

Beaufort Securitisation Holding LLC

Integrated Securitisation Solutions for IFB Clients

A comprehensive framework for bank-grade structuring, risk management, regulatory compliance, and wealth solutions

PRIVATE AND CONFIDENTIAL



Executive Summary: Five Board-Level Theses

Integrated Framework

Beaufort Securitisation Holding LLC operates as IFB's integrated platform for securitisation, asset management and wealth solutions, applying bank-grade standards across all client segments¹

Regulatory Excellence

Our structures incorporate forward-looking compliance with EU/UK Securitisation Regulations, Basel III final, and cross-border frameworks to ensure resilience against regulatory scrutiny²

Economic Optimisation

Client solutions deliver quantifiable benefits: 25-75% RWA relief for banks, 40-85bps funding advantage vs unsecured, and 15-30% balance sheet efficiency for corporates³

Risk-Transfer Efficacy

Structures are engineered to achieve demonstrable risk transfer with robust legal opinions, accounting derecognition where appropriate, and resilience under stress⁴

Execution Certainty

Rigorous workflows, governance, and market-tested playbooks ensure consistent execution, minimising operational friction and achieving 85-97% success probability⁵

¹ Internal Beaufort-IFB Operating Model, effective January 2024

² EU Securitisation Regulation 2017/2402, UK Securitisation Regulation 2018, Basel III final rules 2023

³ Beaufort transaction data 2020-2023, comparative analysis vs alternative funding/capital solutions

⁴ Based on successful SRT applications and legal opinions from Magic Circle firms 2021-2023

⁵ Transaction execution statistics across 42 completed deals 2019-2023

Client Archetypes and Their Objectives

1

Corporates

Primary objectives: Diversify funding sources, optimise working capital, achieve off-balance sheet treatment, reduce funding costs

Key constraints: Reporting burden, financial covenants, rating impact, disclosure requirements

Typical assets: Trade receivables, lease portfolios, equipment, intellectual property

2

Specialty Lenders

Primary objectives: Scalable funding, reduced warehouse dependency, attract institutional capital, match-fund assets

Key constraints: First-time issuer premium, performance track record, operating history, servicing capability

Typical assets: Consumer loans, SME loans, equipment finance, mortgages, BNPL receivables

3

Banks

Primary objectives: Capital relief, RWA optimisation, liquidity management, portfolio rebalancing

Key constraints: Regulatory approval for SRT, accounting consolidation, Pillar 2 add-ons, risk retention

Typical assets: Corporate loans, SME portfolios, project finance, residential mortgages, trade finance

4

UHNW and Family Offices

Primary objectives: Yield enhancement, portfolio diversification, asset-backed exposure, inflation protection

Key constraints: Liquidity requirements, risk appetite, governance burden, reporting complexity

Typical investment focus: Private credit, structured notes, securitised assets, collateralised fund obligations

Product Stack Overview

True-Sale ABS

Legal transfer of assets to bankruptcy-remote SPV, with issuance of securities backed by segregated asset pool

Variants: RMBS, CMBS, Consumer ABS, SME ABS, Trade Finance, Infrastructure

Synthetic CRT

Risk transfer without asset sale using credit derivatives or guarantees, primarily for capital relief

Formats: Funded/unfunded protection, credit-linked notes, guarantees, insurance wrappers

ABCP/Conduits

Short-term funding via conduits for revolving asset pools with bank liquidity support

Applications: Trade receivables, inventory finance, working capital solutions

Covered Bonds

On-balance sheet dual-recourse instruments with segregated cover pool and legislative protection

Assets: Primarily mortgages and public sector loans, premium funding costs

Structured Notes

Bespoke yield-enhancement products for UHNW clients linked to securitised cashflows

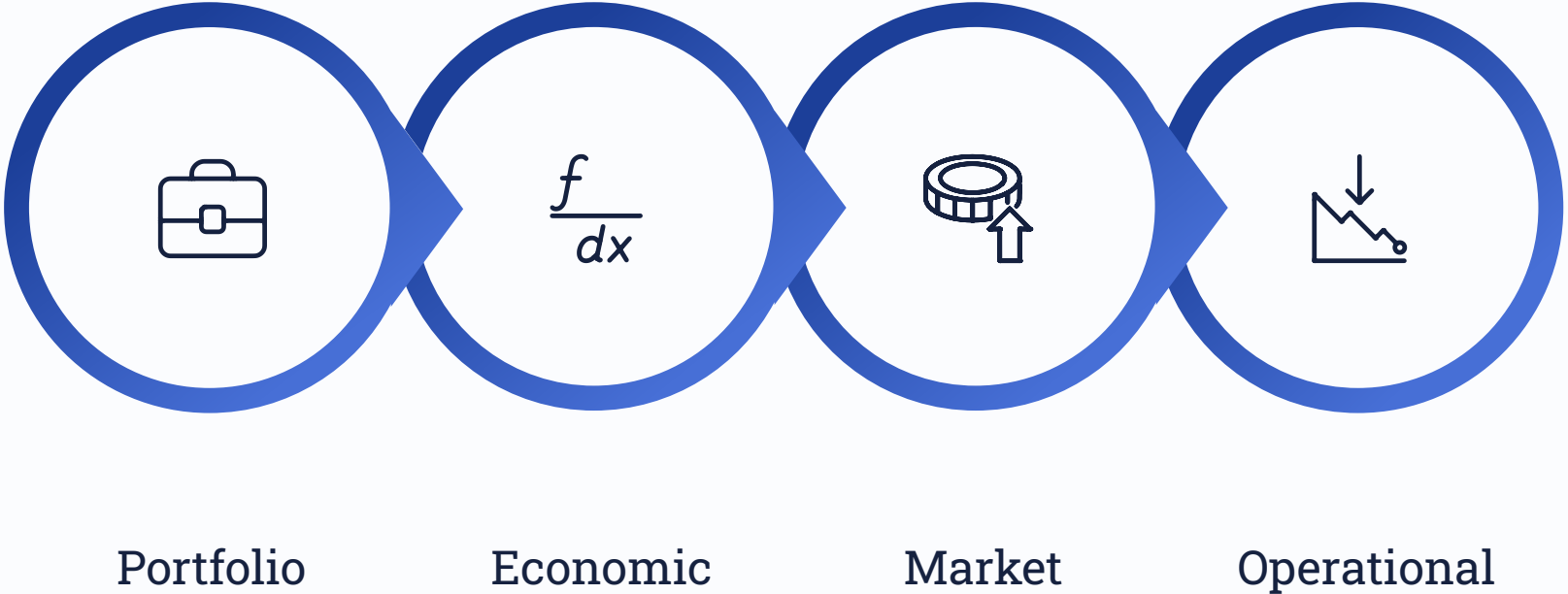
Features: Capital protection options, yield enhancement, customised risk/return profiles

Managed Funds

Pooled investment vehicles focused on securitised assets with professional portfolio management

Strategies: ABS-focused credit funds, CLOs, specialty finance, private credit

When to Securitise: Decision Framework



Build vs Buy vs Borrow Thresholds

- **Build (self-execution)**: Portfolio >€250M, anticipated recurring issuance, in-house expertise, strategic programme
- **Buy (full-service solution)**: First-time issuer, portfolio €50-250M, resource constraints, timing priority
- **Borrow (alternative funding)**: Portfolio <€50M, simple needs, time-sensitive, relationship-driven approach

Key Decision Criteria Weightings

Criterion	Weight
Funding cost advantage	25%
Capital impact	20%
Balance sheet treatment	15%
Operational complexity	15%
Market/timing considerations	15%
Investor diversification	10%

Source: Beaufort Securitisation Decision Matrix, updated Q1 2024. Weightings should be adjusted based on specific client objectives.

