DAILY
ABS VEGAS 2014

Las Vegas, NV
Wednesday, January 22, 2014

reported by: Total Securitization
www.totalsecuritization.com

REO-To-Rental: Here To Stay?

Panelists will talk about the future of securitization's newest asset class.

SEE PANEL PREVIEW, PAGE 7

Auto Lenders Race To Market

Competition surged among auto lenders in 2013. Market pros will discuss how that is going to affect auto loan ABS this year.

SEE PANEL PREVIEW, PAGE 8

Inside This Issue

Stay Up To Date

Keep an eye our for email updates from the event as the *Total Securitization* staff roams the halls of The Cosmopolitan Hotel and covers major panel discussions.

Wish You Were Here

Inaugural ABS Vegas Confab Kicks Off Despite 'Bombogenesis' Storm

By Graham Bippart

ABS Vegas 2014 welcoming reception at The Cosmopolitan

A heavy storm stranded a host of securitization professionals on the East Coast from making their way out to the first day of the inaugural ABS Vegas conference at The Cosmopolitan Hotel in Las Vegas, but organizers **IMN** and the **Structured Finance Industry Group** held out hopes that attendance would gain momentum Wednesday.

About 1,300 market pros were on site by late afternoon Tuesday, according to IMN svp **Jade Friedensohn**. IMN and SFIG pre-registered 5,270 industry pros

(continued on page 17)

JPMorgan Tops 2013 League Tables Second Year Running

By Graham Bippart

JPMorgan led the way in global asset-backed securities bookrunning in 2013 for the second year in a row, but its market share fell by almost six points to 13.2%, according to league tables compiled by *Total Securitization* and **Dealogic**. The bank took down $27.85 billion in global ABS for a 13.2% market share. In the U.S., it grabbed 15% of the ABS business.

Citi climbed the ladder to second place, taking down $23.33 billion in deals for a 11.1% market share

(continued on page 15)

Q&A: Richard Johns, SFIG

By Max Adams

The **Structured Finance Industry Group**'s inaugural conference comes at a crucial time for the securitization sector. Many asset classes notched record post-crisis deal flow in 2013, but some are already feeling the bite of new regulations in 2014. Investors and issuers are searching for clarity on key issues that could help or hinder the market in the coming year. Regulation takes the cake for biggest concern, as well as the strength of the overall economy. *Total Securitization* spoke with SFIG executive director **Richard Johns** on the issues topping the organization's agenda, and recent developments within the group.

(continued on page 17)

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Dear Colleague,

The Structured Finance Industry Group (SFIG) and Information Management Network (IMN) are proud to welcome you to ABS Vegas 2014. With more than 5,000 registrants, including 2,000 investors and issuers, this event will now serve as the marquee annual conference for the securitization industry, and the largest capital markets gathering in the world. We wish to extend a special thanks to our 140+ event sponsors, and the 200 SFIG member firms, for helping to make this event a resounding success.

The three-and-a-half day program, developed in partnership by SFIG leadership and IMN, will feature coverage of the most pressing issues facing the marketplace. SFIG and IMN have worked together to ensure all stakeholders' interests are fairly and equally represented at the event, including investors, issuers, financial intermediaries, regulators, law firms, accounting firms, technology firms, rating agencies, servicers and trustees.

We hope that you will enjoy the event, and look forward to welcoming you back in 2015 as we move to a larger venue and new date pattern: The Aria, February 10-13, 2015.

About SFIG

SFIG was established in March 2013 for the purposes of:

- Educating members, legislators, regulators, and other constituencies about structured finance, securitization and related capital markets,
- Building the broadest possible consensus among members on policy, legal, regulatory and other matters affecting or potentially affecting the structured finance, securitization and related capital markets,
- Advocating on behalf of the structured finance and securitization industry with respect to policy, legal, regulatory and other matters affecting or potentially affecting the structured finance, securitization and related capital markets,
- Accomplishing all of the above while being dedicated to the core principles of governance, financial transparency, inclusion and respectful accommodation of divergent member views.

Richard Johns
Executive Director,
SFIG

Reginald Immamura
Chairman,
SFIG

Covell Adams
Co-Chair of the Education and Communication Committee,
SFIG

Scott Brody
Managing Director-Structured Finance,
IMN

Christopher Keeping
Head of Sales,
IMN

Helen Jones,
Co-Chair of the Education and Communication Committee,
SFIG

Jade Friedensohn
Senior Vice President,
IMN

AGENDA

8:00AM

Delegate Registration and Breakfast

9:00AM

Opening Remarks – SFIG/IMN

9:15AM

Update on Mortgage/Housing Policy and Legislation

Moderator: **Howard Esaki**, Managing Director, STANDARD & POOR'S RATINGS SERVICES

10:15AM

Keynote Address

Speaker: **Michael Stegman**, Counselor to the Secretary of the Treasury for Housing Finance Policy, U.S. DEPARTMENT OF THE TREASURY

11:00AM

Refreshment Break

11:30AM

Macro - Economic Overview of the Global Economy and Outlook for 2014

Moderator: **Vishwanath Tirupattur**, Managing Director, MORGAN STANLEY

12:30PM

Delegate Luncheon

COMMENCE CONCURRENT TRACKS A, B, C

1:45PM

Track A:

State of the Mortgage Servicing Landscape

- *Review and analysis of latest/finalized CFPB servicer requirements*
- *Servicing transfer market and valuations*
- *Industry consolidation/divesting*
- *Costs of doing business*
- *Shifts in loss mitigation strategies*

Moderator: **Jon Wishnia**, Partner, LOWENSTEIN SANDLER

Track B:

Key Consumer Economic Indicators and Their Impact on the ABS Market

- *Monetary policy views*
- *Rate impact on: Mortgage apps, originations, home sales, car prices, lease market, student loans*
- *FX market (rates impact on viability of Basis swap)*
- *What markets are recovering faster and how does this impact ABS? Are subprime and lease benefiting?*
- *Debt ceiling and Fed tapering*
- *Consumer delinquency outlook*

Track C:

Recent Volcker Rule Developments and Their Impact on ABS

Moderator: **Carol A. Hitselberger**, Partner, MAYER BROWN

2:35PM

Track A:

Necessities in Bringing Back Critical Mass Non-Agency RMBS Volume Post-GSE Reform

- *Legislative hurdles/enablers*
- *Standardization across data, reps/warrants, structuring, and collateral administration*
- *Investor /Issuer wish lists*
- *Private versus public capital availability*

Moderator: **Alessandro Pagani**, Portfolio Manager, LOOMIS SAYLES

Track B:

Consumer ABS Trader & Researcher Roundtable: Finding Relative Value in Consumer ABS

- *Can ABS spreads return to record-tight levels?*
- *In what sectors do we see material spread tightening? What sectors offer out performance?*
- *What are the market downside risks, and can they be hedged?*
- *How will legislation and regulation impact consumer ABS in 2014?*
- *ABS liquidity and the expected impact of tapering*
- *Breadth and depth of investor participation in the sector*
- *Outlook and effects of TRACE*
- *Outlook for esoteric and subordinate spreads and activity*

Track C:

