Table of contents 7

Table of Contents

Li	List of Figures											
Li	List of Tables											
Li	List of Abbreviations											
Li	List of Symbols											
1	Intr	oductio	on	19								
	1.1		ation									
	1.2		e of examination and main results									
	Bibl		y for chapter 1									
2	Call		freet loss misses in CI Oo and the male of nametation	20								
4			first loss piece in CLOs and the role of reputation									
	2.1		uction									
	2.2	The de	ecision to securitize assets									
		2.2.1	Raising funds	32								
		2.2.2	Risk transfer	33								
		2.2.3	Arbitrage	37								
	2.3	Securi	ty design from an agency perspective	38								
		2.3.1	Ex ante asymmetries and adverse selection	39								
		2.3.2	Ex post asymmetries and moral hazard	42								
		2.3.3	Implications and critical issues	43								
	2.4	nodels on asset securitization	44									
		2.4.1	Model 1: Using CLOs to refinance growth opportunities	44								
			2.4.1.1 Model setup	44								
			2.4.1.2 Whole sale vs. securitization	47								
			2.4.1.3 Repeated securitization	50								
		2.4.2	Model 2: Using CLOs to manage regulatory capital	56								



8 Table of contents

		2.4.2.1	Changes to the model setup 56							
		2.4.2.2	Whole sale vs. securitization under the Basel							
			I regime							
		2.4.2.3	Whole sale vs. securitization under the Basel							
			II regime							
		2.4.2.4	Repeated securitization under the Basel II							
			regime							
	2.5	Discussion of n	nain results and critical issues 68							
	2.6 Conclusion									
	Appendix for chapter 2									
		Appendix A: H	Existence of equilibria in the repeated game -							
		model 1	1							
	Appendix B: Analysis of the repeated game in the regulatory									
		context	- model 2							
	Appendix B.1: Derivation of the threshold \tilde{P}									
	Appendix B.2: Existence of equilibria in the repeated game -									
		model 2	2							
	Bibl	iography for cha	pter 2							
3	Combination notes: Market segmentation and equity transfer 8									
	3.1	Introduction								
	3.2	Derivation of hypotheses on the structuring and impact of com-								
		bination notes								
	3.3	Data description	n and combination note properties 93							
		3.3.1 General	descriptive statistics							
		3.3.2 Explori	ng the properties of combination notes 98							
3.4 Empirical analysis of combination notes										
	inants for the tranching of combination notes 100									
		3.4.1.1	The benchmark case – tranching of plain vanilla							
			tranches							
		3.4.1.2	Tranching of combination notes 105							
		3.4.1.3	Tranching of combination notes versus the							
			deal							

Table of contents 9

3.4.2 Combination notes and risk transfer								
			3.4.2.1	Measuring equity transfer				
			3.4.2.2	Equity transfer and deal characteristics 112				
			3.4.2.3	Equity transfer and launch spreads 115				
	3.5	Concl	usion					
	Appendix for chapter 3							
Bibliography for chapter 3								
4	Assa	et nool e	anality an	d tranching of CDOs				
•	4.1							
	4.2			v				
	1.2	4.2.1		cal aspects of tranching				
		4.2.2		empirical evidence on tranching				
	4.3		_	ransaction cost-based hypothesis of the number				
		of differently rated tranches						
4.4 Empirical analysis of asset pool quality and tranching								
		4.4.1	•	set				
		4.4.2		e measures of asset pool quality 149				
		4.4.3		ation of the number of differently rated tranches 152				
		4.4.4	Empirica	al findings on the tranching decision 156				
		4.4.5	Empirica	al findings on the size of the junior and the se-				
			nior tran	che				
	4.5	Robus	tness of re	sults				
				ults and discussion				
	4.7	Conclu	usion					
	Appendix for chapter 4							
	Appendix A: Mean-preserving spread of the loss rate distribution 173							
	Appendix B: Numerical mapping of ratings 174							
		Appen	dix C: Pre	edicted probabilities for the ordered logit				
analyses								
Ribliography for chanter 4								