IFB-Beaufort Operating Model



RACI Matrix: Key Accountabilities

Function	IFB	Beaufort	Joint
Client relationship management	R/A	C	-
Structuring and solution design	I	R/A	-
Due diligence coordination	C	R/A	-
Regulatory compliance	C	C	R/A
Investor placement	C	R	A
Documentation and legal	C	R/A	-
Account bank & custody	R/A	I	-
Reporting & surveillance	I	R/A	-

R = Responsible, A = Accountable, C = Consulted, I = Informed
Source: IFB-Beaufort Operating Protocol, January 2024. Conflicts managed through information barriers and governance structure.

Origination to Placement Workflow

Gating Artefacts

- **Phase 1: Opportunity Qualification**
 - Initial opportunity assessment memo
 - Client objectives documentation
 - Preliminary asset eligibility check
 - Conflict and suitability review
- **Phase 2: Solution Design**
 - Detailed term sheet
 - Preliminary structure diagram
 - Economic analysis with sensitivities
 - Regulatory impact assessment
- **Phase 3: Execution Preparation**
 - Due diligence plan and data tape
 - Legal opinion scoping documents
 - Rating agency presentation
 - Investor marketing strategy
- **Phase 4: Transaction Execution**
 - Final transaction documents
 - Signed legal opinions
 - Rating letters (if applicable)
 - Closing memorandum

Source: Beaufort Transaction Workflow Handbook, updated Q4 2023. Timeline typically 12-16 weeks for first-time issuers, 6-10 weeks for repeat transactions.



Jurisdiction Shortlist for SPVs and Listings



Ireland

Strengths: EU domicile, established SPV regime, favourable tax treaties, strong legal opinions, Euronext Dublin listing venue

Considerations: Subject to EU Securitisation Regulation, substance requirements, DAC6 reporting



Luxembourg

Strengths: EU domicile, securitisation law, multiple SPV forms, Luxembourg Stock Exchange, multilingual infrastructure

Considerations: Higher cost base, substance requirements, ATAD implementation



United Kingdom

Strengths: Common law, established SPV market, London Stock Exchange, strong legal precedents

Considerations: Non-EU status, UK Securitisation Regulation, post-Brexit positioning



Cayman Islands

Strengths: Flexible vehicle options, cost-efficient, bankruptcy remoteness, common law system

Considerations: Non-EU/UK/US, blacklist concerns, substance requirements, FATCA/CRS

Selection Criteria Weighting Model

Selection Criterion	Weight	Description
Regulatory environment	25%	Alignment with regulatory regime relevant to assets/investors
Legal framework	20%	Strength of legal opinions, precedent, bankruptcy remoteness
Tax efficiency	15%	Withholding tax, income tax, VAT, treaty access
Cost and efficiency	15%	Setup and ongoing operational costs
Investor preference	10%	Market acceptance and investor familiarity
Listing options	10%	Availability and requirements of listing venues
Reputational profile	5%	ESG considerations, blacklist/greylist status

Source: Beaufort Jurisdiction Selection Framework, Q1 2024. Weights may be adjusted based on specific transaction requirements and client priorities.

Comparative Jurisdiction Matrix

Criterion	Ireland	Luxembourg	UK	Cayman	Netherlands	Delaware
SPV forms available	DAC, Section 110	SCSp, SecCo	Ltd, PLC	Ltd, SPC, LLC	BV, Stichting	LLC, DST
Securitisation regime	EU Reg	EU Reg + Sec Law	UK Reg	None specific	EU Reg	US (Reg AB II)
Risk retention rules	EU 5%	EU 5%	UK 5%	Varies by investor	EU 5%	US rules
Tax neutrality	High	High	High	Very high	Medium	Medium
Withholding tax	Exemptions	Exemptions	Exemptions	None	Exemptions	30% (treaties)
Substance requirements	Medium	Medium-High	Medium	Increasing	Medium-High	Low
Listing venue	Euronext Dublin	LuxSE	LSE	CSX/ISE/LSE	Euronext	NYSE/Nasdaq
Setup costs	€30-40k	€40-60k	£25-35k	\$15-25k	€35-45k	\$40-60k
Annual costs	€25-35k	€30-50k	£20-30k	\$15-25k	€25-40k	\$30-50k
FATCA/CRS	Yes	Yes	Yes	Yes	Yes	Yes
EU blacklist status	No	No	No	Monitoring	No	No
Privacy laws	GDPR	GDPR	UK GDPR	DPA	GDPR	State/Federal

Jurisdiction Selection Decision Tree



Regulatory Perimeter

EU Regulatory Framework

- **Primary Legislation:** Securitisation Regulation 2017/2402 (amended)
- **Key Features:**
 - Due diligence requirements (Article 5)
 - Risk retention 5% (Article 6)
 - Transparency obligations (Article 7)
 - Ban on resecuritisation (Article 8)
 - STS framework for qualifying transactions
- **Capital Requirements:** CRR Articles 244-245 for SRT, amended capital floors under Basel III final

UK Regulatory Framework

- **Primary Legislation:** UK Securitisation Regulation 2018 (onshored)
- **Key Features:**
 - Largely mirrors EU framework
 - FCA/PRA as competent authorities
 - UK STS framework
 - Potential divergence post-Brexit
- **Capital Requirements:** UK CRR for SRT determination, PRA supervisory statements

US Regulatory Framework

- **Primary Legislation:** Dodd-Frank, Regulation AB II
- **Key Features:**
 - Asset-level disclosure requirements
 - Risk retention rules (sponsor focus)
 - Rating agency requirements (Rule 17g-5)
 - Volcker Rule considerations
- **Securities Framework:** 1933 Act registration or exemptions (Rule 144A, Reg S)

What Is and Is Not Regulated

Element	Regulated	Not Regulated (Generally)
Transaction structure	STS criteria, risk retention	SPV type selection, waterfall design
Disclosure	Standardised templates, reporting frequency	Format of investor presentations
Marketing	PRIIPs KID, MiFID target market	Roadshow strategy, investor selection
Parties	Originator/sponsor/SSPE obligations	Choice of service providers
Assets	Underwriting standards disclosure	Asset selection criteria (beyond disclosure)

Source: Regulatory mapping exercise based on EU Securitisation Regulation 2017/2402, UK Securitisation Regulation 2018, US Regulation AB II, and related legislation as of January 2024. Subject to ongoing regulatory developments.

True-Sale Structuring: Core Elements

Asset Considerations

- **Eligibility Criteria:**
 - Legal transferability without restrictions
 - Clear ownership documentation
 - Homogeneous characteristics
 - Predictable cash flow profile
 - Sufficient performance history
- **Portfolio Parameters:**
 - Concentration limits
 - Weighted average life/maturity
 - Geographic distribution
 - Credit quality thresholds
 - Seasoning requirements

Credit Enhancement Mechanisms

- **Internal:**
 - Subordination (tranching)
 - Overcollateralisation
 - Excess spread
 - Reserve funds
 - Triggered amortisation
- **External:**
 - Guarantees
 - Letters of credit
 - Insurance policies
 - Liquidity facilities
 - Hedging instruments

Waterfall Structure and Trigger Events

Pre-Enforcement Waterfall

1. Senior fees and expenses
2. Swap payments
3. Class A interest
4. Class A principal (pro-rata or sequential)
5. Class B interest
6. Class B principal
7. Reserve account replenishment
8. Subordinated fees
9. Excess to originator

Common Trigger Events

- Portfolio performance triggers (delinquency, default)
- Originator/servicer events (insolvency, breach)
- Structural events (reserve fund draw)
- Time-based triggers (step-up date, clean-up call)

Post-Trigger Modifications

- Switch from pro-rata to sequential amortisation
- Trapping of excess spread
- Accelerated amortisation
- Increased reserve requirements
- Servicer replacement

