

SECURITIZATION AS A TOOL OF LIQUIDITY AND STABILITY MANAGEMENT IN FINANCIAL INSTITUTIONS IN THE PERIOD OF CRISIS: THE CASE OF GERMANY AND RUSSIA

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Abstract. The global financial crisis substantially hit securitization markets in Europe. Losses on a wide range of securitized assets with the AAA-rating led to a number of write-downs of big financial institutions and to a slump in investor demand. However, securitization still plays a significant role as a source of external financing for banking system in Europe. Many countries have recognized this role of securitization and have identified the reviving of the ABS markets as an important tool for restoring liquidity and stability in the financial system. Germany and Russia are among these countries. The aim of this article is to highlight both countries' peculiarities in conducting securitized transactions before and during the period of crisis, under different legal and economic frameworks. The analysis shows that securitization was applied in financial systems in Eastern European countries at the early-Two thousand. However, the stage of development of this market and regulation overseeing securitization is much lower than in countries with mature financial systems, like Germany. Russian banks securitized residential mortgages, leasing receivables or credit card, while in Germany banks securitized broad range of assets with a dominance of residential mortgages. In both types of markets important roles fulfill governmental housing agencies, responsible for refinancing residential property loans. The global financial crisis hit both types of markets and shifted investors' focus on securitization of lower-risk assets, partly guaranteed by the government.

Key words: securitization, financial system, financial stability, Germany, Russia

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INTRODUCTION

Financial crisis has disclosed many mistakes made in constructing securitization markets, but the forward idea to transform illiquid assets into liquid securities is still alive. There is no doubt that some instruments of the securitization market became non-transparent and extremely complex, what, in turn, caused the turbulence on the financial markets all over the world. On the other hand, securitization enables a bank, a leasing company or any other financial institution to allocate capital and risk efficiently through the market. Securitization began in the USA in the 1980s with transferring mortgage pools by the newly established governmental agency Ginnie Mae and quasi-governmental agencies Fannie Mae and Freddie Mac. The American two-level scheme relied on selling of asset's pool to an issuer (Fannie Mae or Freddie Mac), who, in the next step placed these mortgages in a so-called special-purpose vehicle (SPV) and after that ensured the pool against default [Elul 2005]. Since the 1980s this structure was enabling to satisfy the growing demand of consumers for housing and other loans. In the 1990s securitization moved into the European markets and became an integral part of the global financial system. The European version of securitization slightly differs from American version. It does not imply the middleman functions of the government agency, but on the contrary, tries to simplify the structure and to omit excessive intermediation.

Analyzing development and current performance of the structured finance market the question should be asked, why securitization has been around for so many years. The point is that under normal macroeconomic circumstances and appropriate use of asset "slicing technique" into risk-diversified tranches, securitization gives an opportunity for gaining extra profits for the originator and free up capital for economic growth. Among others most-frequently mentioned drivers for the securitization are:

- reduction of borrowing costs;
- higher efficiency of tax management due to opportunity of establishment of SPV in off-shore zone with more favorable taxation;
- improvement of liquidity ratios and access to international capital markets [Bär 2000].

Tavakoli [2008] and Achleitner [2007] also point out benefits for banks stemming from the opportunity to gain flexibility regarding capital adequacy requirements and credit portfolio management. The Basel 2 regulation framework provides also some incentives for securitization of special lending exposures. Servigny and Jobst [2007] recognize a serious reduction of capital requirements achieved by securitization of mortgage portfolios and some limited benefits for retail and SME loans portfolios.

During the evolving of securitization markets in different countries, in the forefront were brought one of the two main types of securitization: true-sale securitization and synthetic one. In the USA securitization on a large scale has started with the repackaging of mortgages into MBS, i.e. with the true-sale transactions, while in Germany the beginnings of the market is associated with synthetic deals [Bär 2000]. The classic scheme of the true-sale transaction assumes that the owner of assets (Originator) transfers (sells) them to a newly created company - special purpose vehicle (SPV). The SPV subsequently issues debt securities to investors to gather funds needed for the purchase of securitized assets from the bank. Principal and interests on debt securities are generally paid out on

the basis of the cash-flows anticipated from the assets [Jobst 2005, Lubben 2005]. True-sale securitization presumes separation of risk associated with SPV from the underlying assets and granting the legal ownership of these assets to SPV. Setting up SPV enables Originator to gain improvement in its liquidity performance and to shelter pool of assets from potential operating liabilities of Originator [Tavakoli 2008]. In case of synthetic securitization there is no transfer of assets from Originator to SPV. Synthetic scheme employs credit derivatives, mainly CDS (Credit Default Swaps) and CLN (Credit Linked Notes) for transferring on the market only risk associated with the assets. [Shepherd 2005, Jobst 2005].

