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# Restructuring assets in regulatory quicksand

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# Objectives of this session

- To convince you that you we can still buy new assets as an industry
- To help you understand some of the pragmatic challenges and apply practitioners' solutions to common issues when restructuring
- To avoid you getting stuck in the quicksand





**Why would I pay £ks to create something which doesn't change the risk?**



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# Benefits of restructuring assets

## Obstacle

Availability of  
assets



## Reward

Potentially purchase assets where it is useful to bifurcate fixed from floating (e.g. property)

Make MA  
eligible



Removal of unwanted features such as prepayment

Cashflow  
matching



Structure provides completely fixed cashflows for certain matching

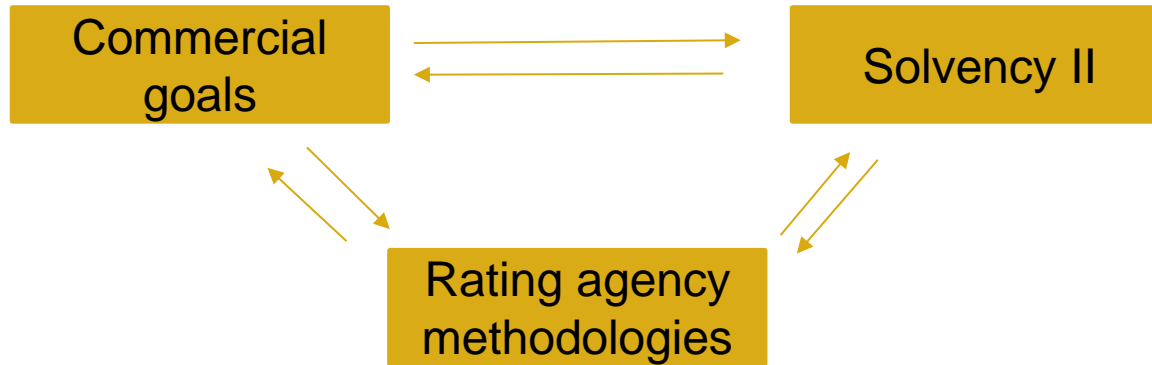
Reduce capital  
requirements



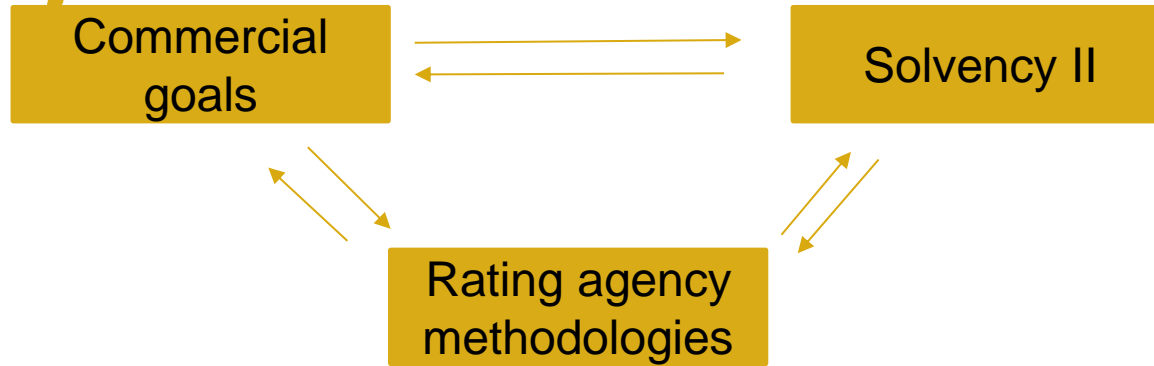
The sum of the parts is not equal to the sum of the whole when you add the MA in



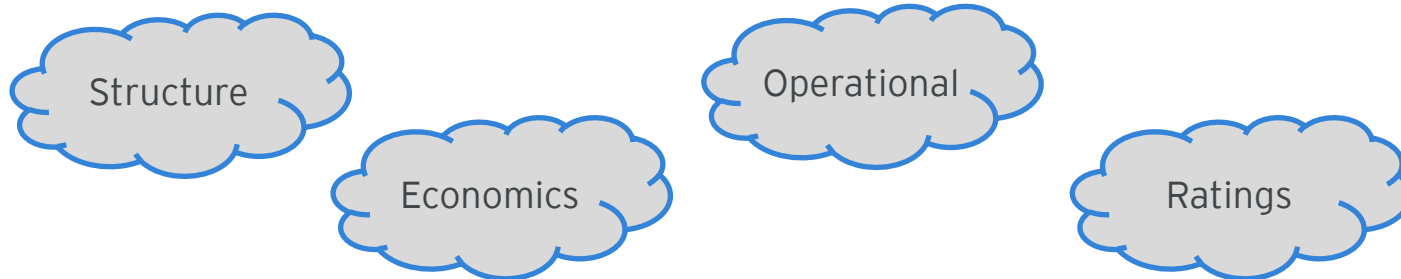
# The optimal structure depends on the asset, firm and objectives