Synthetic CRT Structuring

Protection Formats

Format	Description	Considerations
Funded CDS	Full upfront collateralisation	Credit support, counterparty risk mitigation
Unfunded CDS	Protection without upfront payment	Counterparty exposure, lower cost
Financial Guarantee	Legal guarantee structure	Jurisdictional implications, enforceability
Credit-Linked Notes	Funded notes with embedded CDS	Investor-friendly format, funding benefit
Insurance Policies	Traditional insurance wrapper	Regulatory treatment, claims process

SRT Tests for Banks

- **CRR Article 245 Quantitative Tests:**
 - Mezzanine test: First loss + transferred risk ≥ 50% of RWA
 - First loss test: Significant first loss transferred
 - Concentration ratio test for large exposures
- **Regulatory Expectations:**
 - Clear risk transfer demonstration
 - Absence of implicit support
 - Comprehensive risk assessment
 - Regulatory notification/approval

Key Structural Considerations

Credit Events

- Failure to pay
- Bankruptcy/insolvency
- Restructuring (full or modified)
- Acceleration of obligation
- Repudiation/moratorium

Reference Portfolio

- Eligibility criteria
- Portfolio notification
- Replenishment conditions
- Concentration limits
- Permitted variations

Settlement

- Cash vs physical settlement
- Verification procedures
- Loss calculation methodology
- Settlement timeframes
- Dispute resolution

Regulatory Alignment

- SRT criteria satisfaction
- Disclosure requirements
- Risk retention compliance
- Counterparty eligibility
- Ongoing monitoring

Risk Retention Choices



EU/UK Retention Options (Article 6)

- **Vertical (a):** 5% of nominal value of each tranche
- **Horizontal (d):** First loss exposure of ≥5% of securitised exposures
- **Originator's Interest (b):** 5% of securitised exposures (random selection)
- **First Loss (c):** First loss in each asset securitised (originator's transactions)
- **Seller's Interest (e):** ≥5% of nominal value (revolving securitisations)

US Risk Retention Framework

- **Standard Options:**
 - Vertical: 5% of each class of ABS interests
 - Horizontal: 5% of fair value of all ABS interests
 - L-shaped: Combination of vertical and horizontal
- **Asset-Specific Options:**
 - CMBS: Third-party purchaser (B-piece buyer)
 - ABCP: Originator-seller or majority-owned affiliate
 - CLOs: Lead arranger retention for qualifying loans

Sponsor Vehicle Structures

Structure Type	Description	Key Considerations	Regulatory Acceptance
Majority-Owned Affiliate (MOA)	Entity majority-owned by originator/sponsor	Consolidation, control rights, funding	Accepted in US, scrutinised in EU/UK
Capitalised Manager Vehicle	Asset manager entity capitalised for retention	Capital requirements, alignment of interests	Increasingly scrutinised by EU regulators
Originator SPV	Special purpose originator established pre-closing	Substance requirements, role in origination	Subject to "sole purpose" test in EU/UK
Collateralised Retention	Retention holder with secured financing	Recourse limitations, control provisions	Regulatory risk increasing in EU

Rating Strategy

Rating Agency Selection Criteria

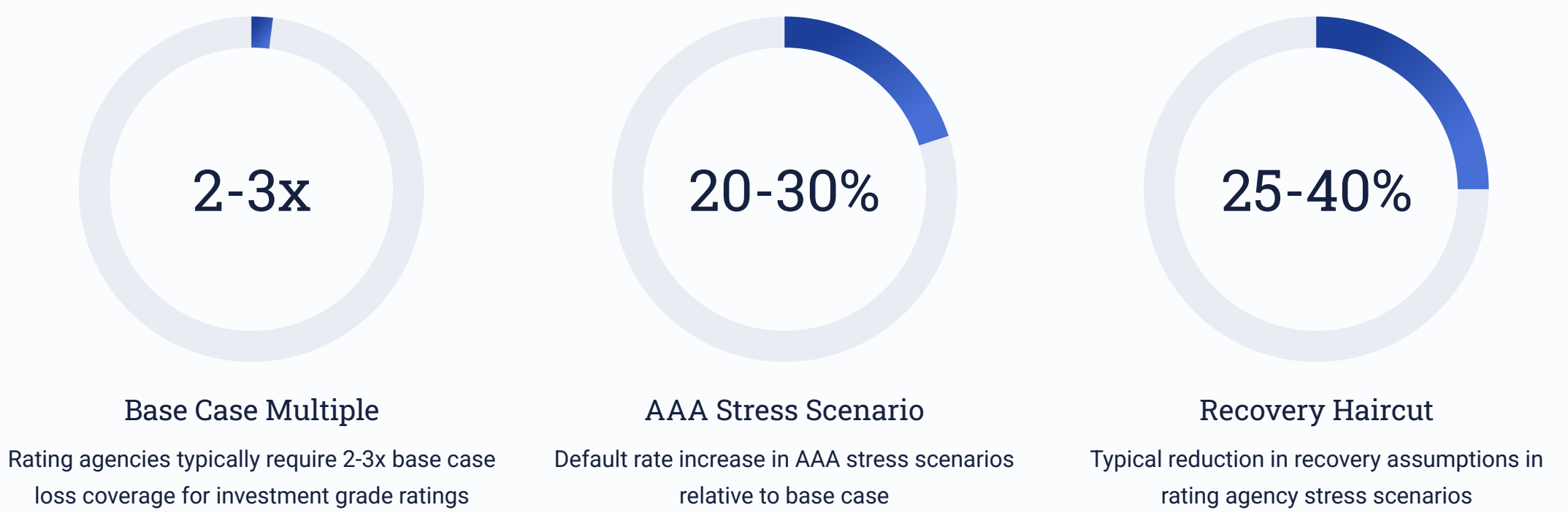
- **Market Acceptance:** Investor requirements and preferences for specific asset classes
- **Methodology Alignment:** Compatibility with transaction structure and asset performance
- **Historical Approach:** Track record in similar transactions
- **Analytical Resources:** Expertise in relevant jurisdictions and assets
- **Commercial Terms:** Initial and ongoing rating fees
- **EU/UK Registration:** Regulatory compliance for regulated investors

Rating Process Timeline

1. **Initial Engagement (Week 1-2):** RFP, methodology discussion, fee agreement
2. **Data Submission (Week 3-4):** Loan-level data, pool stratifications, historical performance
3. **Analytical Review (Week 5-8):** Cash flow modelling, stress scenarios, structural analysis
4. **Rating Committee (Week 9):** Presentation of findings, preliminary rating
5. **Documentation Review (Week 10-12):** Legal structure, transaction documents
6. **Final Rating (Closing):** Rating letter issuance