Risk Retention Update

- *Overview of the proposed rule and comment process*
- *Significant issues addressed in comment letters*
  - *- PCCRA Light*   *- QRM*
  - *- CLOs*   *- ABCP*
- *Regulator reaction*
- *Next steps*

Moderator: **Chris M. Gavin**, Finance Partner, MAYER BROWN LLP

3:25PM

Refreshment Break

3:45PM

Track A:

RMBS Researcher & Trader Roundtable: Liquidity, Spreads, and Market Technicals

- *Review of recent market trends*
- *Trade ideas and fundamental views*
- *Supply/demand technicals*
- *Investor patterns and valuations*
- *Should 2013 deal structures concern investors?*
- *Does the regulatory environment continue to challenge investor interest in RMBS?*

Track B:

Auto ABS (Prime and subprime)

- *What have we learned since the credit crisis and recession of 2008/2009?*
- *What are the recent market and regulatory trends that make ABS funding more or less attractive as a funding source?*
- *Impact of recent regulatory trends*
- *As the subprime share of the auto loan and ABS markets has grown in recent years, are there any cross-over lessons from other asset classes (e.g. subprime RMBS) that can be useful in looking at this sector?*
- *Is the increase in subprime issuances as a share of the auto ABS market a positive trend overall or not? How do subprime issuers and investors see this trend?*
- *What are issuers doing differently in terms of disclosure? Are issuers meaningfully changing their practices in response to regulatory mandates, and do investors care? Focus on Rule 193 and Section 15G, and disclosure of exceptions from underwriting criteria. Are any investors actually looking at what issuers are disclosing?*
- *Sales of residual interests: what has been the trend since the adoption of the new FDIC rules?*
- *Will risk retention rules effectively mean that there is no more possibility of off-balancesheet treatment?*

Moderator: **John Keiserman**, Partner, KATTEN MUCHIN ROSENMAN LLP

Track C: ***Derivative Rules: An update on clearing, margin requirements and guidance on cross-border application of swap rules***

- *Swap Clearing Requirements*
  - *- Idiosyncratic terms to clear or not to clear?*
  - *- Operational concerns for DCOs*
  - *- Will multiple trading platforms fragment iquidity?*
- *Swap Margin Requirements*
  - *- Can and how do securitization trusts post collateral?*
  - *- Rating Agency concerns*
  - *- Role of Trustees*
  - *- Alternatives reserve accounts, caps*
- *Cross Border application of swap rules: a definitive statement?*
  - *- Impact of expanded definition of U.S. Person on Funds*
  - *- Understanding de minimis threshold calculations*
  - *- Logistics of Substitute Compliance Determinations*
  - *- Impact of delayed EU derivative rules / key aspects for harmonization*

Moderator: **Kenneth Marin**, Partner, CHAPMAN AND CUTLER LLP

4:35PM

U.S. Regulatory Update

- *Implications of new risk based capital rules on ABS*
- *Risk Retention and its concerns*
- *What are the likely results of the new Liquidity Coverage Ratio*
- *What's going on in accounting?*
- *Breakout Risk Based Capital*
- *How do the new formulas work: SFA, SSFA, etc.*
- *What are the implications of the proposed LCR?*
- *What types of assets are favored by the new Risk Based Capital Rules?*
- *Comparison of EU and US Rules.*

Moderator: **Jason H. P. Kravitt**, Partner, MAYER BROWN LLP

5:35PM

Day Two of ABS Vegas Concludes

SPONSOR MEETING ROOMS & SESSION LOCATIONS

MAP KEY

LEVEL 4
Yaletown 1- Bingham McCutchen
Yaletown 2- PNC
Yaletown 3- Deloitte & Touche LLP
Yaletown 4- Kroll Bond Rating Agency
Nolita 1 & 2- Track A
Mont Royal 2- Track B
Mont Royal 1- Track C
Belmont Commons- Registration
Belmont Ballroom- Exhibit Hall/ Refreshments

LEVEL 3
Brera 1- U.S. Bank
Brera 2- Standard & Poor's Ratings Service
Brera 3- HSBC Securities (USA) Inc.
Brera 4- Babson Capital Management
Brera 5- Credit Suisse
Brera 6- Deutsche Bank
Castellana 1- Bank of America Merrill Lynch
Castellana 2- Citi
Gracia 1- Jefferies
Gracia 2- JP Morgan
Gracia 3- Barclays
Gracia 4- Wells Fargo
Gracia 5- Fitch Ratings
Gracia 6- BNP Paribas
Gracia 7- BMO Capital Markets
Gracia 8- RBC Capital Markets
Chelsea Showroom- General Session/ Keynotes

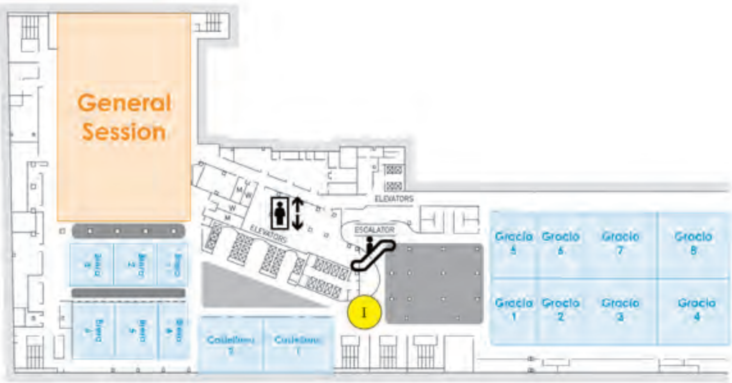
LEVEL 2
Condesa 1- DBRS
Condesa 2- Credit Agricole
Condesa 3- Morgan Stanley
Condesa 4- RBS
Condesa 5- Societe Generale Corporate & Investment Bank
Condesa 6- CoreLogic
Condesa 7- Cadwalader
Condesa 8- Natixis
Condesa 9- Golman Sachs
Bellavista Boardroom- PWC
Jardins Boardroom- BNY Mellon

LEVEL 15
WE 1537 RKNR Suite 1- Moody's
WE 1541 RKN Suite 2- Sterne Agee
WE 1545 RKN Suite 3- BB&T Capital Markets
WE 1549 RKN Suite 4- MUFG
WE 1553 RKN Suite 5- Mizuho

LEVEL 16
WE 1641 RKN Suite 6- Katten Muchin Rosenman
WE 1645 RKN Suite 7- Clear Capital
WE 1649 RKN Suite 8- Capital One
WE 1653 RKN Suite 9- Nomura

Level 4

Level 3



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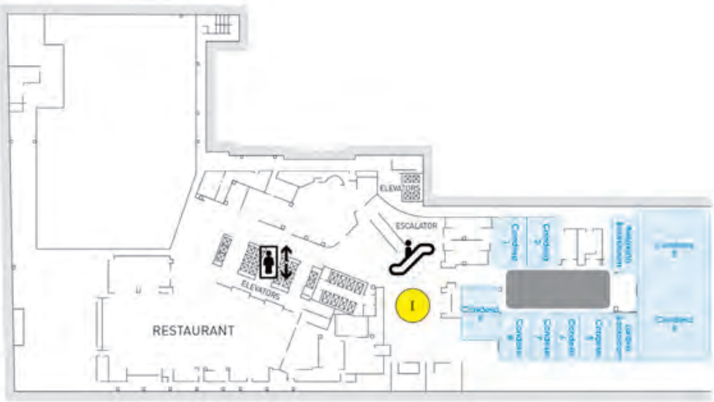


Elevators
Escalators
Bag Pick Up Area
Information Desk

The Small Long: Is the REO-to-Rental Sector Here To Stay?

