



Robin Hood Finance Limited

Liquidity and "Securitisation-Ready" Structuring

I've been involved in securitisation for a long time. In the early days-and still to some extent today-the process usually starts with a customer who wants to raise funds, save capital etc. We then look at the assets to see whether and how they could be structured so as to get a sensible deal in place.

There are two outcomes: a deal results directly, or not. In the second case, we have often improved systems and procedures so that the bank is "securitisation ready". That is, the lead time to doing a deal when required has been significantly shortened.

I have worked on this strategic approach with several banks, who saw the advantages in sorting out their own assets and procedures in a systematic way for more efficient liquidity and capital management. We did have to overcome the usual initial resistance in the form of

- "somebody once spoke to *[insert name of investment bank]* and they said that *[insert alleged problem which makes this approach impossible]*"; or indeed
- "we are all one team and work for the same bank...but not with MY assets you don't".

One bank had significant concerns about future liquidity, and started work on a feasibility/remedial study which RHF designed to get the assets "securitisation ready". This would mean that the bank would have the possibility, but not the obligation, to package and securitise pools of assets as required in the future. We had made good progress, when a call came from the Treasurer saying that they wished to postpone the project. When asked why, the Treasurer pointed to some sizeable bond issues which the bank had just done.

"We're fine on liquidity now" was the comment. "I'm going to quote J F Kennedy to you", I replied: "**the best time to fix the roof is when the sun is shining**".

The bank had further liquidity difficulties the following year. If it had been "securitisation ready" it could potentially have accessed the European Central Bank liquidity window at very favourable rates!

Richard Senior, 2008