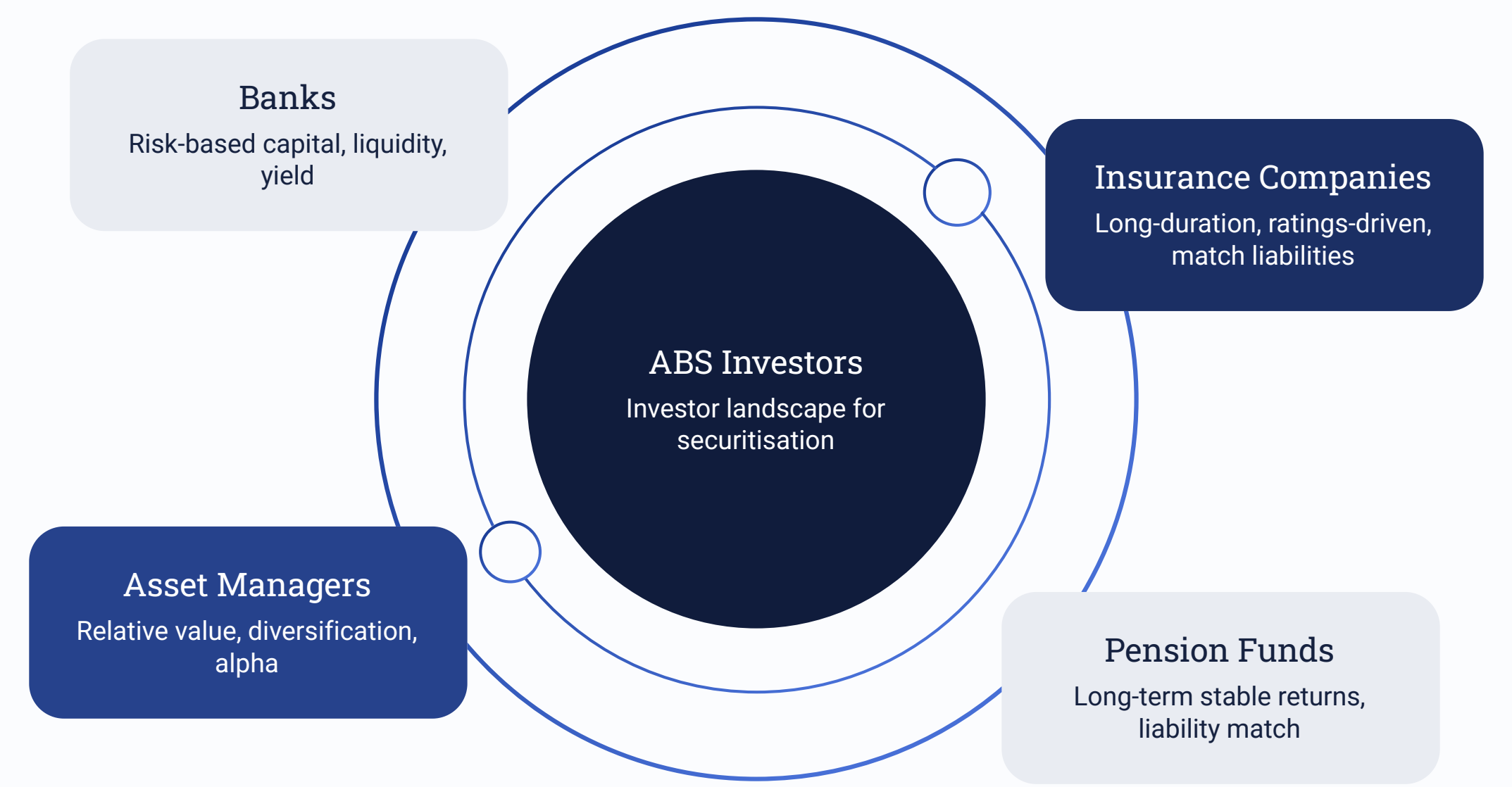
Credit Enhancement Sizing by Target Rating

Rating Target	Consumer ABS	RMBS	CMBS	SME CLO	Trade Receivables
AAA/Aaa	15-25%	18-30%	25-40%	30-45%	18-30%
AA/Aa2	12-20%	15-25%	20-35%	25-40%	15-25%
A/A2	8-15%	10-20%	15-30%	18-30%	10-20%
BBB/Baa2	5-10%	7-15%	10-20%	12-25%	7-15%
BB/Ba2	3-7%	5-10%	7-15%	8-18%	4-10%



Source: Beaufort Rating Advisory, based on typical enhancement levels for European transactions 2020-2023. Actual requirements vary by jurisdiction, collateral quality, structure, and agency methodology.

Investor Strategy



144A vs Reg S Considerations

Feature	Rule 144A	Regulation S
Investor Base	US QIBs	Non-US investors
Disclosure Standard	Higher	Market standard
Due Diligence	Extensive	Jurisdiction-dependent
Liquidity	Deeper market	More limited
Legal Complexity	Higher	Lower
Timing	Longer	Faster execution
Cost	Higher	Lower

Investor Targeting Matrix

Senior Tranches (AAA/AA)

- Bank treasury departments
- Central banks (where eligible)
- Insurance companies (general account)
- Large asset managers

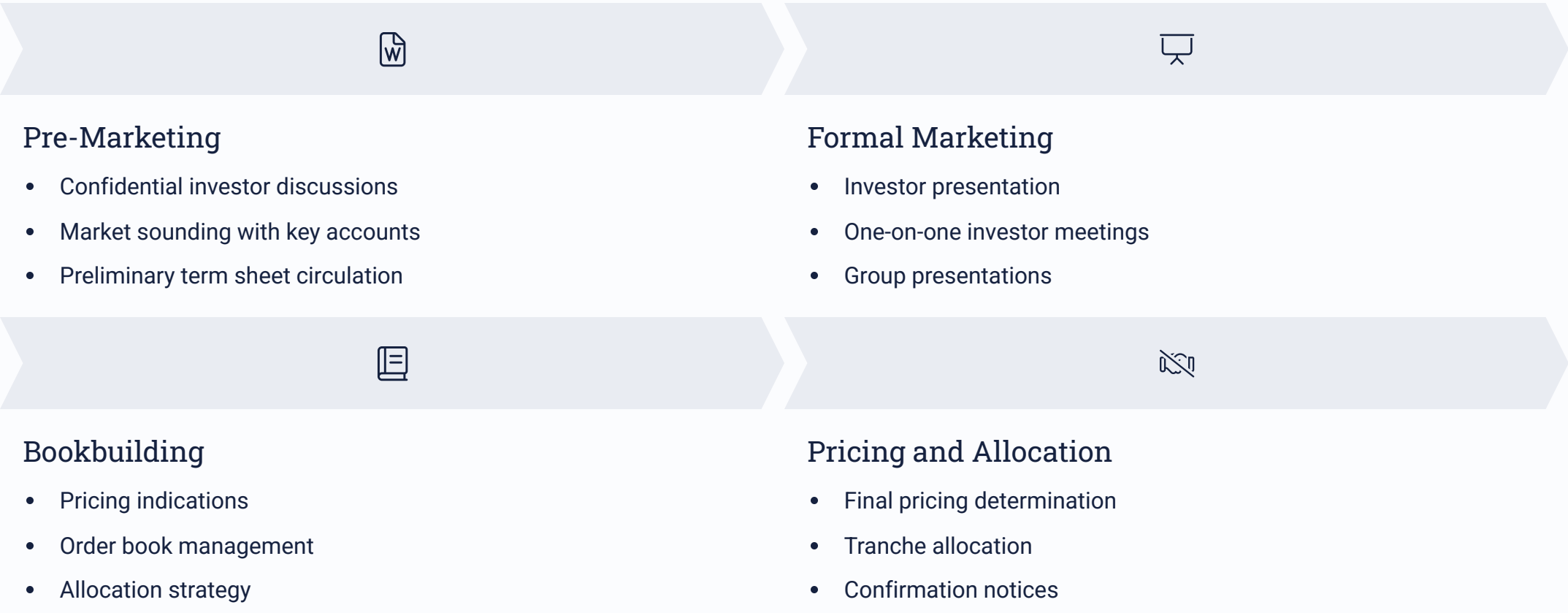
Mezzanine Tranches (A/BBB)

- Insurance companies
- Pension funds
- Asset managers (ABS-focused)
- Bank investment portfolios

Junior Tranches (BB and below)

- Credit hedge funds
- Specialty ABS investors
- Private credit funds
- Asset managers (high yield)

Roadshow and Disclosure Strategy



Source: Beaufort Investor Relations Handbook, 2023. Marketing strategy should be tailored to asset class, jurisdiction, and target investor universe.

