IFR EUROPEAN SECURITISATION BRIEFING

ALL EUROPEAN ISSUERS
BOOKRUNNERS: 1/1/2013 TO 11/10/2013

	Managing bank or group	No. of issues	Total US$(m)	Share (%)
1	JP Morgan	14	11,890.27	20.4
2	BofA Merrill Lynch	12	4,504.59	7.7
3	SG CIB	10	3,522.88	6.1
4	HSBC	13	3,399.02	5.8
5	RBS	14	2,764.18	4.7
6	Lloyds Bank	14	2,676.50	4.6
7	Barclays	12	2,585.83	4.4
8	Rabobank	5	2,347.71	4.0
9	BNP Paribas	8	2,208.11	3.8
10	Deutsche Bank	11	2,101.91	3.6
	Total	**78**	**58,227.07**	

Source: Thomson Reuters (SDC code: B16n)

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S&P said last night, after the market closed this briefing went to press that it was looking at DOWNGRADING HUGE SWATHES OF PERIPHERAL RMBS, ABS AND SME CLOS, as well as up to 95% of the Italian covered bonds it rates.

S&P's proposals came out in a request for comment for proposed changes to its methodology for assigning ratings above the foreign currency rating to single jurisdiction structured finance deals. It said the "proposal will bring additional clarity and comparability to our global approach for considering structured finance ratings above that of the sovereign".

Among the proposed criteria change is the LOWERING OF THE MAXIMUM RATING DIFFERENTIAL BETWEEN A SOVEREIGN AND SECURITISATION TO FOUR NOTCHES from the current six for most deals.

The agency is introducing a sensitivity-based analysis for deals. S&P's proposals define high sensitivity deals as those backed by corporate or government assets (banks, most regional and local governments) and susceptible to a combination of economic volatility and potential changes to the legal and regulatory frameworks.

Moderately sensitive deals include RMBS, CMBS, ABS and CDOs backed by corporate loans or bonds.

For high sensitivity deals the maximum differential is two notches, rising to four for moderately sensitive deals. Deals from countries rated AA– or higher will not be subjected to a separate sovereign test, but will still have to adhere to the sensitivity notching.

Some deals will still be able to achieve a six-notch uplift (two in addition to the standard four) if they meet certain criteria reiterating their high quality and low risk (moderate sensitivity risk, no refinancing risk for bullet assets, liquidity support to cover one debt service payment, the sovereign is rated BBB– or better, it is a seasoned portfolio and current credit support can withstand losses at 1.3 times S&P's Triple A loss projection).

The agency estimates the following effects:

In Spain, 50%–60% of RMBS, ABS, SME CLOs, covered bonds and multicedulas to be affected, with the majority likely to be lowered by two notches. 40% of Spanish CMBS to be affected, likely lowered by 5–6 notches.

In Italy, 60%–70% of RMBS and ABS, 40% of CMBS, 95% of covered bonds and 100% of SME CLOs are to be affected, mostly lowered by two notches.

In Portugal, the agency expects 60% of ratings on RMBS, ABS and SME CLOs to be affected. RMBS and ABS likely to be lowered by one to three notches, while SME CLOs are likely to be lowered by four to five notches.

IT EXPECTS ABOUT 50% OF RMBS AND ABS RATINGS AND 100% OF SME RATINGS IN PORTUGAL TO DROP BELOW INVESTMENT GRADE because of this proposal.

In Ireland it expects 20% of RMBS to be affected, mostly lowered between one and three notches.

S&P is consulting on the changes until November 14.

Under S&P's current criteria, Ireland, Spain and Italy benefit from a six-notch uplift, with maximum achievable structured finance ratings of AA+, AA– and AA (sovereigns currently rated BBB+, BBB– and BBB). Portugal has a five-notch uplift, allowing deals to be rated BBB+ versus the sovereign rating of BB.

Greece is currently rated B– and its structured finance ratings are capped at the same level by S&P due to specific concern about the country.

While S&P's changes could hit peripheral banks, by restricting access to ECB financing against securitisation collateral, in core Europe things are going strong, as demonstrated in the primary market.

RED & BLACK GERMANY 2 and DOLPHIN 2013-2 were both priced at the tight end and increased in size, with Red & Black 2, at €1bn, the largest auto deal of the year.