As it was defined earlier, securitization is a transformation of illiquid assets into liquid asset backed securities (ABSs). In order to avoid misunderstandings in definitions, economists distinguish ABSs in aggregate that, in turn, embraces following classes:

- Mortgage Backed Securities (MBSs);
- Collateralized Debt Obligations (CDOs);
- ABSs in a narrow definition that are securities backed by the cash flow of different pooled receivables or loans [Achleitner 2007].

According to Association for Financial Markets in Europe, European ABSs in aggregate consists of:

- ABSs in a narrow definition that includes:
 - securities backed by auto loans,
 - securities backed by consumer loans,
 - securities backed by student loans,
 - securities backed by credit card receivables;
- euro-denominated Collateralized Debt Obligations (CDOs);
- euro-denominated Commercial and Residential Mortgage-Backed Securities (CMBS and RMBS);
- euro-denominated Whole Business Securitization (WBSs) in which the cash flows derive from:
 - the operating revenues generated by an entire business or
 - the operating revenues generated by a segmented part of a larger business¹.

In the beginning of the 1990s, the UK was a pioneer on the European securitization market due to proximity to the USA legal system and similarities in structures of the financial systems. In the mid 1990s demand for assets securitization emerged in the continental Europe [Blomenkamp 2007]. Since that time five countries occupy leading positions: the UK, Spain, the Netherlands, Germany and Italy with the total market share of 80% as of 2004. The structure of the European market remains stable up to 2009². The main reasons behind the securitization market's emergence in Europe are the need of banks for regulatory capital relief and the need of non-financial corporations for alternative funding of operations and investment projects. Another driver of demand for securitization is a higher premium on structured instruments comparing to premiums available on the European corporate bond market. Finally, an important factor of boosting the securitiza-

¹Source: 2009-12-23 ESF Securitisation Data Report Q3:2009.

²Source: http://www.kfw.de/EN_Home/Loan_Securitisation/European_Securitisation_Market/index.jsp .

tion market is considered the introduction of the euro. Common currency, integration and progressive convergence of financial systems served as the base for growth of the ABS market in Europe [Blomenkamp 2007].

The article is an attempt of explaining differences in conducting securitization transactions on matured financial markets, like in Germany and on developing ones in Russia. The analysis covers the periods of the economic growth and the emergence of financial crisis. The goal of such comparison is to show the way how countries with developed and developing financial systems respond and reshape their securitization operations during the financial turmoil. The article presents some features of the securitization market in Eastern European countries, presents their specific ways of coping with development of financial services and in the meantime fighting with problems caused by the global crisis.

The rest of the article is structured as follow. The first section presents the background information about the securitization market in Germany and Russia. The second gives the overview about the types and volumes of securitization transactions in both countries. Next sections present, respectively, a comparison of the structures, motivations and perspectives for securitization in both countries. The article concludes with conclusions.

BACKGROUND OF SECURITIZATION MARKET IN GERMANY AND RUSSIA

Germany. Despite the fact that the first transaction was conducted in the 1990s, securitization of assets on the broad scale has been activated relatively not long ago. It took more than ten years in order to bring solitary and tailor-made transactions on market scale. One of the reasons for delay in development of securitization market is the structure of the German financial system. The continental-style financial system present in Germany is focused on banks and has relatively lower interest in funding transactions through markets. Benefits from assets securitization did not appear attractive for banks as they financed lending operations by customers' deposits. Increase competition on the housing lending market forced some banks to increase liquidity and use new sources of financing through securitization of their loans. Unlike the USA, banks in Germany employ for securitization a well-established, so-called Pfandbrief system, the earliest prototype of mortgage-backed securities. The Pfandbrief (on-balance sheet securitization) is a type of German mortgage bond that is collateralized by long-term assets. It is functioning in Germany for more than two hundreds years and is regulated by the Pfandbriefgesetz (The Pfandbrief Act)³. The law stipulates the legal conditions of the bond's issuance. It also contains the rigid licensing requirements that are necessary to fulfill for the mortgage banks in order to enter the Pfandbrief market⁴. The purpose of such strict regulations is to preserve safety for investors. The conditions of the law withstand even the recent financial as Pfandbrief has the highest credit rating and spotless track record. For the safety

³Source: The Pfandbrief Act (PfandBG) – with modifications entered into force on March 26, 2009.