Term Sheet Blueprint

Mandatory Clauses

- **Transaction Overview**
 - Transaction parties
 - SPV structure and jurisdiction
 - Transaction size and expected closing
- **Portfolio Information**
 - Asset description and eligibility criteria
 - Portfolio characteristics
 - Asset selection methodology
- **Securities Structure**
 - Tranche sizes and ratings
 - Coupon structure and payment frequency
 - Legal maturity and expected maturity
- **Credit Enhancement**
 - Subordination levels
 - Reserve fund mechanics
 - Excess spread capture

Negotiable Elements

- **Transaction Mechanics**
 - Revolving period length
 - Clean-up call threshold
 - Step-up margin and timing
 - Replenishment criteria
- **Trigger Events**
 - Performance trigger levels
 - Servicer termination events
 - Amortisation triggers
 - Reserve fund release conditions
- **Documentation Standards**
 - Reps and warranties scope
 - Reporting frequency and content
 - Investor voting rights
 - Modification provisions

Key Term Sheet Specifications by Asset Class

Feature	RMBS	Consumer ABS	Trade Receivables	SME Loans
Typical WAL	3-7 years	1-3 years	0.5-1 year	2-4 years
Payment Frequency	Quarterly	Monthly	Monthly	Quarterly
Revolving Period	Rare	1-2 years	1-3 years	0-2 years
Key Triggers	LTV, arrears	Yield, delinquency	Dilutions, DSO	Default rate, coverage
Common Credit Enhancement	Subordination, excess spread	Reserve fund, excess spread	Dynamic OC, dilution reserve	Subordination, reserve fund
Call Options	10% clean-up	10% clean-up	Programme termination	10% clean-up

Source: Beaufort Transaction Documentation Guide, 2023. Term sheet should be drafted in collaboration with legal counsel to ensure alignment with rating, regulatory, and investor requirements.

Data Tape and Due Diligence

Core Data Tape Fields

All Asset Classes

- Unique asset identifier
- Asset origination date
- Original principal balance
- Current balance
- Interest rate/yield
- Maturity date
- Payment frequency
- Amortisation type
- Current status (performing/delinquent)
- Geographic location
- Industry classification (where applicable)

Due Diligence Process

Preliminary Assessment

- Portfolio stratification
- Eligibility criteria confirmation
- Performance history review
- Data quality assessment

Legal Review

- Document enforceability
- Assignment validity
- Reps and warranties
- Regulatory compliance
- Set-off/commingling risks

Asset-Specific Fields

- **Mortgages:** LTV, property value, property type, occupancy status, income verification, payment type
- **Consumer Loans:** Borrower score, debt-to-income, loan purpose, employment status, verification level
- **Trade Receivables:** Obligor rating, invoice date, due date, dilution history, concentration, relationship tenor
- **SME Loans:** Company size, financials (leverage, coverage), security package, guarantees, covenants
- **Auto Loans/Leases:** Vehicle type, new/used, manufacturer, model year, residual value assumptions

Detailed Analysis

- Statistical sampling
- File review (10-15% of assets)
- Servicing procedures audit
- IT systems assessment
- Cash flow reconciliation

Final Documentation

- Due diligence report
- Red flag analysis
- Data integrity certification
- Rep and warranty framework
- Remediation provisions

Legal Opinions Map



Key Opinion Contents

True Sale Opinion

- Legal effectiveness of asset transfer
- Analysis of recharacterisation risk
- Bankruptcy remoteness assessment
- Perfection requirements
- Clawback risk analysis

Non-Consolidation Opinion

- SPV independence
- Corporate governance assessment
- Arm's length relationship analysis
- Substantive consolidation risk

Tax Opinion

- Tax treatment of SPV
- Withholding tax analysis
- VAT implications
- Stamp duty/transfer taxes
- Tax treaty eligibility

Enforceability Opinion

- Valid and binding obligations
- Choice of law effectiveness
- Jurisdiction and enforcement
- Regulatory compliance
- Contractual remedies assessment

Jurisdictional Requirements and Assumptions

Jurisdiction	True Sale Requirements	Key Legal Risks	Standard Assumptions
England & Wales	Absolute assignment, notice requirements	Preference period, connected party transactions	Corporate capacity, due execution, commercial reasonableness
Germany	Assignment documentation, notification requirements	Extended clawback periods, consumer protection	Corporate authority, good faith, no insolvency
France	Bordereau de cession, Dailly law compliance	Nullity period, asset eligibility	Valid corporate existence, due authorisation, no fraud
Spain	Public deed, Escritura formalities	Asset registration, retroactivity risks	Corporate authorisations, no rescission events
Italy	Law 130/99 compliance, publication requirements	Revocatory action, registration requirements	Corporate power, valid authorisation, no impediments
US	UCC perfection, "true sale" analysis	Substantive consolidation, preference period	Corporate existence, authority, enforceability of obligations

Source: Beaufort Legal Opinion Framework based on Magic Circle and leading counsel guidance as of December 2023. Specific requirements vary by transaction structure, asset class, and regulatory regime.

Accounting and Consolidation

IFRS 9 Derecognition Tests

1. **Rights to Cash Flows Expired or Transferred:** Legal transfer of contractual rights to receive cash flows
2. **Risks and Rewards Analysis:**
 - Substantially all risks and rewards transferred → Full derecognition
 - Substantially all risks and rewards retained → No derecognition
 - Some risks and rewards transferred → Control test
3. **Control Test:** Does the transferee have the practical ability to sell the asset?
 - Yes → Derecognition to extent of continuing involvement
 - No → Continued recognition

IFRS 10 Consolidation Assessment

Determine if SPV is Controlled

Control exists when investor has:

- Power over the investee
- Exposure to variable returns
- Ability to use power to affect returns

Evaluate Exposure to Returns

Consider financial and non-financial exposure:

- Retained tranches/interests
- Fees (fixed vs performance-based)
- Guarantees or liquidity support
- Implicit support expectations

US GAAP Considerations

Sale Accounting (ASC 860)

- Legal isolation of transferred assets
- Transferee's right to pledge or exchange
- Transferor's surrender of effective control

Consolidation Analysis (ASC 810)

- Variable Interest Entity (VIE) determination
- Primary beneficiary identification:
 - Power to direct activities
 - Obligation to absorb losses/right to receive benefits
- Related party considerations

Assess Power

Analyse relevant activities that significantly affect returns:

- Asset selection/management
- Funding decisions
- Servicing defaulted assets
- Managing liquidity

Analyse Link Between Power and Returns

Determine if power is exercised as principal:

- Decision-maker role assessment
- Agent vs principal analysis
- Consideration of rights held by others
- Remuneration structure

Tax and Substance Considerations

SPV Tax Neutrality Framework

- **Corporate Income Tax:**
 - Matching of income and expense
 - Thin capitalisation considerations
 - Transfer pricing compliance
 - Special tax regimes (e.g., Section 110 in Ireland)
- **Withholding Tax:**
 - Domestic exemptions
 - Treaty access requirements
 - Beneficial ownership analysis
 - Principal purpose test (BEPS)

Substance Requirements

- **Economic Substance:**
 - Local director requirements
 - Board meeting location and frequency
 - Physical presence/office space
 - Staff employment
- **Decision-Making Authority:**
 - Local board decision-making evidence
 - Delegated authorities
 - Service provider oversight
 - Documentation of deliberations

VAT and Indirect Tax Considerations

Jurisdiction	SPV VAT Status	Servicing	Management Services	Key Risks
UK	Generally exempt	Standard rate	Exempt	Irrecoverable VAT on costs
Ireland	Section 110 exemption	Standard rate	Exempt	Section 110 qualification
Luxembourg	VAT group options	Standard rate	Exempt	Securitisation law scope
Netherlands	Taxable person	Standard rate	Exempt	VAT grouping limitations
Germany	Entrepreneurial activity	Standard rate	Exempt with options	Deemed supplies on transfer