By **Matt Scully**

The nascent sector for REO-to-rental securitizations has been making big headlines, and though the asset class is still a far cry from a mainstay, industry pros at today's "REO-To-Rental Securitization Developments" panel will make the case that it is here for the long-term.

Many investors still have questions about the asset class despite what market players called an overwhelmingly positive reception for **Blackstone Group**'s inaugural REO-to-rental deal last November. Among the questions buy-siders have: are potential securitizers in the rental markets for the long-term, or are they just offloading risk opportunistically?

Moderator **Stacey Berger**, executive vp at **Midland Loan Services**, expects his panel to make the argument that the asset class is a sustainable, long-term business. "There are certainly people who are skeptical. The perception is that opportunistic investors bought cheap properties, rented them out and may flip them. I'm sure there will be some of that, but a number of firms want this to be a long-term business," said Berger. "This is an institutionalization of rental markets from a traditionally mom and pop business." It's a huge change, but it's a positive one, said Berger.

Last November, Blackstone Group-owned **Invitation Homes** broke through the long-standing hype around the asset class to get a securitization off the ground. The firm sold $479.13 million in bonds that investors clamored to buy. Another home rental transaction is scheduled to hit the market soon after the January conference. This time, the likely issuer is Agoura Hills, Calif.- **American Homes 4 Rent**, a person working on the transaction told *TS* (*TS,* 1/8).

Today's panelists will also discuss how future transactions could evolve. One question Berger will ask is whether these securitizations are more like residential mortgage-backed securities or commercial mortgage-backed securities. Berger is convinced they are most like CMBS. Tapping into crossover interest from CMBS buyers could help launch the sector into more stable territory, since the CMBS market today dwarfs the non-agency RMBS market.

"The credit risk on a large single borrower transaction [like Invitation Homes] is binary, similar to a single asset CMBS deal. If there is default, the entire transaction goes down, because it is essentially a single loan secured by, say, 3,000 properties. Unlike RMBS where individual loans may default, this, if the loan defaults, the entire deal defaults," Berger said.

"This is an institutionalization of rental markets from a traditionally mom and pop business." It's a huge change, but it's a positive one, said Berger.

Issuers are looking into ways to mitigate that concern. Future deals could contain a pool of multiple loans from a number of different owner-managers. Instead of one 3,000 loan pool, think ten 300 loan pools, said Berger.

Ratings agencies will play a key role in assessing the credit structure of any innovation to the existing model, **Glenn Costello**, senior managing direct at **Kroll Bond Rating Agency**, will explain on the panel. Costello said there could be deals akin to CMBS conduit transactions, with banks making loans to smaller players that buy a smaller number of properties for smaller deals. There could be a very large market for those types of transactions, he said.

But new deals may have to also take on more leverage. Blackstone's deal had a 75% loan-to-value ratio, but its loan-to-cost ratio was nearly 88%, according to presales. That factors into ratings, but also into the amount of risk the issuer retains, Costello said. Investors take comfort in firms that can take on more "skin in the game," he said.

In November, Kroll, **Moody's Investors Service** and **Morningstar** assigned Blackstone's inaugural deal triple-A ratings. "It may be harder to get comfortable with deals that don't have the same strengths as the first deal, which benefited from buying homes at lower prices," Costello said when asked how new transactions could be rated.

"To what degree do investors continue to see opportunity to buy homes where the rental yield is attractive? If home prices continue to rise (12% in 2013) and we assume rents do not rise alongside that, rental yields may not be as attractive to institutional investors," said Costello.

Other market pros joining today's discussion include **Stephen Blevit**, partner at **Sidley Austin LLP**, **Ryan Stark**, director at **Deutsche Bank** and **Kruti Muni**, senior vice president at Moody's.

Competition Comes Back to the Auto ABS Sector

By **Leslie Kramer**

An assessment of how the auto asset-backed securities market is currently performing and how it has recovered post-recession will be one of the highlighted topics of the "Auto ABS Prime & Subprime" panel discussion today, according to moderator **John Keiserman**, partner, at the New York City-based law firm of **Katten**, **Muchin**, **Rosenman**.

The panelists will look at the subprime auto ABS field, focusing on new entrants in the marketplace, and how they will affect issuance and volume going forward. They will also assess the impact these new entrants will have on transaction structure or origination protocols for new or existing participants in the subprime sector.

Chuck Weilamann, senior vice president, at **DBRS** told *TS* ahead of the conference that there has, indeed, been a few new entrants to the market since the credit crunch. "There has also been a reemergence of investors, given the potential for returns," he says. Weilamann added that "there has been interest from the private equity side to invest in platforms that might have been smaller before or newly established and that formula leads to new entrants in the market."

For the past few years, there have been new auto loan issuers coming to market on the subprime side as well, said Keiserman. "We are seeing some new subprime auto loans issuers coming to market and we have a large number of issuers in the market now, who are also new to the space," he noted. Their deals are not very different from one to the next, but they do give a lot of investment opportunities to investors looking to break into the space," he said. "They all have their own special sauce in terms of origination and servicing the loans," Keiserman added. This is leading many investors to take the time to dig deeper into deals they are assessing in order to familiarize themselves with their back stories and servicing procedures, according to Keiserman.

There has also been discussion in the auto ABS marketplace as to whether the increasingly competitive environment will lead to decreasing origination standards, or whether an increase of issuers could impact the performance of existing or new issuers, Keiserman said.

Weilamann added that any time there is additional competition, "there is the potential to widen out the credit underwriting standards and lower them to achieve additional volume." He said that "for the more established players, we have been looking at how they moved their credit rating standards over time, and how they are widening them vis-à-vis how they may have constrained them during the credit crisis."

"This is a valid concern, as we have seen that given the fact that last year was the busiest year for new car sales in the U.S. in a number of years and most vehicles are financed, so therefore they may find their way into domestic asset backed offerings," explained Keiserman.

Nonetheless, the increased competition should continue to draw more participants into the marketplace and continue to fuel auto ABS issuance. "Whether that is a point of inflection, where origination standards diminish and or performance ends up taking a turn for the worst remains to be seen," Keiserman said.

The panel, which includes **Chris Donofrio**, senior vice president, at DBRS Inc., **Susan B. Sheffield**, executive vice president of corporate finance, at Fort Worth-based **GM Financial** and **Steve Coffman**, director, at Paris-based **Societe Generale**, will also discuss whether they have been hearing any requests from investors for new, different or modified forms of disclosure, and whether there seems to be any trends in the market of investors looking for disclosure over and above what they are presently being provided.

Weilamann noted that while investors are always interested in more disclosure, he has not seen specific requests articulated from a ratings perspective. "We do, however, have more opportunity to speak with investors and are getting more calls from investors as deals are going out in the market, since the credit crisis, especially if it is a newer issuer they are looking at, or they are a new investor reaching out to us," he said.