⁴Source : Louis Hagen 2008: A Safe Haven From the Subprime Crisis.

of investors, Pfandbrief can be backed only by fixed interest rate mortgage, thereby is protected from the fluctuation of interest rates in times of turmoil. Existence of Pfandbrief as an alternative instrument for refinancing mortgages, along with high complexity of the securitized deals, made emergence of the market with developed infrastructure happen only from 2000 onwards.

Russia. Asset-backed securitization has started in Russia in the first half of the 2000s. First deal was conducted in 2005 and, as a result, ABSs backed by bank credit card payment claims to VISA and MasterCard were issued. These securities are already redeemed⁵. The main players on the securitization market in Russia are largest domestic banks, as well as foreign ones, and the Agency for Housing Mortgage Lending (AHML) with its affiliate regional institutions. Since 2005–2009 mortgages and other assets were securitized domestically and abroad, mostly in Luxemburg and Ireland⁶. In OECD countries Russian financial institutions have found more favorable legal conditions for setting up SPV and issuance of ABSs than in Russia. The main domestic player on the securitization market is AHML. This public institution was established in 1997, partly as a replication of American governmental agencies – Freddie Mac and Fannie Mae. Its mission is to accelerate development of the primary mortgage market and create an active secondary market in Russia. The main tool of AHML financial operations is repurchasing the mortgage certificates from the regional operators scattered across Russia. Regional operators get the mortgage certificates by purchasing them from the mortgage banks⁷. The liquidity provided by AHML for the banking system is aimed at developing MBS market and raising the affordability of mortgage loans for citizens.

Emergence of securitization market in Russia is also connected with a period of unprecedented high oil prices, which pushed the economic growth on comparatively high levels. Due to stable and good economic performance sovereign rating of the country was upgraded. As a result many Russian corporations and financial institutions with strong balance sheets and reputation got an access to cheap refinancing. On the other hand, domestic interest rates for mortgages and consumer loans remained high. Thereby, the difference in interest created a possibility for arbitrage, what triggered highly profitable “assets packaging” process in Russia. Banks-Originators were sure in availability of capital resources with relatively low interest rate, which gave them an opportunity to grant loans within the country at much higher rate and after that to repackage these assets somewhere in the tax-favourable zone. Therefore, among main factors that accelerate emergence of securitization transactions in Russia could be considered:

- temporary access to relatively cheap capital from abroad;
- governmental support for MBS sector on behalf of AHML;
- regulatory capital relief.

⁵Source: www.cbonds.ru

⁶Source: www.cbonds.ru. Both of the countries are members of Organisation for Economic Co-operation and Development (OECD).

⁷http://www.raiffeisen.at/eBusiness/rzb_template1/1023296711504-1025308884300_23640189582707747_491413469359207174-498421798007138496-NA-NA-DE.html

CURRENT STRUCTURE OF SECURITIZATION MARKETS IN GERMANY AND RUSSIA

Germany. The total value of the securitization transactions in Germany have been fluctuating over the period of 2005–2008. The highest growth in value of securitization transactions is associated with the measures undertaken by the monetary authorities in 2008 which raised the volume of securitization transactions to the historic high level of EUR 76 billion (Tab. 3). The subjects of transactions were mostly default loans. As a part of the German banking system rescue plan these loans were allowed to be used by commercial banks as collateral for the repo transactions with the European Central Bank. Moreover, the majority of these German transactions were not publicly traded in 2008, that's why they barely could be considered as a contribution to the development of securitization market in Germany. The purpose for conducting them was to provide short term liquidity to the banking system and to mitigate crisis' consequences for financial sector.

The majority of German transactions conducted from the early 1990s until 2004 were synthetic ones. It means that Originator transfers only the credit risk associated with the reference asset portfolio to the financial market, whereas the assets themselves remain on Originator's balance sheet. The shift to synthetic securitization was motivated mainly by the taxation reasons. In case of true-sale securitization, SPVs were subjects of trade tax, which increased potential cost of the whole deal and made transaction less attractive. The situation has changed in the fiscal and legal environment with the establishment of the True Sale International GmbH (TSI) in 2004, which served as a platform for conducting true sale transactions in Germany. When these tax obstacles were eliminated, an impulse for starting true sales deals appeared again. However, synthetic securitization transactions still keep a strong position in Germany. Establishment of TSI increased the size of domestic transactions. In 2007, out of 38 conducted transactions, there were 22 with German assets. Moreover 18 out of these 22 transactions had a form of a true sale⁸.

