

# High quality securitisation: what is it?

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**Finance Watch**

Making finance serve society







## 5 Questions:

1. Will a revival of securitisation address intra EU geographical fragmentation in SME access to finance?
2. Would a tight securitisation framework create competitiveness concerns vis a vis the US?
3. Should tranching be part of the definition of high quality securitisation?
4. Will real money investors have appetite for non-tranched high quality securitisation?
5. Should we move towards full neutrality of capital charges and a full convergence towards the prudential treatment of covered bonds?



# Non-tranched securitisation

Underlying loan pool  
e.g. 1000 mortgages



One type of security issued  
and sold to investors

Defaults

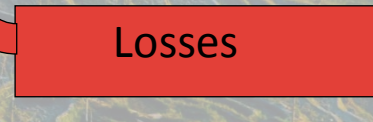
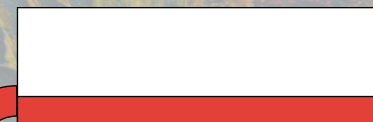
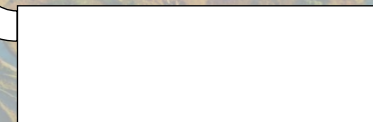
Losses

# Tranched securitisation

Underlying loan pool  
e.g. 1000 mortgages



Senior AAA  
tranche



Defaults

Losses