> *"They all have their own special sauce in terms of origination and servicing the loans."*
>
> —**John Keiserman**, partner at **Katten, Muchin, Rosenman**

What We've Got Here Is Failure To Communicate[1]: Personal Reflections[2] On Financial Reform And Securitization

By **J. Paul Forrester**, partner, **Mayer Brown LLP**

Over the last five years I, like many of you, have spent a lot of time engaged in understanding various proposed financial reforms aimed at securitization and preparing industry responses to such proposals. In that time, I've observed a familiar pattern in this process, which closely resembles the first few phases of a multi-step treatment/recovery program:

- *First*, **denial** (they cannot mean us);
- *Second,* **dismay** (they do mean us);
- *Third*, **frustration** (they just don't understand/care about what we do); and
- *Finally*, **resignation** (oh, well. maybe I'll go to law school).

As the reform timeline has dragged on, regulatory reform fatigue has set in, leaving most of us at the advanced "resignation" phase. While this process itself may not have been avoidable, with the benefit of hindsight, it might not have been so dramatic and stressful if the industry had previously done a better job of communicating to regulators, legislators and other constituencies the fundamental benefits of securitization to the real economy. While there are many other factors contributing to the difficulties experienced in crafting sensible and appropriate financial reform, this communication failure is an important factor and has had significant consequences. This failure certainly has been exacerbated by the fact that many of the important financial regulatory reforms required multi-agency/authority action and the disparate experience and familiarity among regulators with various forms and types of securitization has been plainly evident in these joint rulemakings, where a perverse form of lowest common denominator appears to have been at work.

Paul Forrester

Perhaps it was a lack of perceived value or benefit to such communication (after all, pre-crisis securitization markets were ebullient), perhaps understandable inertia or resistance to organizing and participating with competitors in industry or trade groups in such communication efforts, or even perhaps a realistic and reasonable concern that the audience's interest and attention wouldn't survive a detailed description of various securitization structures, accounting, regulatory treatment, tax treatment, etc., but the evident failure to communicate such benefits and to educate regarding the variety and complexity of securitization has constrained and otherwise hampered—to a considerable degree—the ability of affected industry groups to properly respond to financial reform proposals impacting securitization.

Moreover, the securitization industry's post-crisis communication efforts were usually met by significant regulatory/legislative skepticism, which all too often (and somewhat myopically) essentially insisted that all securitization was the same and all securitization was to blame for the financial crisis. Like me, many of you will have privately cringed and complained about the inaccuracy and unfairness of statements, by people who should know better, to the effect that "securitization was the cause of the financial crisis."

While it took some time for data to be available to demonstrate that this was not, in fact, the case,[3] convincing skeptical regulators that grandfathering or exceptions/

[1] Popular quote from the 1967 movie *Cool Hand Luke*. The context for this quote (the broader significance of which will hopefully be made clear by reading this article) is as follows:
Captain: You gonna get used to wearing them chains after a while, Luke. Don't you never stop listening to them clinking, 'cause they gonna remind you what I been saying for your own good.
Luke: I wish you'd stop being so good to me, Cap'n.
Captain: Don't you ever talk that way to me. (pause, then hitting him) NEVER! NEVER! (Luke rolls down hill; to other prisoners) *What we've got here is failure to communicate.* Some men you just can't reach. So you get what we had here last week, which is the way he wants it. Well, he gets it. I don't like it any more than you men.

[2] The views expressed herein are the author's alone and are not attributable to Mayer Brown LLP or any of its other lawyers or clients.

[3] See, for example, UBS CDO Insight, *ABS CDO Collateral Losses Version 2.0*, August 9, 2007, which concludes "ABS CDOs are the greatest failure of rating and risk management ever". See also Moody's *CLO Interest* July 2010 and, in particular, *CLOs versus CDOs: It's the 'L' That Matters* at pp.12ff.

exclusions was appropriate and necessary to avoid material disruption of functioning and effective financing for the real economy has been, and continues to be, a significant challenge for the securitization industry.

By way of disclosing my own personal bias, I have an active collateralized loan and debt obligation practice and have had from the earliest days of CLO transactions. Over that time, I have seen CLOs adapt and survive various accounting proposals (FIN46 consolidation and other **Enron** aftermath), taxation changes (FATCA, etc.) and some investment management (private fund/ client, etc.) and other regulatory developments (including the bank regulatory capital treatment for trust preferred capital securities). In so doing, CLOs have repeatedly demonstrated their fundamental resilience and value to institutional investors seeking risk/reward choices for leveraged exposure to, and incentivized management of, diversified portfolios of broadly syndicated bank loans and similar obligations.

Notwithstanding that CLOs are materially different from, and substantively bear only a scant familiarity to, structured finance or asset-backed securities CDOs, too much time and energy has been spent by CLO market participants making this basic case, with frankly only modest success. In addition, too often a response to a proposed reform has had to demonstrate why and how CLOs are distinguishable from ABS CDOs, which are a "third rail" as far as regulators are concerned. My 2002 *Euromoney* article "CDOs: Process Not Product," sought to draw attention to the then-observed misconception that all CDOs were the same and argued that instead they should be viewed not as a "product," but rather as a "process," with significant differences for particular types of CDOs being driven by the nature of the underlying portfolio assets, as well as rating agency and investor requirements. Apparently not enough people read this article or forgot or chose to ignore its thesis.

My recent representation of the **Structured Finance Industry Group** in connection with the CLO portion of SFIG's risk retention comment letter[4] bears evidence of the "phases" of our collective process of recovery from effects of this broad misunderstanding.

Denial: Of the almost 20 pages of CLO comments, the letter uses the first seven to describe CLOs and, among other things, seeks to distinguish them from ABS CDOs.

Dismay: It then describes the importance of CLOs to the real economy—noting that CLOs provide over $285 billion of funding for U.S. companies and business that are not able to access the capital markets or for whom capital markets financing is unattractive, thus fostering significant growth and job creation. The letter also notes that the resurgence of CLOs following the crisis has helped avoid the "refinancing wall" widely predicted for 2010-12 and, if CLO formation is limited or eliminated by risk retention requirements (which surveys and other research indicates is likely), that alternative sources of replacement funding, if available at all, will be more expensive and volatile, potentially contributing to systemic risk.

Frustration: In the final three pages of the CLO portion, the SFIG letter concludes the CLO comments by repeating arguments previously made by others in response to the original risk retention proposal to the effect that the Dodd-Frank Act doesn't require risk retention for CLOs (which, like resecuritizations and corporate and municipal debt repackagings, are not originate-to-distribute securitization products, for which risk retention was seen as a solution to the moral hazard posed thereby) and that applying risk retention to CLOs would not further the statutory purpose or underlying policy of the risk retention requirements.

Resignation: The SFIG letter then takes nine pages to make eight specific recommendations for changes or other modifications to the proposed risk retention requirements in an attempt to make required risk retention less disruptive to, and more workable for, the CLO market.