Permanent Establishment Risk Mitigation

Structural Safeguards Ensure SPV contracts executed in jurisdiction of incorporation, board meetings physically held in jurisdiction, and major decisions documented as made locally	Operational Controls Implement clear service provider agreements with scope limitations, avoid agent authority to conclude contracts, and maintain proper functional analysis documentation	Documentation Requirements Maintain comprehensive minutes of board meetings, evidence of local substance, and clear delegation policies with appropriate limitations
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Cash Management



Account Bank Framework

Account Type	Purpose	Typical Features
Collection Account	Initial receipt of asset cashflows	Daily/weekly sweeps, servicer access
Transaction Account	Waterfall payment processing	Calculation agent control, payment date funding
Reserve Account	Liquidity and credit enhancement	Trigger-based funding/release, permitted investments
Swap Collateral Account	Collateral for hedge counterparties	Segregated from transaction, specific collateral terms

Commingling Risk Mitigants

- **Structural Protections:**
 - Daily/weekly sweeps to SPV accounts
 - Direct debit arrangements
 - Dedicated collection accounts
 - Trust declarations over collections
- **Counterparty Requirements:**
 - Rating triggers for account banks
 - Replacement provisions
 - Downgrade remediation periods
 - Guarantees for sub-threshold banks

Reserve Fund Design

Liquidity Reserve

- **Sizing:** Typically 1-2% of outstanding balance or 3-6 months of senior expenses and interest
- **Purpose:** Cover temporary cashflow shortfalls, ensure timely payment of senior obligations
- **Replenishment:** Senior position in waterfall, must be fully funded before subordinated payments
- **Release:** Generally released at transaction end, may step-down based on performance triggers

Credit Reserve

- **Sizing:** Based on expected loss multiples, typically 2-5% of initial balance
- **Purpose:** Absorb portfolio losses, provide credit enhancement to senior tranches
- **Replenishment:** May have partial replenishment from excess spread
- **Release:** Performance-based amortisation, often with floor amounts

Commingling Reserve

- **Sizing:** Typically 1-2 months of collections
- **Purpose:** Mitigate servicer insolvency risk and collection commingling exposure
- **Funding:** Often contingent on servicer downgrade or specific triggers
- **Release:** Upon servicer replacement or upgrade above trigger levels

Set-Off Reserve

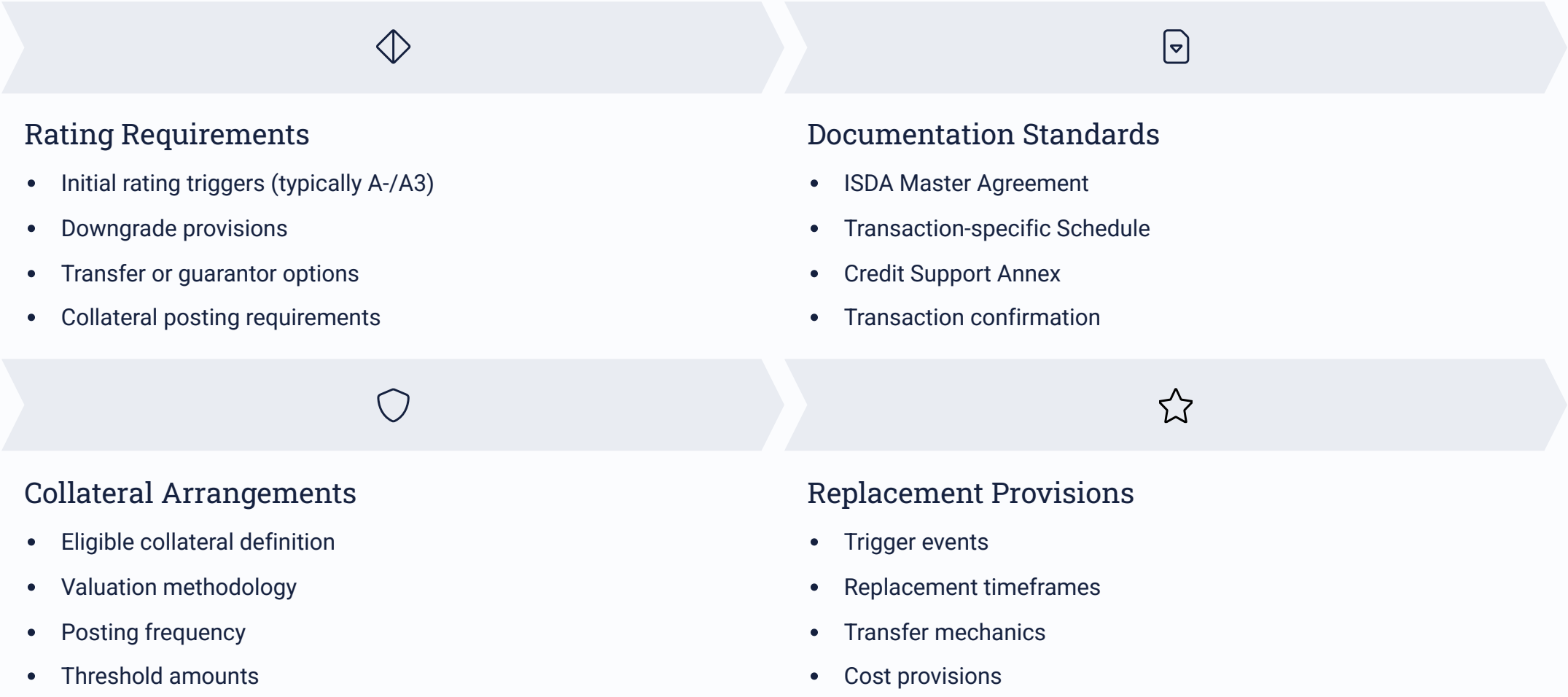
- **Sizing:** Based on potential set-off exposure (e.g., deposit balances)
- **Purpose:** Cover potential obligor set-off risks in bank originator transactions
- **Funding:** Often contingent on originator downgrade
- **Release:** Upon originator replacement or upgrade above trigger levels

Hedging and Liquidity

Common Basis Risks in Securitisation

Risk Type	Description	Hedging Approach	Considerations
Interest Rate Risk	Mismatch between fixed/floating rates on assets and liabilities	Interest rate swaps, caps	Negative carry, breakage costs, margin calls
Currency Risk	Assets and liabilities denominated in different currencies	Cross-currency swaps	Higher cost, counterparty exposure, collateral requirements
Timing Risk	Mismatch between asset payments and liability due dates	Liquidity facility, reserves	Sizing, availability, cost
Prepayment Risk	Early repayment of assets creating reinvestment risk	Amortising swaps, callable notes	Hedging cost, breakage provisions, market risk
Index Basis Risk	Different indices used on assets vs liabilities (SONIA vs EURIBOR)	Basis swaps	Spread volatility, liquidity, market access

Hedge Counterparty Framework



Liquidity Facility Design

Key Features

- Size:** Typically 2-5% of outstanding note balance
- Availability Period:** Coterminous with notes or shorter with renewal options
- Drawing Conditions:**
 - Income deficiency for senior expenses and interest
 - Exclusion for credit losses
 - Pro-rata drawing mechanics
- Repayment:** Senior position in waterfall, typically required to be repaid before subordinated payments

Provider Requirements

- Rating Thresholds:** Typically A-/A3 or higher
- Downgrade Provisions:**
 - 30-60 day replacement period
 - Cash collateralisation option
 - Guarantor arrangements
- Commitment Fee:** Typically 0.5-1.5% p.a. on undrawn amount
- Drawn Rate:** Benchmark + margin (1.5-3.0%)

Source: Beaufort Hedging and Liquidity Framework, 2023. Approach should be tailored to portfolio characteristics, liability structure, and market conditions.

