

This 1 ½-day workshop is an overview of the techniques for analyzing the risks in Structured Finance Instruments (SFIs). The focus is on the key risks of investing in these instruments, as well as the motivations for issuing/managing SFIs.

Risk Analysis of Structured Finance Instruments

FitchLearning

Knowledge | Skills | Conduct

CariCRIS

**Caribbean Information &
Credit Rating Services Limited**

Background

With working from home now the new normal, CariCRIS has introduced virtual learning so that we can continue to facilitate the high-quality credit risk workshops that Caribbean risk professionals have grown accustomed to from us over the past 15+ years. Our live, online workshops are being provided to you at reduced prices cognisant of the difficult economic times, but with no sacrifice to the quality and comprehensiveness of the workshop content and classroom experience. Further enhancing your value for money is that you are now able to benefit from this positive learning experience from the comfort of your own home or office, and without the added burden of travel and accommodation costs and the time involved.

Our Live Online Workshops – How it works

The structure of our virtual learning programmes is designed to keep the same levels of engagement and networking as our in-person workshops. The workshops will be facilitated by highly knowledgeable and experienced instructors, who have successfully delivered their respective workshops both online and in-person over several years. Registered participants will join the workshops using standard virtual conferencing software (Microsoft Teams or Zoom) and the workshop material will be presented live by the facilitator. Participants will be allowed to ask questions real time, there will be practical case studies to be completed in groups, and the number of participants will be capped to allow for an interactive, discursive style of training, just as in the classroom-based workshops. One-day courses will be split over two half-days and two-day courses over four half-days, to ensure a high level of engagement throughout the sessions and to give participants the flexibility to get other things done during the course of a workday.

About CariCRIS

CariCRIS is the Caribbean's first regional credit rating agency. Our mission is to contribute to the development of a vibrant, integrated Caribbean capital market by setting the highest standards of credible independent analysis and opinion to enable informed financial decisions. Our technical consultant, CRISIL Limited, is the world's fourth largest rating agency and an associate company of Standard & Poor's (S&P), the world's leading index provider and the foremost source of independent credit ratings across the globe. CariCRIS has successfully delivered first-class training to hundreds of credit and risk professionals across the Caribbean over the past 15+ years.

About FitchLearning

FitchLearning partners with clients to deepen knowledge, develop skills, and enhance conduct, delivering positive business outcomes. With centres in established financial hubs including London, New York, Singapore, Dubai, and Hong Kong, we are committed to understanding complex client needs across fast-paced financial markets globally. Our learning solutions encompass an expert faculty, e-learning, coaching and blended candidate assessments, improving individual contribution and collective business performance.

About the Course

This 1 ½-day online workshop (conducted over 3 morning sessions) on risk analysis of Structured Finance Instruments (SFIs) will teach how to use a structured approach (a technique) for analyzing collateralized loan obligations (CLOs) and other asset-backed securities (ABSs), understand the key risk variables and the inputs for a risk model, understand the structural elements, why they exist, and their effectiveness, understand the motivations for managing SFIs and for investing in SFIs, and understand the reasons for debt trenching and cash flow waterfalls, as well as the techniques.

Upon completion of the workshop participants will be able to:

- Analytical Overview: Highlight key elements of the SFI market and to establish a framework of analysis for SFIs.
 - Industry Overview
 - SFIs in the context of the high yield market
 - Why SFIs? Motivations behind the deal.
 - Analytical Approach to Credit Evaluation
 - Applying the analytic framework to SFIs: Purpose, payback, risks and structure
- Risks to Repayment: Understand the issues related to the SFI assets and asset managers which could affect repayment of SFIs.
 - Underlying Assets
 - Defining the underlying assets
 - Identifying the key variables which impact likelihood of default and recovery
 - Assessing asset credit quality
 - Default probability: The use of credit ratings, calculating WARF (weighted average rating factor)
 - Recovery rate: Examining asset security and adjustments to standard assumptions
 - Impact of covenant-lite loans
 - Importance of diversification
 - Asset concentration and correlation
 - Cash flow analysis: Understanding portfolio credit quality under various stress scenarios
 - Asset Manager
 - Scope of manager's role
 - Methodology for assessing SFI asset managers
 - Key person risk
 - Management replacement provisions
- Structure: Understand how the features of SFI transactions address repayment risk and provide returns to investors.
 - Credit Enhancement
 - The role of credit enhancement: Loss allocation
 - Sizing: How the level of credit enhancement is determined for the target ratings
 - Note Profile
 - Terms and conditions
 - Ramp up, reinvestment and amortization periods

- Class X: The role of excess spread
 - Waterfall structures: Protecting priority of payments
 - Unravelling payment flows: Sources, applications and redistribution of funds
 - Expected and legal maturity; extension risk, optional redemption features
 - Structural Safeguards
 - Target portfolio characteristics and managing to dynamic collateral quality tests
 - Coverage tests (OC and IC): Rationale, definitions and implications
 - Events of default; liquidations
 - Understanding sales, trading and reinvestment criteria and controls
 - Counterparty risk
 - Legal Framework
 - Bankruptcy remoteness and non-consolidation
 - Validity of transfer/perfection of security
 - Regulatory issues: Risk retention proposals, Foreign Account Tax Compliance Act
 - Market Conditions
 - Relative value: Comparing returns across asset classes
 - Current market topics: SFIs going static, asset manager consolidation
 - SFI market performance
- Monitoring Performance: Highlight the on-going evaluation of SFI programs.
 - Timely and adequate reporting
 - Tracking portfolio changes and performance
 - Asset defaults, restructurings and recoveries
 - Surveillance and rating changes: expectations vs. performance through the cycle

Who should attend?

This workshop should be of particular interest to:

- Commercial lenders, credit analysts and small business lenders, loan review specialists, special assets officers, lending managers and credit officers.
- Relationship managers from commercial banks, credit unions and other lending institutions
- Risk analysts in banks, credit unions and other financial institutions
- Board members and Credit Committee members of financial institutions
- Banking and financial sector regulators

Profile of the Facilitator



Tracy Williams

Tracy teaches courses and seminars in Corporate Credit Analysis, Financial-Statement Analysis, Debt Structuring, Corporate Finance, Investment Banking, Project Finance, Corporate Equity Valuation, Analysis of Financial Institutions, Bank Risk Management, Risk Strategy and Risk Policy to Bankers, Risk Managers, Traders and Investors from institutions around the globe. His experience in delivering courses includes Senior Managers, Client Relationship Bankers, Fixed-Income Analysts, Compliance Managers, Equity Analysts and Project-Finance Managers and Entry-Level Analysts and Associates.

Tracy retired from JP Morgan Chase after 27 years in investment and corporate banking and risk management. For 10 years, he was a Managing Director in the Financial Institutions Group where he managed a group responsible for portfolio and risk management, credit policy, financial analysis and models, loan operations, loan structures and loans syndications for a client base of over 250 broker/dealers, investment banks, funds, futures and commodity traders, securities and derivatives exchanges and other financial institutions.

Tracy is a founding member of the Consortium Finance Network, a network and forum for over 1,100 MBA students and graduates in finance. Since 2009, he has written over 225 blog posts on current topics in corporate finance, financial regulation, banking, and capital markets for the group. He has also contributed articles on risk management and risk policy to other publications.