Expressed statistically, about 15% of the CLO comments comprised arguments that risk retention should not apply to CLOs at all (*Denial*), 45% explained CLOs, highlighted their value and importance to the real economy and distinguished them from ABS CDOs (*Dismay/ Frustration*) and finally, anticipating that the arguments that risk retention should not be applied to CLOs would continue to find no reception with regulators, almost 50% made recommendations for changes to make risk retention workable to avoid the material CLO market disruption that is likely to occur if risk retention is applied as proposed to CLOs (*Resignation*). Oh, well. There's always law school…

[4] My firm, Mayer Brown LLP, represented SFIG in connection with this letter and I was the scribe for the CLO portion (pp.92-111) of the comments working with SFIG's CLO Risk Retention task force. Nothing herein is intended to reflect negatively on the work of this task force, which was collaborative and professional throughout and which (although I am biased in this too) resulted in thoughtful and, hopefully, constructive and effective comments.

Fed's Actions Unlikely To 'Taper' Momentum For U.S. Credit Card ABS

By **Michael Dean**, head of U.S. consumer ABS, **Fitch Ratings**

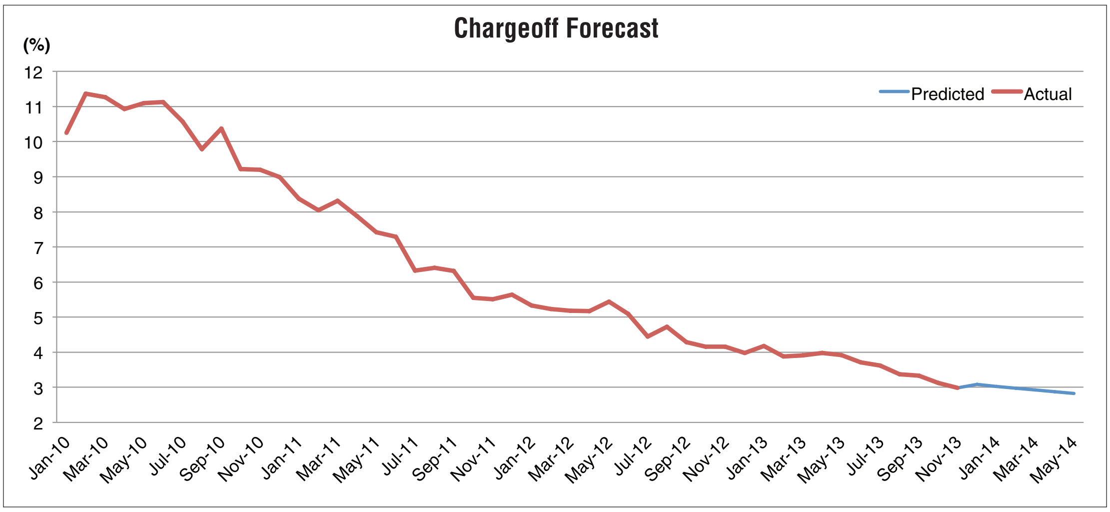
Positive U.S. macro and employment data has finally brought to bear the highly speculated tapering courtesy of the **Federal Reserve**. The impact is expected to be limited for credit card ABS, where performance posted record gains for much of the last year and more of the same is likely for most of 2014. With that said, Fitch expects the exceptional collateral performance to begin receding in the latter half of this year as issuers loosen lending standards slightly in the pursuit of loan growth. Credit card ABS ratings, however, are expected to maintain the hallmark stability of the asset class over the past two decades through multiple downturns.

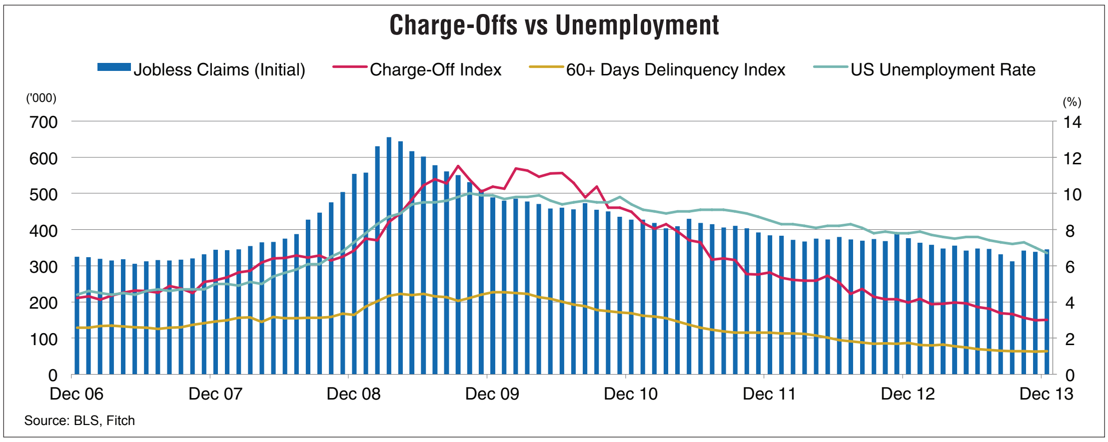
Despite the anticipated upturn, a reversion to long-term historical delinquency and chargeoff levels for securitized credit card receivables is unlikely in 2014. Fitch feels that performance metrics are more likely to settle at improved levels going forward, reflecting tighter lending standards and a shift in consumer appetite for revolving debt. Fitch believes the slight performance deterioration will result from a gradual loosening of lending standards by originators reaching for growth. As some of these less-seasoned, lower-quality accounts are added to securitizations, delinquency metrics and ultimately chargeoffs will reverse course over time.

Since peaking in September 2009, credit card ABS chargeoffs have decoupled and improved at a faster rate than unemployment. This phenomenon is a result of proactive actions by originators and the high levels of chargeoffs seen during the crisis, which has resulted in more creditworthy accounts remaining in trusts. From 2008-2010, chargeoffs soared, averaging above 8%, effectively eliminating nearly 20% of outstanding receivables during the period.

Not only have chargeoffs outperformed historical averages since the downturn, but new lows continue to be set regularly, including an all-time low of 2.98% last October. The historical low chargeoff environment is expected to continue as 60+ day delinquencies remain near record lows as well. Considering the better than expected performance in 2013 and current trajectory of delinquencies, chargeoffs are expected to stay below 4.5% throughout 2014.

The improvement in chargeoffs is also being driven by positive macro trends. Personal bankruptcy filings have declined significantly in the last few years. The employment situation also continues to slowly improve, with the unemployment rate now hovering at 7%. Fitch expects the unemployment rate will average 6.9% in 2014 before dropping to 6.5% by the end of 2015. In addition,





initial jobless claims, a better predictor of chargeoffs, have receded, indicating fewer people are newly unemployed. While the unemployment rate and initial jobless claims have fallen, the labor participation rate remains elevated by historical standards and a concern overall. However, macroeconomic metrics including further job growth primarily point to a stronger consumer in 2014.

Record High Payment Rates Will Persist

Pre-crisis, the Fitch Prime Monthly Payment Rate Index was consistently in the 16%-18% range. The index has surpassed 20% each month since the end of 1Q2011 and climbed to a new high of 26.55% late last year. More conservative underwriting by banks during the crisis and the loss of lower creditworthy accounts through default has resulted in a greater concentration of higher-quality accounts in the trusts. Higher credit-quality account holders are typically more likely to pay in excess of the monthly minimum payment or behave as transactors versus revolvers and pay their balances in full each month. Elevated levels of MPR are anticipated through 2014.

