

# BCI to complete first Italian synthetic securitisation

Citibank co-arranger and joint bookrunner on €4bn deal

by Kamal Abed

securitisation, is currently marketing the deal together with BCI as joint bookrunner. Citibank is also co-arranger of the deal and, in addition to providing expertise on parts of the transaction, is the likely counterpart for the senior credit default swap portion of the structure. This swap will serve to transfer the risk of default on 93% of the €4bn portfolio to an OECD bank (probably Citibank in this case), thereby lowering the risk weighting used to calculate regulatory set-aside capital from 100% to 20%.

Hermann Watzinger, head of European credit derivatives at Citibank, told *FP* the banks will tranche and price Scala, and finalise details of the default swap, in

*continued on page 4*

**B**anca Commerciale Italiana, the Italian banking group, will shortly complete a synthetic collateralised loan obligation transaction to reduce the risk capital weighting on a €4bn portfolio of investment grade-rated US and European corporate loans and free-up its credit lines.

BCI will become the first Italian bank to enter into a synthetic CLO. Dubbed 'Scala' after BCI's Piazza della Scala headquarters in Milan, the deal will be the latest in only a handful of euro-denominated synthetic CLOs that have been sold into Europe this year.

Citibank London, itself responsible for one of those deals with the C\*Star

 *continued from page 1*

the coming weeks. Most of the remaining 7% of the portfolio is being securitised into a fully collateralised special purpose vehicle, with BCI retaining the remainder as a first loss piece which it could sell on.

The mezzanine tranche SPV, backed by BCI holdings of German government benchmark Bunds, will issue triple, double, and single A, and triple B-rated paper to investors. While the legal tenor of the transaction is ten years, its expected economic tenor is three years due to a step-up in the interest payable, making it highly likely the

structure will be terminated at that time. Regulators demanded the ten-year legal tenor to cover the maturities of loans that may be substituted into the portfolio in the first three years.

Paolo Gribaudo, head of credit derivatives at BCI, highlighted that BCI is the most active European bank in the US credit derivatives markets, and fourth overall behind JP Morgan, Citibank and Chase Manhattan. He added: "BCI's deep experience in credit derivatives made our entry into the market in these [portfolio risk transfer] products inevitable. We intend on being at the forefront of our European competitors."

## CONTENTS

<b>NEWS</b>	
■ US banking reform Bill gets bipartisan approval	2
■ Banks look to move trading capital offshore	2
■ HedgeWorld and Bermuda Stock Exchange to launch hedge fund exchange	3
■ Warburg issues first Spanish bank reverse convertible	3
■ TMA and MoneyLine Network to provide market data	4
■ Aquila Energy to trade Nord Pool	4
■ Rosen hedge funds to implement large cap convergence strategy with options	5
■ Forex Committee issues Y2K settlement guidelines	5
■ Japanese inter-dealer brokers to merge	6
■ European portfolio managers increase hedging with futures	6
■ Lamberti says Deutsche to focus on European market evolution	6
■ Ford finesses hedge for \$5bn jumbo issue	6
■ Electricity associations release emissions trading study results	10
■ Indian users to get greater access to derivatives	10
■ TAG steps up audit service as Levitt orders options linkage	11
<b>JOB SWAPS</b>	7
<b>FORUM</b>	
■ Geoff Kates examines usage of scenario analysis	8-9
<b>DATA</b>	
■ IR swaps, options	12-13
■ Fx option vols	13
■ Energy swaps and vols	14
■ Most liquid credits	14
■ European reverse CBs	14
■ Equity index vols	14-15