

# Securitisation: an underrated practice with a lot of potential.

*There is a different way of obtaining capital, sharing not only profits but also losses. That's why the banks don't want to talk about it.*

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/EINPresswire.com/ -- What is securitisation?

The securitisation process is generally aimed at creating marketable securities. They derive cash flows against remuneration provided to underwriters from a pool of illiquid assets (real estate, vehicles, loans, trade receivables). As collateral for investors, this pool must assume autonomous subjectivity vis-à-vis the original owner of the assets. To this end, the assets are contributed to special entities created specifically for this purpose: Special Purpose Vehicles (SPVs).

Examples for better understanding

To go into more detail, let us try to see an example applicable to reality: that of the creation of a mortgage by a bank and the subsequent securitisation of the loan. In this context, a person, let us assume, interested in buying a house intends to take out a mortgage with the bank. The latter accepts the application and assigns the credit. Then begins the securitisation phase, which will be divided into four different stages. In the first stage, the bank chooses a portfolio of assets that it wishes to remove from its balance sheet. In the second,

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*Aleo Christopher*

this portfolio is transferred to a 'special purpose vehicle', the SPV. In the third stage, the SPV is responsible for issuing interest-bearing securities such as mortgage-backed securities, which have the function of financing the purchase of the assets and, in the fourth and final stage, the investors who purchase the product are paid for the entire duration of the transaction by the cash flows generated by the portfolio assets.

To summarise and simplify: the entity that originally owns

the asset (in this case, the bank) initiates the securitisation process by selling the asset to an SPV



that converts them into securities and places them on the market.

Securitisation is used not only by banks to monetise mortgages but also by many companies as an alternative to bank loans. Several US film companies, for example, securitise the rights to the proceeds of a film still in production. In this way, the producer collects cash, which it invests in the film by giving up part of the profit margins it cedes to the market.

Real estate securitisations are also widespread. In real estate securitisation, the developer securitises the future sales flow via a special purpose vehicle, giving up part of the margins in return for immediate non-bank liquidity, with a fundamental difference if the real estate venture is not as successful as hoped.

The difference, in fact, between the liquidity from a securitisation transaction and bank financing is the sharing of risk. In the case of bank financing, the risk is borne solely by the entrepreneur, who must return the principal and interest to the bank regardless of the business venture's success. The bank, in any case, profits. In the case of liquidity from securitisation, the risk, on the other hand, is shared with the market because if cash flows are lower than expected, investors are aware that they have purchased a risk instrument and will only get back the sums actually collected. It is a much more competitive and meritorious process where the profits and losses are shared. This is the big difference with the banking system.

#### Offer of iSwiss

The aforementioned iSwiss is a Swiss financial company that is increasingly establishing itself on the global scene. Its services range from deposits to credit assignments, from cryptocurrencies to insurance. In addition to all these services, iSwiss also offers the rare opportunity of securitisation to private individuals. This technique's utility is manifold and, nowadays, it is already widespread in Europe. iSwiss is the leading company in securitisation services on the London market and, for this reason, is one of the most reliable banks to rely on if you intend to take advantage of this service. What is special about the Swiss bank is that it offers this product to its entire clientele, including small to medium-sized companies, which is not possible at many other banks. This is why iSwiss is one of the most reliable securitisation providers to date.

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