Collateral Composition Holds Strong

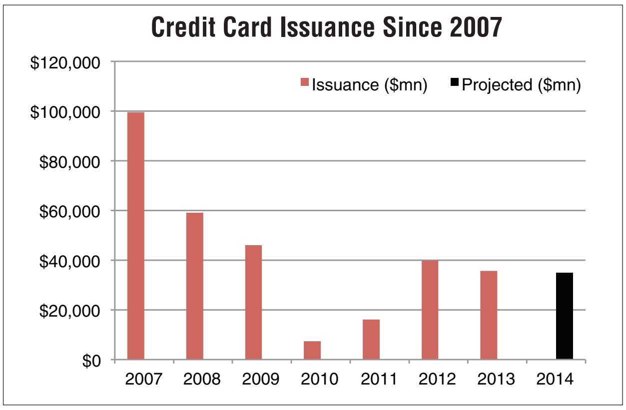
A slight shift in consumer sentiment toward leverage and personal consumption appears now underway with gradually improving economic conditions prompting spending increases fueled by pent up demand. Fitch believes that the credit card performance gains observed over the past couple of years can be attributed to a fundamental shift in portfolio composition since the recession, specifically, the larger concentration of higher FICO accounts with greater seasoning and lower utilization rates and the absence of lower credit-quality accounts.

Collateral stratifications for the accounts within all Fitch-rated credit card trusts have been following similar trends over the past few quarters. Across the board, the number of accounts being securitized has dropped, as smaller outstanding note balances have slowed the need to add new accounts to the trusts, leading to a decline in receivables. Typically, new accounts are added to the trust to ensure the principal receivables balance stays high enough to allow for the required level of seller's interest. Issuers have been able to maintain the seller's interest without adding more receivables, since the note balances have been dropping.

Post-crisis, evidence is emerging that banks are easing up on underwriting as all average credit limits have increased in 2013. Despite this trend, outstanding balances have typically not followed suit lowering the utilization rate in most trusts. Banks have not been adding unseasoned accounts to their trusts, which results in an increase to the average age of the accounts. Highly seasoned accounts are less likely to default, as the cardholder has a more established relationship with the bank and a proven history of using credit responsibly. The majority of accounts have FICO scores above 720.

Fewer Maturities in 2014

In 2014, $46 billion of Fitch-rated credit card ABS will mature, down from $50 billion in 2013. More than $25.5 billion of this amount consists of class A notes. For the large issuance trusts, the maturity of subordinate notes typically requires additional subordinate notes to be issued to maintain the credit enhancement. However, at this point, issuance trusts currently have plenty of excess issuance capacity and any subordinate maturities that are replaced are like to be retained by the issuers.

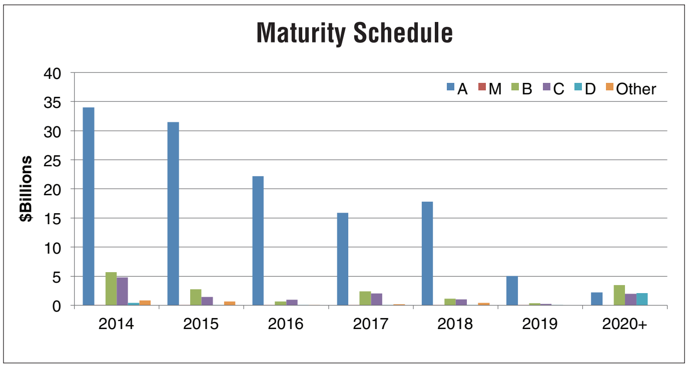


Credit Card Issuance Since 2007

Issuance Down Slightly

New issuance in 2013 came in slightly behind 2012 levels, with frequent issuers, such as **Chase**, **Discover** and **GE** pulling back slightly from the prior year. Despite the slowdown, **Citibank** was the most active issuer, placing nearly $12 billion in public triple-A rated notes and **Capital One** returned to the market for the first time since 2009. Fitch expects issuance in 2014 to remain in the $30 billion-$35 billion range. Issuance will likely start slowly as the impact of the Fed's tapering is absorbed.

With Fed tapering unlikely to have a discernible effect on credit card ABS, Fitch expects this asset class to remain a hallmark of structured finance sectors in much the same way it has over the past two decades through multiple downturns including the most recent severe crisis.



Maturity Schedule

PROVIDED BY DEALOGIC

JPMorgan

(continued from page 1)

in global ABS, and **Barclays** wasn't far behind at 10.2%.

Most of the ABS business came from the states, where JPM took a 15% market share, while Citi and Barclays took 14% and 12%, respectively.

In the global residential mortgage-backed securities space, **Deutsche Bank** took first place, with $45.32 billion in deals and a 11.3% market share, according to Dealogic. League tables from *TS*, which tracks only non-agency RMBS, show **Credit Suisse** at the top of the U.S. RMBS market with $4.02 billion and a 26% share of the market.

In collateralized loan obligations, **Citi** kept its top seat. The bank had an 18% market share, arranging $14.99 billion of the year's $84.70 billion total. **Bank of America Merrill Lynch** followed with a $11.53 billion and a 14% slice of the pie.

For the first time, *TS* tracked issuance by CLO manager. The league tables show **Apollo Credit Management** at the top of the stack, with $2.87 billion in CLOs in 2013. The firm priced two massive deals simultaneously in August, part of the unwinding of a large total return swap on a large portfolio of leveraged loans, according to sources at the time (*TS*, 8/7). **GSO/ Blackstone Debt Funds Management** closed one more deal than Apollo's four but its total came in just shy of Apollo's at $2.70 billion.

2013

Global ABS (ex CDO)

Rank	Bookrunner	Value $m	No.	% share
1	JPMorgan	27,854	85	13.2
2	Citi	23,327	71	11.1
3	Barclays	21,349	69	10.2
4	Bank of America Merrill Lynch	18,248	77	8.7
5	RBC Capital Markets	14,922	54	7.1
6	Credit Suisse	13,113	55	6.2
7	Deutsche Bank	10,225	47	4.9
8	RBS	9,331	43	4.4
9	Wells Fargo Securities	7,255	45	3.5
10	SG Corporate & Investment Banking	5,799	15	2.8
	Subtotal	**151,424**	**294**	**72.0**
	Total	**210,399**	**447**	**100.0**

Global RMBS

Rank	Bookrunner	Value $m	No.	% share
1	Deutsche Bank	45,318	54	11.3
2	JPMorgan	40,832	53	10.2
3	Credit Suisse	39,435	82	9.8
4	Barclays	37,017	67	9.2
5	Goldman Sachs	34,155	47	8.5
6	Citi	31,967	57	8.0
7	Bank of America Merrill Lynch	31,407	67	7.8
8	Morgan Stanley	26,327	50	6.6
9	Nomura	19,057	49	4.7
10	Wells Fargo Securities	14,504	51	3.6
	Subtotal	320,018	532	79.6
	Total	401,900	720	100.0

Europe Issued ABS (ex CDO)