Red & Black Germany 2 came at 1ME+47bp for the €915m 1.6 year senior tranche, via sole lead *Societe Generale CIB* (SG is the parent of originator BDK). Initial talk on Monday was for a €732m senior tranche at 1mE+50bp area.

Talk on DOLPHIN 2013-2 this morning was 85bp–90bp, from IPTs of 90bp area. Lead managers *ABN AMRO*, *Citigroup*, *HSBC*, *Lloyds* (no books) and *RBS* had the €500m original tranche 1.7 times done at this level, before setting the spread at 85bp around lunchtime. The size was increased late in the afternoon just before pricing.

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This level undercuts Obvion's STORM 2013-IV pricing level by 5bp, although Storm is trading slightly tighter in the secondary market. Storm is the benchmark programme in Dutch RMBS, but this Dolphin trade – the first public issue from ABN since Feb 2011 – provides investors with some diversification.

SUNRISE SRL 2009 is also in the market via *Credit Agricole CIB* and *Morgan Stanley* with updates expected on Wednesday morning. However, the bonds are being talked at 175bp–185bp. An investor last week expected "sub-200bp" so a 175bp print will look strong.

In the secondary market, the Greek RMBS BWIC that was originally scheduled for Monday has actually been in the market this afternoon, due to the US public holiday yesterday.

Theatre (Hospitals) extended to January as consensual restructuring in sight

THEATRE (HOSPITALS) and THEATRE (HOSPITALS) 2 have had loan maturities extended until January 2014, with an option to extend further to April 2014, as discussions on a consensual workout continue. The outline terms for the restructuring include:

- A new loan inserted between the senior and junior loans, with proceeds used to pay down the senior debt
- A five-year extension to loan final maturity
- Amendments to the hedge agreements
- An increase in the margin payable on the senior loan
- Allocation of surplus cash flow towards paying down the senior loan

Amendments to the existing junior loans, including interest accrual from today. Under the terms of the short-term extension while discussions continue, changes have been made to deal cashflows. Money which would have gone to the junior lenders will now go first towards costs and fees for all the parties working towards a consensual restructuring, then to senior lenders, and only then to the junior lenders.

LoRDS 2 enters forbearance period

The loan backing the LORDS 2 CMBS was due and payable today. However, the trustee will not be directed to enforce the loan security, as discussions are continuing between the ad hoc noteholder group and the borrower with the aim of restructuring the deal. This forbearance period will last until December 20.

The ad hoc group of noteholders covers about 86% of class A notes and 50% of class B notes, and is advised by Brookland Partners.

LAUNCHED & PRICED, BPS (WAL IN BRACKETS) P=PLACED/PP=PRE-PLACED/R=RETAINED

Date	Issuer	Type	Books	AAA	AA	A	BBB	Status
15/10/2013	Dolphin 2013-2	RMBS	ABN/Citi/HSBC/RBS	85(4.93)				P
15/10/2013	Red & Black Germany 2	ABS	SG	47(1.6)				P
14/10/2013	abc SME Lease Germany 1	ABS	LBBW	150(1.01)				PP
11/10/2013	Bluestep Mortgage No. 2	RMBS	Barc/Natixis	145(3.25)				P
09/10/2013	Rochester No. 1	RMBS	MS/RBS	145(3.4)	205(4.25)			PP
09/10/2013	GRF 2013-2	CMBS	BAML/DB	100(4.5)	140(4.5)	190(4.5)	300(4.5)	PP

DEAL PIPELINE

Date	Issuer	Type	Books	Timing
09/10/2013	Sunrise 2009 Srl	ABS	CA-CIB/MS	Oct
09/10/2013	Cairn CLO IV	CLO		2013
02/10/2013	CQS CLO	CLO	DB	
18/09/2013	Babson	CLO		TBD
12/09/2013	Papilio Equity Release	RMBS	JPM	TBD
11/09/2013	Bluestep Mortgage No.2	RMBS	Barc/Natixis	Sept
11/09/2013	St Paul's CLO III	CLO	JPM	Q3/Q4
28/08/2013	North Westerly CLO IV	CLO	NIBC/RBS	Q3/Q4
06/08/2013	Avoca	CLO	CS	TBC
26/06/2013	Pinewood CLO 2013-1	CLO	Investec	TBC