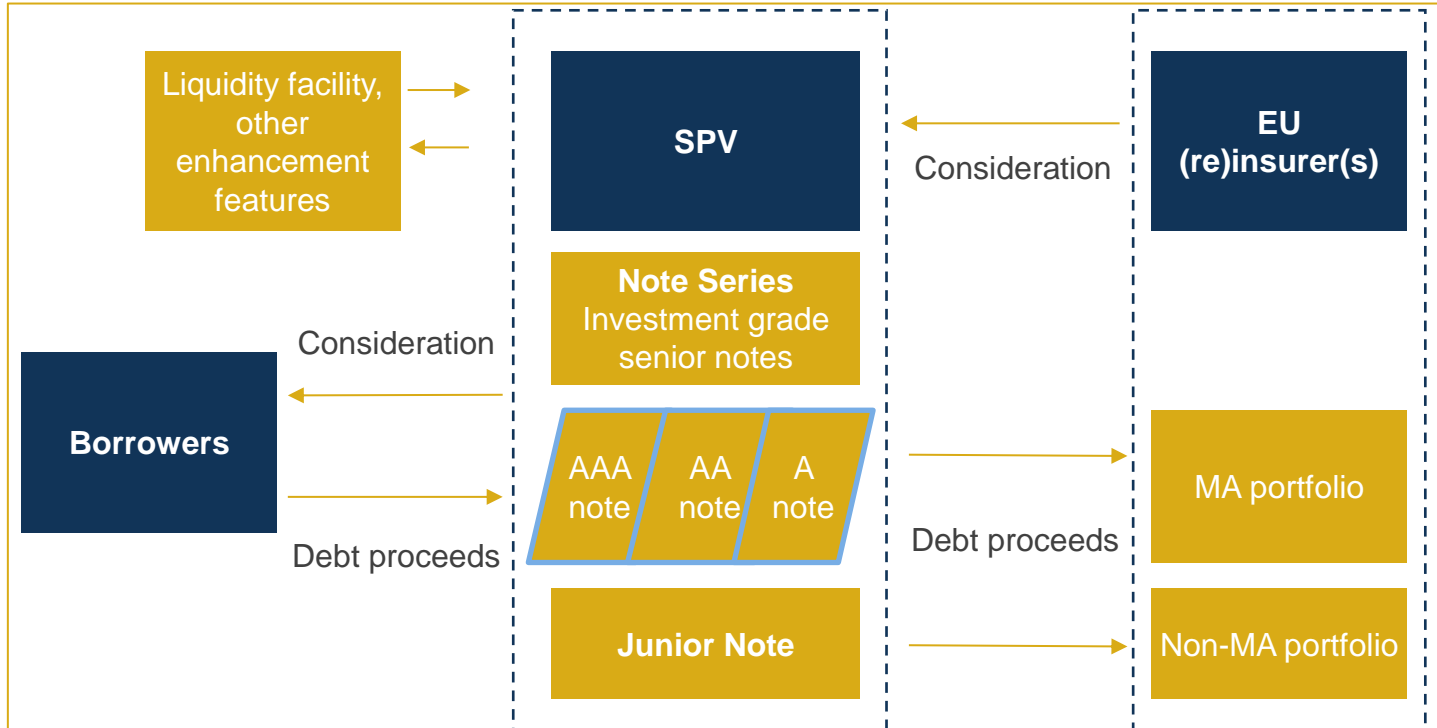
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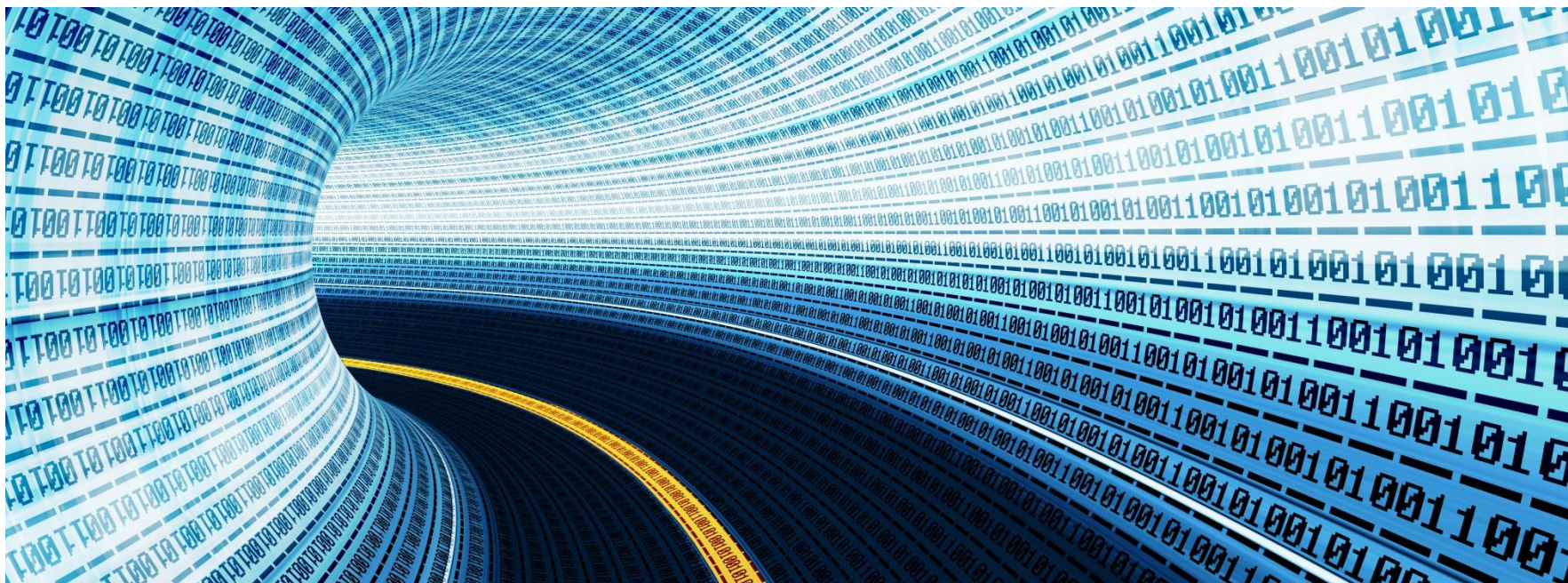