Currently, due to lessons learned from the financial crisis, investors and originators in Germany are trying to handle securitized transactions with caution, that's why structure of securitization market by type of issued securities has slightly changed. In 2009 the largest share of newly issued securities accounted for CDOs and ABSs in a narrow definition, backed by credit card receivables, auto and consumer loans and leasing receivables, but mostly by SME loans. In 2008 volume of newly issued RMBS in total volume of EUR 50.2 billion equaled to EUR 35.4 billion due to increased volume of repo transactions with ECB as a part of rescue plan (Tab. 1).

In terms of total outstanding securities the division by their types indicates that in the period of 2007–2009 majority of the total outstanding volume belonged to ABSs in a narrow definition (fig. 1). The rest components of ABS in aggregate were more or less stable, except for RMBSs, which share has significantly increased in the fourth quarter of 2008 after the issuance of RMBSs for repo purposes.

Russia. The first transactions in Russia were conducted in 2005 with the value of EUR 270 million and were backed by bank card payment claims and by auto loans. Classes of securitized assets in 2006–2007 were more diversified and included such asset as

⁸Source: The data is provided by www.true-sale-international.de

Table 1. Issuance of ABSs in Germany by type of securities, in euro billions

Tabela 1. Wartość emisji ABSs w Niemczech według rodzaju papierów wartościowych, w mld euro

Year	ABS	CDO	CMBS	RMBS	TOTAL
2007	8.5	-	9.5	0.6	18.6
2008	13.3	1.4	0.1	35.4	50.2
2009	9.1	10.5	5.7	1.1	26.4

Source: www.afme.eu

Źródło: www.afme.eu

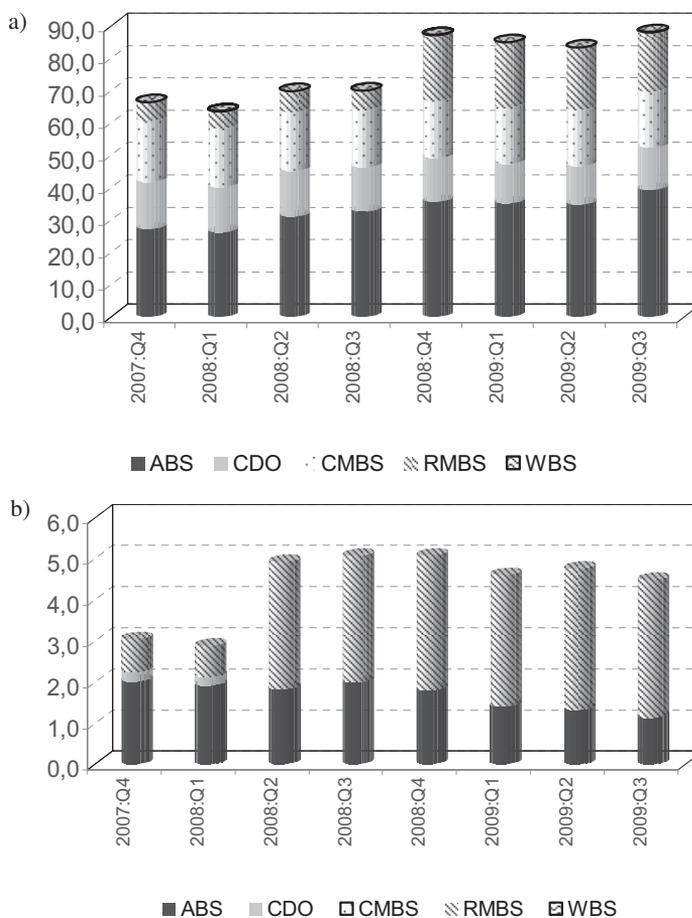


Fig. 1. Outstanding ABSs securities by type: a) Germany, b) Russia, in euro billions

Rys. 1. Wartość wyemitowanych papierów wartościowych ABSs według rodzaju: a) Niemcy, b) Rosja, w mld euro

Source: www.afme.eu

Źródło: www.afme.eu

car loans, residential mortgages, consumer receivables, railcar leasing receivables, diversified payment rights, credit card receivables and factoring trade receivables. Due to development of the market in this period securitization of assets in Russia has significantly stepped up. The significant growth of the securitization market was stopped by financial crisis in 2008. Among securitized assets in 2008–2009 could be stressed residential mortgages that occupy the lion's share of the issued securities. What is also noteworthy that in 2008–2009 some transactions were substantially supported by the government and that majority of issued securities during 2008–2009 did not trade publicly.