Rank	Bookrunner	Value $m	No.	% share
1	SG Corporate & Investment Banking	3,886	8	12.2
2	Barclays	3,293	5	10.3
3	Citi	2,189	7	6.9
4	HSBC	2,108	9	6.6
5	JPMorgan	1,806	7	5.7
6	Credit Agricole CIB	1,729	5	5.4
7	Santander	1,601	7	5.0
8	Volkswagen Financial Services AG	1,575	5	4.9
9	LBBW	1,242	3	3.9
10	Credit Suisse	1,207	6	3.8
	Subtotal	**20,636**	**39**	**64.6**
	Total	**31,934**	**48**	**100.0**

Europe Issued RMBS

Rank	Bookrunner	Value $m	No.	% share
1	JPMorgan	8,711	8	34.7
2	Rabobank	2,164	5	8.6
3	Deutsche Bank	1,776	3	7.1
4	ING	1,640	2	6.5
5	RBS	1,543	6	6.2
6	SG Corporate & Investment Banking	1,403	3	5.6
7	Barclays	1,209	4	4.8
8	Lloyds Banking Group	980	5	3.9
9	Morgan Stanley	813	2	3.2
10	Citi	749	3	3.0
	Subtotal	**20,988**	**22**	**83.7**
	Total	**25,086**	**27**	**100.0**

Q4 2013

Global ABS (ex CDO)

Rank	Bookrunner	Value $m	No.	% share
1	Barclays	6,383	16	12.4
2	Citi	6,111	19	11.9
3	JPMorgan	5,370	17	10.4
4	Deutsche Bank	3,749	13	7.3
5	RBC Capital Markets	3,070	10	6.0
6	RBS	2,582	11	5.0
7	SG Corporate & Investment Banking	2,227	4	4.3
8	Credit Suisse	2,215	12	4.3
9	Bank of America Merrill Lynch	2,165	12	4.2
10	Wells Fargo Securities	1,438	8	2.8
	Subtotal	**35,309**	**67**	**68.4**
	Total	**51,590**	**110**	**100.0**

Global RMBS

Rank	Bookrunner	Value $m	No.	% share
1	Deutsche Bank	12,289	13	14.0
2	JPMorgan	11,131	11	12.7
3	Citi	8,605	14	9.8
4	Barclays	7,957	16	9.1
5	Credit Suisse	7,353	19	8.4
6	Bank of America Merrill Lynch	7,329	19	8.3
7	Goldman Sachs	6,424	10	7.3
8	Morgan Stanley	6,142	12	7.0
9	Nomura	4,337	13	4.9
10	Wells Fargo Securities	2,303	12	2.6
	Subtotal	**73,870**	**128**	**84.0**
	Total	**87,956**	**172**	**100.0**

Europe Issued ABS (ex CDO)

Rank	Bookrunner	Value $m	No.	% share
1	Barclays	2,256	1	21.1
2	SG Corporate & Investment Banking	2,045	3	19.1
3	LBBW	1,005	2	9.4
4	HSBC	891	4	8.3
5	Natixis	682	3	6.4
6	Santander	539	2	5.0
7	Deutsche Bank	405	1	3.8
8	Credit Agricole CIB	384	1	3.6
9	Morgan Stanley	375	1	3.5
9	Lloyds Banking Group	375	1	3.5
	Subtotal	**8,956**	**11**	**83.7**
	Total	**10,703**	**13**	**100.0**

Europe Issued RMBS

Rank	Bookrunner	Value $m	No.	% share
1	Morgan Stanley	672	1	18.6
2	RBS	507	2	14.0
2	ABN AMRO Bank	507	2	14.0
4	Rabobank	304	1	8.4
4	Natixis	304	1	8.4
6	Credit Suisse	259	1	7.2
7	Vnesheconombank	249	1	6.9
8	Lloyds Banking Group	203	1	5.6
8	HSBC	203	1	5.6
8	Citi	203	1	5.6
	Subtotal	**3,413**	**5**	**94.2**
	Total	**3,624**	**6**	**100.0**

PROVIDED BY TOTAL SECURITIZATION

TOP TEN 2013 BOOKRUNNERS

U.S. Securitization

Rank	Bookrunner	Total ($Million)	% Share
1	JPMorgan	$46,569	14%
2	Citi	$44,130	13%
3	BAML	$36,669	11%
4	Credit Suisse	$26,221	8%
5	Barclays	$25,569	8%
6	Deutsche Bank	$25,289	7%
7	Wells Fargo	$22,625	7%
8	RBS	$21,133	6%
9	Morgan Stanley	$18,647	6%
10	RBC	$16,891	5%
	Top ten total	**$283,741**	**84%**
	Total (All Banks)	**$337,577**	

U.S. CLO

Rank	Bookrunner	Total ($Million)	% Share
1	Citi	$14,987	18%
2	BAML	$11,528	14%
3	Morgan Stanley	$9,587	11%
4	JPMorgan	$8,280	10%
5	Wells Fargo	$7,178	8%
6	Credit Suisse	$5,848	7%
7	Deutsche Bank	$4,553	5%
8	Goldman Sachs	$4,532	5%
9	RBS	$3,875	5%
10	Jefferies	$3,323	4%
	Top ten total	**$73,691**	**87%**
	Total (All Banks)	**$84,697**	

U.S. RMBS

Rank	Bookrunner	Total ($Million)	% Share
1	Credit Suisse	$4,019	26%
2	BAML	$2,920	19%
3	RBS	$2,555	17%
4	Barclays	$1,982	13%
5	Wells Fargo	$1,489	10%
6	JPMorgan	$1,418	9%
7	Morgan Stanley	$325	2%
8	Citi	$255	2%
9	Deutsche Bank	$160	1%
10	Nomura	$85	1%
	Top ten total	**$15,207**	**99%**
	Total (All Banks)	**$15,223**	

U.S. ABS

Rank	Bookrunner	Total ($Million)	% Share
1	JPMorgan	$25,978	15%
2	Citi	$24,161	14%
3	Barclays	$21,526	12%
4	BAML	$17,426	10%
5	RBC	$16,891	10%
6	Credit Suisse	$16,354	9%
7	Deutsche Bank	$12,430	7%
8	RBS	$9,971	6%
9	Wells Fargo	$7,335	4%
10	Morgan Stanley	$5,007	3%
	Top ten total	**$157,078**	**90%**
	Total (All Banks)	**$175,152**	

U.S. CLO Managers By Issuance

Rank	Firm	Total ($Million)	Deals
1	Apollo	$2,868	4
2	GSO/Blackstone	$2,696	5
3	Ares	$2,413	4
4	CVC	$2,278	4
5	Carlyle	$2,160	4
6	CSAM	$2,017	3
7	Oakhill	$1,962	5
8	Columbia	$1,812	4
9	BlueMountain	$1,767	4
10	ING	$1,607	3
	Top Ten Total	**$21,580**	
	Total (All U.S. Managers)	**$84,697**	

TOP TEN Q4 2013 BOOKRUNNERS

U.S. Securitization

Rank	Bookrunner	Total ($Million)	% Share
1	Citi	$11,919	16%
2	JPMorgan	$11,399	15%
3	Deutsche Bank	$9,237	12%
4	Credit Suisse	$7,204	10%
5	Barclays	$5,736	8%
6	BAML	$4,752	6%
7	Wells Fargo	$4,559	6%
8	RBS	$3,570	5%
9	Morgan Stanley	$3,501	5%
10	RBC	$2,404	3%
	Top ten total	**$64,282**	**87%**
	Total (All Banks)	**$74,143**	