## Examples of key considerations:



# So the perfect solution is really complex, right?



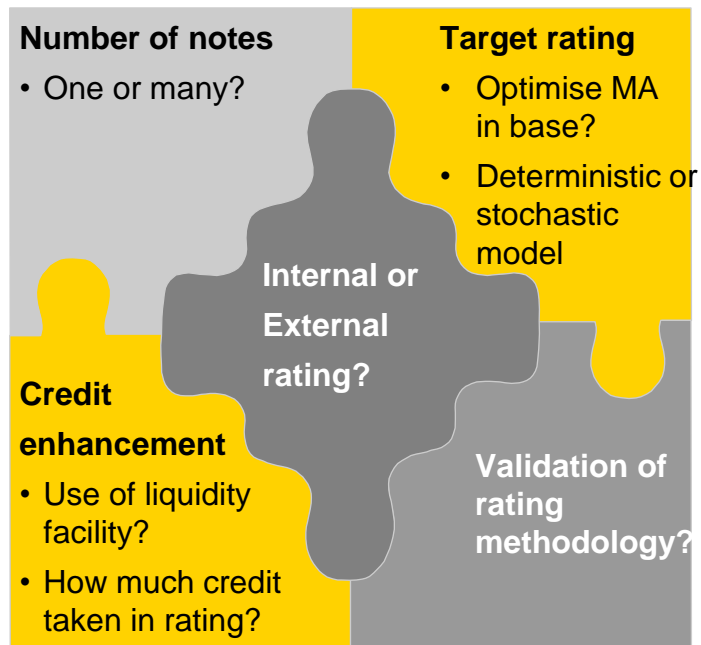


## The rabbit holes and the goldmines

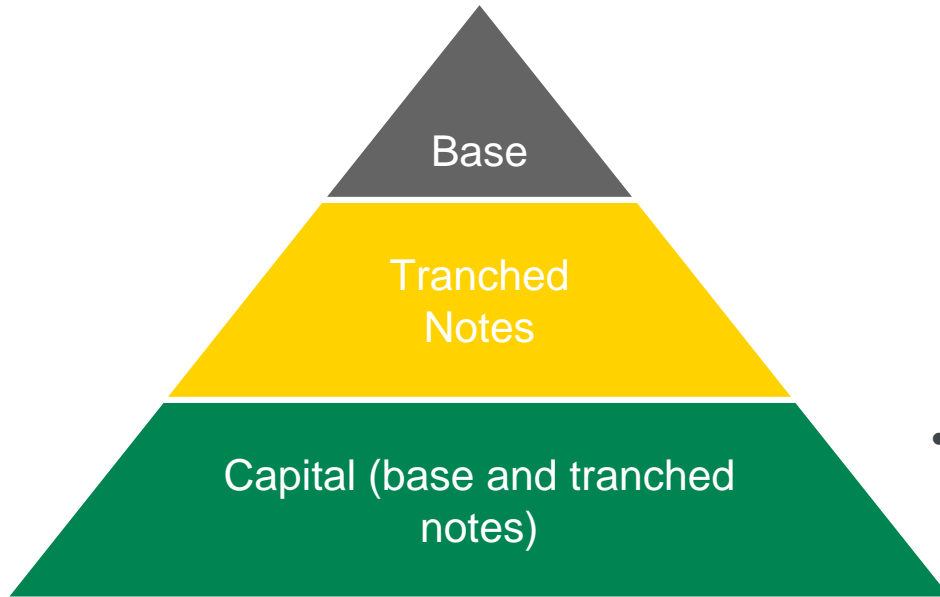


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# Obviously 5 notes are better, with a large AAA tranche?



# Can I look up the price on Bloomberg?



- Normal valuation principles
- Equation of value ( $PV(\text{SPV Assets}) = PV(\text{SPV Liabilities})$ )
- Relevant 1 in 200 scenarios follow valuation principles to re-price liabilities using equation of value