Since the second quarter of 2008 the outstanding securitization market is composed of ABS and RMBS transactions. After redemption of CDOs in the first quarter of 2008, no new CDOs were issued (Fig. 1). ABS segment, in turn, mostly comprises of diversified payment rights (DPRs). Residential mortgages as a dominant class of securitized assets serve as an indicator of real economy-oriented approach in conducting of securitization transactions. Mainly, securitization of residential mortgages was executed with assistance of the government and some of them on behalf of the governmental agency AHML.

The problem point for developing domestic securitization was connected with lack of ruble-denominated transactions till year 2007 and absence of domestic investors. However, situation has changed radically with the emergence of credit crunch. As a consequence of lower liquidity level and lack of trust on the interbank market many Russian banks lost an access to cheap foreign capital. The characteristic feature of the Russian market is the fact that the crisis has given a chance to reshape the currency structure of securitization market in favor of ruble-denominated transactions. Since the crisis has started in Russia, much later than in the countries with developed financial markets, some big banks decided to raise financing through other means, i.e. through conducting domestic securitized transactions denominated in rubles. In 2007 the share of ruble-denominated transactions outweighed euro- and dollar-denominated deals, even more was done in 2008, when the share of 91% was demonstrated the absolute dominance of Russian national currency in securitized transactions⁹ (Tab. 2). In 2009 ruble did not keep the leading positions due to strong devaluation, therefore, the share of ruble-denominated securities amounted to 28% against 72% dollar-denominated share of newly issued securities' volume. As of 2009 there were conducted 5 transactions with the value of almost EUR 1.5 billion, four out of these five deals were executed through off-shore SPVs. Interestingly, that majority of Russian securitized deals are traded on Irish Stock Exchange [www.cbonds.ru].

Table 2. Structure of issued securities in terms of currency, %
Tabela 2. Struktura walutowa wyemitowanych papierów wartościowych, %

	2005	2006	2007	2008	2009
USD	95.5	25	41	9	72
EUR	0	49	13	0	0
RUR	4.5	26	46	91	28

Source: www.cbonds.ru

Źródło: www.cbonds.ru

⁹For calculating purposes, the USD and RUR volumes were converted from USD to EUR or from RUR to EUR based on the exchange rates of Central Bank of Russia as of Feb. 5, 2010.

COMPARISON OF GERMAN AND RUSSIAN SECURITIZATION MARKETS

Number and value of transactions. The analysis of the securitization market in Germany and Russia since 2002 indicates that there is a significant gap in terms of volume, time and number of transactions (Tab. 3). The first deal in Russia was conducted only in 2005, while the securitization market in Germany at that time had picked up at a sufficient speed. German market had almost doubled in 2006 comparing with 2005, and reached the amount of EUR 66.7 billion, as for Russian securitization market, it was just in the beginning of its way, with the volume amounted to EUR 2.3 billion. What is noteworthy that in Russia, the negative impact of financial crisis became apparent on the volume and on the number of transactions with a one year lag, i.e. in 2008. It could be explained by comparative distance of Russian financial system from developed countries, which experienced the effect of financial instability immediately after the subprime crisis in US. But, eventually, the credit crunch significantly reduced the number of securitization transactions in both countries.

Table 3. Volume and annual growth of securitization transactions in Germany and Russia, 2005–2008

Tabela 3. Wartość i roczny przyrost transakcji sekurytyzacyjnych w Niemczech i Rosji, 2005–2008

Year	2005	2005/ /2004 (%)	2006	2006/ /2005 (%)	2007	2007/ /2006 (%)	2008	2008/ /2007 (%)	
Germany	Securitization market volume, in euro billions	66.7	460	35.0	52	41.6	119	75.7	182
	Number of transactions	54	300	26	48	38	146	27	71
Russia	Securitization market volume, in euro billions	2.3	–	0.3	13	3.4	1113	1.1	32
	Number of transactions	13	–	3	23	20	667	8	40

