance sheet. The loan/credit pool was subject to replenishment with new loans/credit facilities for a limit period based on noncredit reductions in the existing pool. This was also one of the first transactions in the US market, and also required drafting compliance with UK CRR rules and a CRR memo for the PRA.
- We represented a leading financial institution on its funding of a client's investment in synthetic securitization structures both through financial guarantees and credit-linked notes. These deals demonstrate our status as go-to counsel to clients, on a repeat basis, in connection with the financing of these complex multi-jurisdictional significant risk transfer transactions and our ability to field highly skilled teams of lawyers from London and other global jurisdictions across several disciplines including derivatives and securitization.
- We represented a global business insurance, risk management and consulting services company as structured finance, derivatives and insurance counsel on an insurance-linked synthetic securitization, insuring the lender by way of guarantee (in derivative format) against certain credit risk linked to underlying credit-linked notes ("CLN") issued by a UK bank. The borrower used the proceeds of the loan granted by the lender to purchase certain credit-linked notes in order to use the interest payments under the Notes to pay the insurance premiums under the insurance policies guaranteeing the lender's commitment. An entirely novel and bespoke synthetic securitization that combined the lending and insurance markets to offer a guaranteed source of financing for increased interest payments using the purchase of CLNs.
- We represented the Brazilian subsidiary of a Spanish bank on a first to market capital risk transfer transaction in the Brazil referencing a BRL 6.3 billion (GBP 1 billion). Reference Portfolio comprised of senior corporate loans. Under the transaction, our client secured credit protection from multilateral institution IFC through an Unfunded Guaranteed Tranche. A key element of the transaction included navigating the Brazilian capital relief rules (for the first time). The transaction is also significant because (a) it is an example of a multilateral institution recognizing synthetic securitization as a tool to drive and encourage local banking markets; (b) a spread of European and US financial technology to the Brazilian market; and (c) an example of a global institution using capital relief techniques on a global basis.

A SELECTION OF OUR AWARDS AND RANKINGS

CHAMBERS EUROPE

- Ranked for Capital Markets: Structured Finance (Europe-wide)
- Ranked for Capital Markets: Structured Finance (Germany)

CHAMBERS GLOBAL

- Ranked for Capital Markets: Structured Finance, Securitisation & Derivatives (Global-wide)
- Ranked for Capital Markets: Structured Finance (Europe-wide)
- Ranked for Capital Markets: Structured Finance (Germany)
- Ranked for Capital Markets: Structured Finance & Derivatives (UK)
- Ranked for Capital Markets: Derivatives (USA)

CHAMBERS UK

- Ranked for Capital Markets: Structured Finance & Derivatives (London Firms)

CHAMBERS USA

- Ranked for Capital Markets: Derivatives (Nationwide)

GLOBALCAPITAL AMERICAS DERIVATIVES AWARDS

- Americas Law Firm of the Year (Overall), 2023, 2022, 2021, 2019, 2018
- US Law Firm of the Year (Transactional), 2023, 2022, 2021, 2020

- US Law Firm of the Year (Regulatory), 2017, 2016

GLOBALCAPITAL GLOBAL DERIVATIVES AWARDS

- Global Law Firm of the Year (Overall), 2019
- European Law Firm of the Year (Transactional), 2021, 2020, 2018, 2017
- European Law Firm of the Year (Regulatory), 2016

IFLR1000

- Ranked for Capital markets: Derivatives (United Kingdom)
- Ranked for Capital markets: Derivatives (United States)
- Ranked for Capital markets: Structured finance and securitisation (Germany)

THE LEGAL 500 GERMANY

- Ranked for Structured finance and securitisation

THE LEGAL 500 UK

- Ranked for Derivatives (including commodities)
- Ranked for Structured products and securitisation

THE LEGAL 500 US

- Ranked for Structured finance: Derivatives & structured products
- Ranked for Financial products (Tax)

MPF AWARDS

- Best Philanthropy Engagement, 2019

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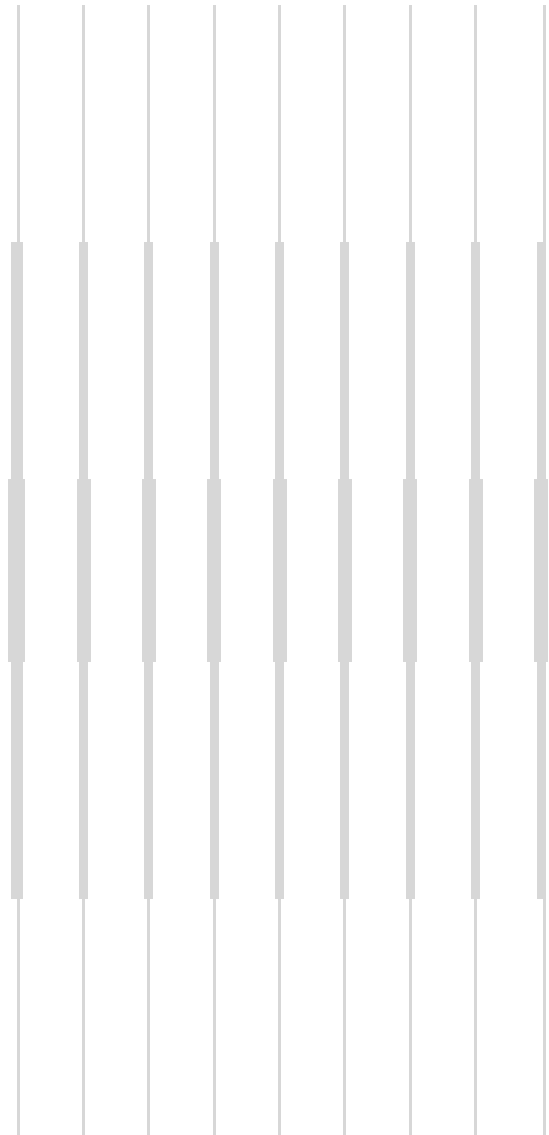
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ABOUT MAYER BROWN

Mayer Brown is an international law firm, positioned to represent the world's major corporations, funds and financial institutions in their most important and complex transactions and disputes.



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CHAMBERS-RANKED
LAWYERS

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OFFICES LOCATED IN THE
AMERICAS, ASIA AND EMEA




Its presence in international deals is due, in part, to the synergy between its London practice and its derivatives capability in New York, Hong Kong, Germany and elsewhere in Europe. This global presence enables it to be at the forefront of regulatory matters, particularly in regard to the impact of US and European regulatory developments such as the Dodd-Frank Act and EMIR. The London practice is also counsel to industry body ISDA on key matters.

Legal 500 UK



ABOUT MAYER BROWN

Mayer Brown is an international law firm, positioned to represent the world's major corporations, funds and financial institutions in their most important and complex transactions and disputes.

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