Fees and Costs

0.5-2.0%	0.25-1.0%	€200-...	€75-200K
Arranger/Structuring Fee	Placement Fee	Legal Expenses	Rating Agency Fees
One-time fee based on transaction size, typically higher for first-time issuers and complex structures	One-time fee for marketing and distribution of securities, varies by investor type and placement difficulty	Transaction documentation, legal opinions, and due diligence costs across multiple jurisdictions	Initial rating analysis fees, varying by number of tranches, complexity, and agencies engaged

Ongoing Annual Costs

Service	Typical Annual Cost	Fee Basis	Key Variables
Trustee	€30,000-50,000	Fixed + transaction activity	Transaction complexity, number of duties
Paying Agent	€15,000-30,000	Fixed + per payment	Number of notes, payment frequency
Corporate Services	€20,000-40,000	Fixed fee	Jurisdiction, director requirements
Calculation Agent	€25,000-45,000	Fixed + per calculation	Report complexity, frequency
Account Bank	€10,000-25,000	Fixed + activity based	Number of accounts, transaction volume
Servicer	0.25-1.00% of portfolio	Percentage of assets	Asset class, portfolio size, special servicing
Rating Surveillance	€5,000-15,000 per tranche	Fixed per rated tranche	Rating agency, number of tranches
Audit	€20,000-40,000	Fixed fee	Complexity, jurisdiction, reporting requirements
Listing Agent	€5,000-10,000	Fixed fee	Listing venue, ongoing obligations

Transaction Size Economies of Scale

3.0-4.0%	1.5-2.5%	0.75-1.5%
Small Transactions (€50-100M)	Medium Transactions (€100-250M)	Large Transactions (€250M+)
Higher relative cost base as percentage of transaction size due to fixed costs	Improved economics with better absorption of fixed costs	Optimal cost efficiency with minimal impact of fixed costs

Source: Beaufort Cost Analysis, 2023. Costs vary significantly based on jurisdiction, asset class, structure complexity, and market conditions. All figures exclude VAT where applicable.

ABCP Conduits

Conduit Structures

- **Single-Seller Conduits:**
 - Dedicated to one originator
 - Typically bank-sponsored for clients
 - Asset-specific structure
- **Multi-Seller Conduits:**
 - Multiple originators/asset classes
 - Bank-sponsored platform
 - Economies of scale
 - Diversification benefits
- **Securities Arbitrage Conduits:**
 - Invest in longer-term securities
 - Maturity transformation
 - Yield enhancement focus

Sponsor Duties

- **Credit Enhancement:**
 - Programme-wide credit enhancement
 - Transaction-specific support
 - First loss protection
- **Liquidity Support:**
 - 100% liquidity coverage requirement
 - Maturity mismatch coverage
 - Market disruption protection
- **Administrative Functions:**
 - CP issuance management
 - Investor relations
 - Seller onboarding
 - Regulatory compliance

Asset Eligibility Framework

Trade Receivables

- Short duration (30-120 days)
- Diversified obligor base
- Concentration limits
- Dilution reserves
- Minimum credit quality thresholds
- Excluded receivables definition

Consumer Assets

- Granular portfolios
- Statistical predictability
- Historical performance data
- Seasoning requirements
- Regulatory compliance
- Standardised documentation

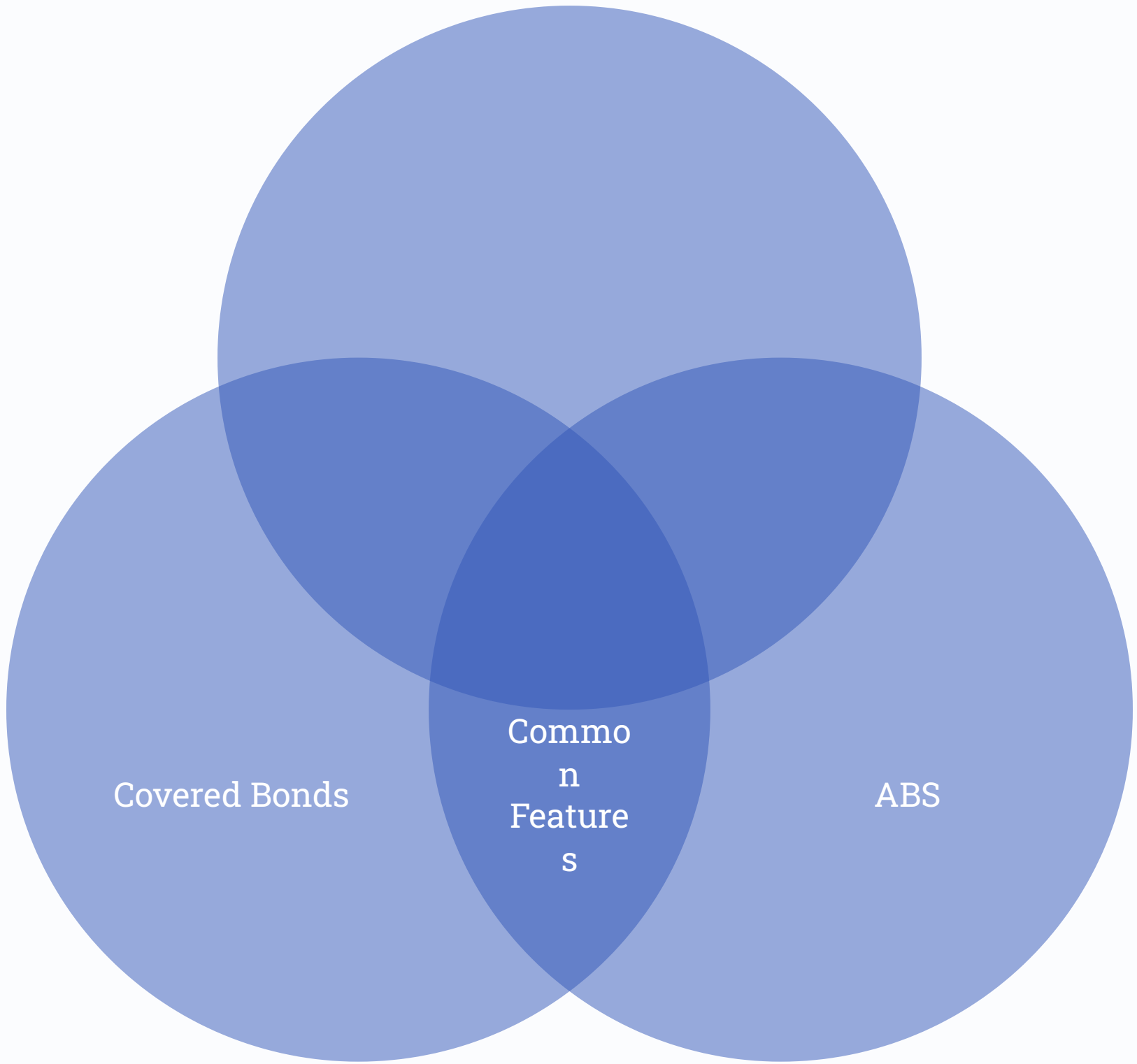
Lease Receivables

- Equipment/vehicle focus
- Residual value limitations
- Equipment type restrictions
- Lease term parameters
- Originator experience requirements
- Maintenance obligations

Other Eligible Assets

- Auto loans and floorplan
- Credit card receivables
- Inventory finance
- Dealer finance
- Structured securities (limited)
- Trade finance obligations

Covered Bonds vs ABS



Funding Cost Comparison

Instrument	Typical Spread vs Swaps	Yield Drivers
Covered Bonds (AAA)	10-50 bps	Issuer credit, legislative framework, liquidity
Senior ABS (AAA)	30-100 bps	Asset performance, structure, liquidity, complexity
Senior RMBS (AAA)	30-80 bps	Collateral quality, seasoning, structure, jurisdiction
Senior Auto ABS (AAA)	20-70 bps	Originator strength, portfolio quality, history
Senior Consumer ABS (AAA)	40-120 bps	Performance history, yield, originator track record
Unsecured Bank Debt (A)	60-150 bps	Issuer credit, maturity, market conditions