Source: www.cbonds.ru, KfW Bankengruppe

Źródło: www.cbonds.ru, KfW Bankengruppe

During the period of 2007–2008 the rate of the mortgage lending growth much more exceeded the rate of growth of the securitization market (Fig. 2). Expansion of mortgage lending resulted from the governmental support in developing housing. The program was realized by the governmental agency – AHML. At the same time a drop in the value of securitization transactions in 2008 is a result of investors' reaction on expanding financial crisis. It should be noted that most of mortgages was extended by banks in the first three quarters of 2008, it means before the bankruptcy of the global investment bank Lehman Brother¹⁰.

¹⁰www.rusipoteka.ru

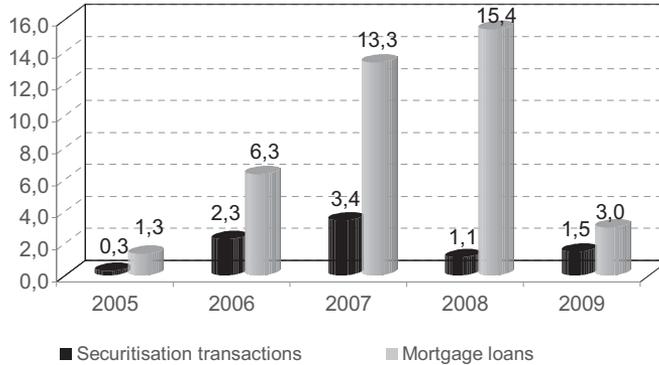


Fig. 2. Volume of securitization transactions and mortgage loans in Russia, in euro billions

Rys. 2. Wartość transakcji sekuryzacyjnych i kredytów hipotecznych w Rosji, mld euro

Source: www.cbonds.ru, www.rusipoteka.ru

Źródło: www.cbonds.ru, www.rusipoteka.ru

STRUCTURE PECULIARITIES

Comparing structures of securitization markets in Germany and Russia in 2008 by type of newly issued securities, it is noteworthy to mention their similarity. At the first glance, they look alike. The share of the total securitization volume held by securitizations of residential mortgages is dominant in both countries. The second place in Russia and Germany also occupies the same class of assets, i.e. ABSs in a narrow definition. The main difference is constituted in less diversified structure of Russian securitization market comparing to the German one (Fig. 3). It could be stated that the structure of German securitization market is approximately stable, however, some changes in that structure are expected in the post-crisis period, with the dominance of less complex securitization transactions. As a result of such strategy in the first half of 2009, 44% of ABS securities were based on loans to SME¹¹. Thus, securitization was mostly represented by real-economy assets as loans to small and medium-sized enterprises.

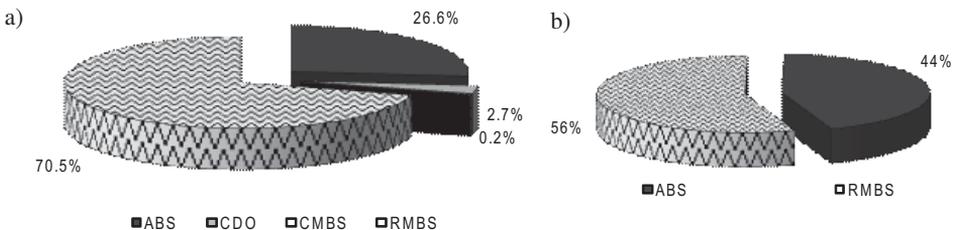


Fig. 3. Newly issued ABS securities, by type: a) Germany, b) Russia, as of 2008

Rys. 3. Nowe emisje ABSs, według rodzaju papierów wartościowych: a) Niemcy, b) Rosja, w 2008 r.

Source: www.cbonds.ru, www.afme.eu

Źródło: www.cbonds.ru, www.afme.eu

¹¹According to KfW Bankengruppe

SECURITIZATION MARKET'S REGULATION

The comparison of securitization markets in Germany and Russia indicates that the EU-15 countries have already developed own comprehensive legal frameworks for transactions and have broaden experience by conducting high numbers of real deals. On the other hand, countries with much less developed financial systems, like Russia, remain in the beginning of their way. That could be explained not only by the delayed appearance of market economic mechanism in comparison with EU-15 countries, but also because of encumbrances in regulatory and legal environment. Russian legislation in this field, except for the Residential Mortgage-Backed Securities market, is characterized by a lack of any independent legal framework, that's why securitization transactions in Russia are guided by general jurisdiction of finance and civil laws. The shape of domestic mortgage securitization in Russia is mainly regulated by Federal Law 152-FZ on Mortgage-Backed Securities, issued on November 11, 2003¹².