And then I just leave it there and wait for the cashflows to come in?



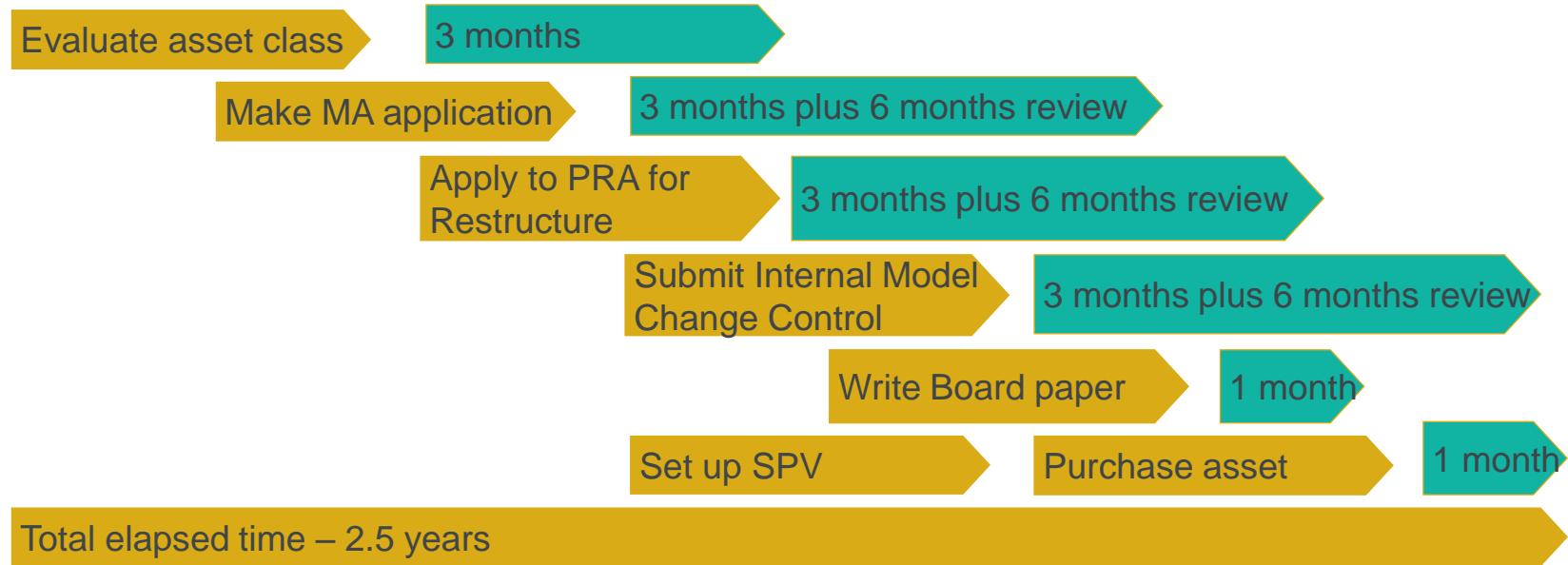


**Now I know I like the asset and want to restructure, have I missed the boat?**



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# Now I know I like the asset and want to restructure, have I missed the boat?



# Alternative reshuffle



# Aggressive reshuffle



# Questions

# Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenter.



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