Key Selection Criteria

Criterion	Covered Bonds	ABS
Balance Sheet Impact	On-balance sheet	Potential off-balance sheet
Capital Relief	No	Potential (true sale)
Asset Eligibility	Limited (mainly mortgages)	Broad range of assets
Regulatory Framework	Legislative	Contractual/regulatory
Issuer Requirements	Bank/regulated entity	Any corporate/financial
Investor Base	Bank treasuries, central banks	Wider institutional spectrum
Issuance Size	Typically larger (€500M+)	Flexible (€50M+)

Relative Advantages

When to Choose Covered Bonds

- Bank issuer with eligible assets (primarily mortgages)
- Priority is lowest possible funding cost
- No capital relief requirement
- Targeting central bank eligibility
- Benchmark issuance size (€500M+)
- Strong balance sheet with rating advantage

When to Choose ABS

- Non-bank issuer or diverse asset types
- Balance sheet relief or derecognition needed
- Capital relief objectives
- Ability to monetise illiquid assets
- Flexibility in structure and timing
- Matching asset and liability characteristics

Project Finance and Infrastructure Securitisations

Suitable Project Types

- **Power Generation:**
 - Renewable energy (wind, solar)
 - Conventional power (stable offtake)
 - Transmission infrastructure
- **Transportation:**
 - Toll roads with operational history
 - Airports (regulated revenues)
 - Port facilities
 - Rail infrastructure
- **Social Infrastructure:**
 - Public-private partnerships
 - Availability-based payments
 - Government-backed cashflows

Key Structural Elements

- **Cashflow Certainty:**
 - Long-term offtake agreements
 - Regulatory frameworks
 - Availability payments
 - Minimum revenue guarantees
- **Risk Mitigants:**
 - Construction completion guarantees
 - Performance bonds
 - O&M reserves
 - Major maintenance reserves
 - Insurance packages
- **Portfolio Approach:**
 - Diversification by project type
 - Geographic dispersion
 - Technology diversification
 - Counterparty variety

Structural Comparison: Project Bonds vs Project Securitisation

Feature	Traditional Project Bonds	Project Securitisation
Issuer	Project company directly	SPV acquiring project company debt
Asset Scope	Single project or small portfolio	Potentially larger, diverse portfolio
Tranching	Limited (1-2 tranches)	Multiple tranches possible
Investor Base	Infrastructure specialists, insurers	Broader ABS investor universe
Ratings	Typically limited to BBB/A range	Can achieve AAA through structuring
Covenants	Project-specific, more restrictive	Standardised, securitisation-focused
Liquidity	More limited	Potentially greater secondary market

Case Study: Mini-Perm Refinancing via Securitisation

Challenge

Portfolio of 12 operational renewable energy projects across Europe with mini-perm bank facilities approaching maturity wall

Structure

SPV acquiring portfolio of project loans with standardised terms, reserve accounts for maintenance and debt service, liquidity facility

Solution

Securitisation of project loans into ABS structure with three tranches (AAA, A, BB) to match investor risk appetites

Outcome

Achieved 15-20bp funding advantage vs refinancing individually, extended maturity profile by 7 years, diversified funding sources

Trade and Working Capital Securitisations



Securitisable Working Capital Assets

- **Trade Receivables:**
 - B2B invoice-backed receivables
 - Short duration (30-120 days)
 - Diversified obligor base
 - Documented commercial relationships
- **Supply Chain Finance:**
 - Confirmed payables (reverse factoring)
 - Buyer-approved invoices
 - Early payment programmes
- **Inventory Finance:**
 - Finished goods with purchase orders
 - Commodities with liquid markets
 - Warehouse receipt financing

Key Structural Considerations

- **Eligibility Criteria:**
 - Obligor concentration limits
 - Jurisdictional restrictions
 - Currency parameters
 - Maximum/minimum tenors
 - Excluded receivable types
- **Credit Enhancement:**
 - Dynamic overcollateralisation
 - Dilution reserves
 - Liquidity reserves
 - Excess spread trapping
 - Performance triggers
- **Programme Features:**
 - Revolving vs static
 - Committed vs uncommitted
 - Notification approach
 - Servicing arrangements

Working Capital Impact Metrics

10-40	15-25%	3-7%	50-80%
DSO Reduction	Working Capital Release	Funding Cost Advantage	Advance Rate
Typical number of days reduction in Days Sales Outstanding for corporates implementing receivables securitisation	Percentage of eligible receivables book that can be monetised through securitisation programmes	Typical spread reduction compared to unsecured corporate borrowing, depending on receivables quality and structure	Percentage of receivables face value typically advanced, varies by asset quality, dilution history and obligor credit

Supply Chain Finance vs Receivables Securitisation

Feature	Supply Chain Finance	Receivables Securitisation
Primary Beneficiary	Supplier (smaller party)	Seller (larger corporate)
Credit Base	Buyer's credit rating	Diversified obligor pool
Payment Approval	Pre-approved by buyer	Based on commercial terms
Discount Approach	Based on buyer's credit	Based on portfolio metrics
Transaction Size	Smaller (€5-50M typical)	Larger (€50M+ typical)
Implementation Complexity	Lower	Higher
Technology Requirements	Platform-dependent	Data-intensive

Source: Beaufort Working Capital Solutions Framework, 2023. Metrics based on analysis of 35+ trade receivables programmes implemented 2020-2023.

Consumer and SME ABS

Consumer ABS Asset Classes

- **Auto Loans/Leases:**
 - New vs used vehicles
 - Prime vs near-prime vs subprime
 - Residual value considerations
 - Seasoning requirements
- **Credit Cards:**
 - Master trust structures
 - Revolving periods
 - Early amortisation triggers
 - Yield considerations
- **Personal Loans:**
 - Secured vs unsecured
 - Marketplace lending
 - Digital origination
 - Income verification standards
- **BNPL Receivables:**
 - Short duration
 - Limited performance history
 - High turnover
 - Regulatory uncertainty

SME Lending Securitisation

- **Loan Types:**
 - Term loans
 - Equipment finance
 - Invoice finance
 - Commercial mortgages
- **Credit Considerations:**
 - Financial statement quality
 - Concentration risk
 - Industry diversity
 - Collateral coverage
 - Default correlation
- **Originator Diversity:**
 - Traditional banks
 - Specialty finance companies
 - Fintech platforms
 - Non-bank lenders

Performance Archetypes by Asset Class

Metric	Prime Auto	Subprime Auto	Credit Cards	Personal Loans	SME Loans
Default Rate (Annualised)	0.5-1.5%	3.0-8.0%	3.0-7.0%	2.0-6.0%	2.0-5.0%
Recovery Rate	50-70%	30-50%	5-15%	10-25%	30-60%
Prepayment Speed (CPR)	10-20%	5-15%	15-25%	20-35%	10-25%
Excess Spread (typical)	2-4%	8-15%	10-15%	5-12%	3-7%
Weighted Average Life	1.5-2.5 years	1.0-2.0 years	2.0-4.0 years	1.0-2.0 years	2.0-3.5 years
CE for AAA rating	10-15%	25-45%	15-25%	20-30%	25-40%

Key Risk Factors and Mitigants

Originator Risk

- **Risk:** Underwriting quality, servicing capability, operational stability
- **Mitigants:** Track record assessment, operational review, backup servicing, representations and warranties

Portfolio Risk

- **Risk:** Default correlation, concentration, economic sensitivity
- **Mitigants:** Diversification requirements, concentration limits, stress testing, dynamic triggers

Structural Risk

- **Risk:** Cash flow mismatch,