The MBS Law stipulates two types of mortgage-backed securities¹³: mortgage-backed bonds and mortgage participation certificates. Both of them could be issued not only by specialized mortgage agents, but also by universal banks and companies licensed to manage investment and non-state pension funds. Here is one of the main potential alarming points of securitization mortgage market, because in Russian legislation are missing special licensing requirements for mortgage securities' issuers, compared to Germany. It means that these securities are exposed to greater risk due to absence of specialization only in these operations. In situation when the issuer of mortgage-backed bonds is a commercial bank, a problem arises in case of the issuer's bankruptcy. According to the German Law (The Pfandbrief Act) the MBS holders' claims are protected in a special manner because these creditors enjoy a preferential claim on the mortgage lien¹⁴. In Russia, legislation does not provide any preferences for these holders, and creditors have the right to claim from the general mass of a bankrupt's estate. For stronger protection of creditors Russia has to pass regulations which will focused more on such legislative shortcomings, otherwise the mechanism and structure of securitization will be prone to fragility.

RESCUE ACTIONS

The financial crisis forced to take some rescue measures on behalf of governments, both in Germany and Russia. In German the rescue plan can be characterized by a few main features: the central position occupied by the credit guarantees in bank debt, establishment of the financial market stabilization fund, and the idea of setting up a "bad bank"¹⁵. The authority's ability to guarantee debt was aimed at restoring banks' confidence in order to re-start interbank lending. In the meantime, the setting up of stabilization fund was aimed at creating the cushion in case of deteriorating of situation. Thereby,

¹²Source: "Russian newspaper" No 234, from 18.11.2003.

¹³Source: Vladimir Dragunov and Max Gutbrod 2008, Securitisation in Russia: an overview of the legal framework and recent developments.

¹⁴Source: Louis Hagen 2008, A Safe Haven From the Subprime Crisis.

¹⁵Source: Benoit B. 2008: Germany unveils euro500 bn rescue plan.

the first two measures were connected with rehabilitation of the entire financial system, whereas the idea of “bad bank” presumed the restructuring of securitization markets. According to this the government-backed entity, so-called “bad bank” is going to be established in order to alleviate balance sheets of the banks that were burdened with “toxic assets” by passing these unwanted assets to this entity.

The crisis related efforts of Russian government were mostly focused on stopping ruble depreciation and reviving financial markets in general, and were not directly connected with restoration of securitization markets. For stabilizing purposes of the whole economy, central bank spent one third of its foreign exchange reserves. In addition, capital was injected into the main banks in order to increase lending. As for losses from troubled assets, they couldn't be reckoned among serious consequences of financial turmoil for Russia. Since ABS' popularity among commercial banks and financial institutions was low due to their high complexity and lack of experience on behalf of Russian institutions in this segment of financial market.

FUTURE PERSPECTIVES

The main question that could appear after analysis of securitization in Germany and in Russia is: will securitization markets be around to such extent as before the crisis? The answer is contradictory. For sure, the quality and future development of the German securitization market has no doubt. German Pfandbrief system is one of the most reliable, exists for more than 200 years and protects mortgage market from global turbulence in time of crisis. Germany has one of the most matured financial sectors, especially in part of banking, that easily and on timely basis adapts all modern financial innovations and techniques. However, still there are no clear signs that German banks will soon start to invest into ABS securities or conduct securitization transactions on a market scale. Some of them were substantially hit by investing in securities backed by US sub-prime loans, that's why banks will try to protect themselves against risky operations and deals, by excluding complex-structured securitization transactions as CDOs, and by focusing more on less riskier and more transparent assets' segment as RMBSs and ABSs (Fig. 3).