U.S. CLO

Rank	Bookrunner	Total ($Million)	% Share
1	Citi	$3,968	17%
2	Credit Suisse	$2,900	12%
3	JPMorgan	$2,580	11%
4	BAML	$2,406	10%
5	Wells Fargo	$2,371	10%
6	Morgan Stanley	$2,136	9%
7	Deutsche Bank	$1,767	7%
8	Natixis	$1,402	6%
9	RBS	$1,189	5%
10	Jefferies	$786	3%
	Top ten total	**$21,506**	**89%**
	Total (All Banks)	**$24,032**	

U.S. RMBS

Rank	Bookrunner	Total ($Million)	% Share
1	Credit Suisse	$1,291	42%
2	Barclays	$702	23%
3	Morgan Stanley	$325	10%
4	Wells Fargo	$239	8%
5	JPMorgan	$160	5%
5	Deutsche Bank	$160	5%
7	Nomura	$85	3%
8	BAML	$72	2%
9	RBS	$67	2%
	Top ten total	**$3,100**	**100%**
	Total (All Banks)	**$3,100**	

U.S. ABS

Rank	Bookrunner	Total ($Million)	% Share
1	Citi	$7,804	21%
2	Deutsche Bank	$5,188	14%
3	Barclays	$5,034	13%
4	JPMorgan	$4,860	13%
5	Credit Suisse	$3,013	8%
6	RBC	$2,404	6%
7	RBS	$2,314	6%
8	BAML	$2,274	6%
9	Wells Fargo	$1,015	3%
10	Morgan Stanley	$740	2%
	Top ten total	**$34,645**	**91%**
	Total (All Banks)	**$38,012**	

European CLO

Rank	Bookrunner	Total ($Million)	% Share
1	Citigroup	$2,140	26%
2	Barclays	$1,301	16%
3	Credit Suisse	$1,211	15%
4	Deutsche Bank	$1,037	13%
5	Natixis	$732	9%
6	BAML	$561	7%
7	JPMorgan	$533	6%
8	Lloyds Bank	$521	6%
9	Resource Capital Markets	$206	3%
	Top ten total	**$8,242**	**100%**
	Total (All Banks)	**$8,242**	

Q&A:

(continued from page 1)

TS: What are the big regulatory issues that market players are still looking for clarity on?

RJ: In the past week the Basel Committee announced a whole slew of things coming down the pike. The net stable funding ratio is back on the agenda. There will be more on liquidity coverage ratios that folks are working on. Risk retention will continue to be on the docket. Volcker of course is a big subject as well, and that will be heavily hit upon. Also, we will be talking about shadow banking and working with regulators to develop requirements for non-bank institutions. That will be a big initiative for SFIG in the coming year.

TS: With Mel Watt heading the Federal Housing Finance Agency the timing of the pullback of the government sponsored enterprises is somewhat unclear. What is the sense you are getting from market players as to what private-label RMBS will be like in 2014?

RJ: There are a whole host of things going on in the mortgage space, one of which being the reform of the government sponsored enterprises. We know something will come from a legislative proposal early this year and we'll need to be heavily engaged. That will be a very constructive conversation. GSE reform relies on private capital and there is a lot of work going into kick-starting the private-label residential mortgage-backed securities market. It might not solely be a case of responding to a proposed rule, and we have some great panels organized around that, and that is reflective of interest from the members. For RMBS 3.0 discussions we polled broad swaths of industry participants.

TS: What are some potential headwinds you are seeing for the market in the coming year?

RJ: Broadly speaking from a market perspective, the economy continues to trend in a positive direction. We are not hearing of anything that is a greater risk to the market than the current slew of regulations. But the most glaring example of something that could have a catastrophic effect is eminent domain. It is very clear [in RMBS] that these are securities backed by collateral. If you threaten investors with write-downs, it means people don't want to buy that product. It undermines the whole premise of the market.

TS: Any new developments forthcoming for SFIG?

RJ: SFIG as a group has been built out dramatically. We have just brought on **Michael Flood** as director of advocacy. He has a significant background in government relations as well as in commercial mortgage-backed securities. We've added five policy analysts and support staff, so we are at a good point with our new offices and teams in place. [*Before Flood, SFIG most recently brought on* ***Sonny Abbasi*** *as director of mortgage-backed securities policy and* ***Sairah Burki*** *as director of asset-backed securities policy.*] Certainly in terms of registration and sponsorship we could not have hoped for better. Our focus for 2014 is running headlong at our agenda.

Inaugural ABS

(continued from page 1)

for the event by last Friday, including about 2,000 investors and issuers.

IMN had projected an all-in total of 5,400, which would make it one of the most well attended securitization events since the crisis, but final attendance numbers "remain to be seen," given the circumstances, Friedensohn said. She added that she still expects it to be the "largest securitization conference in the world." It is the first event held by SFIG since splitting off from the **American Securitization Forum** in March 2013.

Eight to twelve inches of snow was expected to fall on New York City and Long Island over the course of the storm, according to the **National Weather Service**. Meteorologists have dubbed it a "bombogenesis"—an extra-tropical cyclone.

As a result of the storm, IMN has made some changes to the agenda, according to Friedensohn. At today's opening general session "Update on Mortgage/Housing Policy and Legislation," **Sharif Mahdavian**, managing director and head of **Standard & Poor's** RMBS group, will step in to replace S&P managing director **Howard Esaki** as moderator. Friedensohn added that the 2:35 pm panel entitled "Risk Retention Update," will no longer feature **Federal Reserve** Head of Risk Analysis and Reporting **Adam Ashcraft**, but that "the rest of the panel is ready to go."

ABS VEGAS 2014

MANAGING EDITOR
Graham Bippart

REPORTERS
Matt Scully, Max Adams, Will Caiger-Smith

CONTRIBUTOR
Leslie Kramer

PRODUCTION
Dany Peña

PHOTOGRAPHER
Gerald Hayes

MARKETING DIRECTOR
Emmanuelle Rathouis

ASSOCIATE PUBLISHER
James Barfield

CHAIRMAN
Richard Ensor

MANAGING DIRECTOR, CAPITAL MARKETS GROUP
John Orchard

Ken Kroszner of **Royal Bank of Scotland**

Left to right: **Desmond Deis** of **Intessa** and **Jill Russo** of **Global Securitization**


Jason Kravitt of **Mayer Brown LLP**

Sara Elizabeth Beckmeier of **Citi**


Jim Ahern of **Société Générale**


Robert Shield, master glass blower


Left to right: **Christine Creighton**, **Adam Jackson** and **Stephen Ashbourne** of **Blake, Cassels & Graydon LLP**


Left to right: **Robert Hinkley** of **Federal Housing Finance Agency**; **Richard Kadlick** and **Susan Curtis** of **Skadden, Arps, Slate, Meager & Flom LLP**

Left to right: **Stephanie Snyder**, **Reema Mukheja** and **Erin Branstrom** of **Babson Capital**

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