With Russia, as a country with a developing financial system, situation is a bit less optimistic. The levels of transaction volumes are much lower than in Germany, structure of securitized assets experiences lack of diversification and still large amount of legislative obstacles do exist. However, Russia made a significant headway in this direction. The increasing number of Russian originators, who apply for the credit ratings and innovative techniques as securitization, will help to improve the obsolete financial system. In addition, the absorption of best standards and financing techniques from developed financial markets should make smoother and in shorter time space the development of national, ruble-denominated capital market. Also, post-crisis period is a great chance for Russia to develop domestic securitization market, since European and other financial markets will experience some caution towards ABS securities due to massive previous write-downs. Moreover, despite the financial crisis Russia did not refuse from securitization as a refinancing technique, but, vice-versa, is following the chosen in the mid 2000's path of

asset securitization, even though with lower volume of issuance. Therefore, the long-term outlook for the Russian securitization market could be considered as perspective.

CONCLUSIONS

Securitization is a useful tool for refinancing banks and other financial institutions in matured and developing financial systems, despite different obstacles that appear during its operations.

1. Under influence of crisis, the structure of securitization market has changed in both - developed and developing financial systems. The core of securitization is based on residential mortgages, however, there is significant shift toward securitization of loans granted to small and medium sized enterprises. For both respective countries the main type of issued securities during the crisis times were RMBSs, what could be viewed as a positive sign for recovering of securitization markets, since destabilizing components of securitization market were eliminated.
2. Cross-border securitization is dominant in developing countries due to fragmentation and non-sufficient coverage of domestic legal infrastructure, while developed countries employ their own regulations and improve them in the area of safety of operations. As a result, Russian banks are forced to conduct transactions through SPVs, established in tax-favourable domiciles, what, in turn, let them additionally gain from cost and taxation benefits.
3. Financial crisis has put the future of securitization market's development at risk to a different extent in both countries. Neither rigorous legislation framework with accumulated experience of developed country, nor legislation flexibility in developing country could prevent securitization market from financial crisis' consequences, appeared with a drop in volume of issued securities.
4. For the future development of the securitization market in Russia, the fact that German securitization scheme has shown better sustainability than the American two-level system should be taken into consideration, as Russia currently follows US two-level system. The architecture of securitization mechanism which ensures stability during the financial crisis should be applied by developing countries in the process of establishing their own securitization markets.
5. Creation of a proper legal platform for conducting securitization transactions and system of choosing underlying assets are the key factors for reviving interest in securitization markets. These parameters may restore investors' trust to ABS market and help to re-emerge in developed and developing financial systems such instruments for liquidity and stability maintenance.

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SEKURYTYZACJA JAKO NARZĘDZIE ZARZĄDZANIA PŁYNNOCIĄ I STABILNOŚCIĄ W INSTYTUCJACH FINANSOWYCH W OKRESIE KRYZYSU: PRZYPADEK NIEMIEC I ROSJI

Streszczenie. Światowy kryzys finansowy istotnie uderzył w rynki sekurytyzacji w Europie. Straty na sekurytyzowanych aktywach z ratingiem AAA prowadziły do konieczności tworzenia wysokich rezerw w dużych instytucjach finansowych oraz gwałtownego spadku popytu wśród inwestorów. Jednak sekurytyzacja nadal odgrywa istotną rolę jako źródło finansowania zewnętrznego dla systemu bankowego w Europie. Wiele krajów uznało, że

ożywienie rynku sekurytyzacji ABSs jest ważnym narzędziem do przywrócenia płynności i stabilności systemu finansowego. Niemcy i Rosja są jednymi z tych krajów. Celem artykułu jest prezentacja specyfiki rynku transakcji sekurytyzacyjnych w obu tych krajach przed kryzysem i w trakcie kryzysu, z uwzględnieniem funkcjonujących tam różnych systemów prawnych i ekonomicznych. Analiza wskazuje, że sekurytyzacja została zastosowana w systemów finansowych krajów Europy Wschodniej na początku – 2000 roku. Stopień rozwoju tego rynku i regulacji nadzorujących sekurytyzację jest znacznie niższy niż w krajach o rozwiniętych systemach finansowych, takich jak Niemcy. Rosyjskie banki sekurytyzowały kredyty hipoteczne, należności leasingowe, karty kredytowe, a banki niemieckie w przeważającym stopniu kredyty hipoteczne. W obydwu rynkach ważną rolę spełniają agencje rządowe, odpowiedzialne za kredyty mieszkaniowe. Światowy kryzys finansowy uderzył w oba rodzaje rynków i przesunął zainteresowanie inwestorów na sekurytyzację aktywów niższego ryzyka, częściowo gwarantowanych przez rząd.

Słowa kluczowe: sekurytyzacja, system finansowy, stabilność finansowa, Niemcy, Rosja

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