



# Measuring fair value for risk retention



A leading provider of risk retention valuation services, KPMG works with many of the industry's most well-respected sponsors, including both seasoned as well as first-time managers, sponsors and investors. Additionally, we work closely with an array of different arrangers and law firms. Our services include:

- New-issue CLOs (both broadly syndicated and middle market)
- CLOs required to meet either U.S. or European risk retention requirements
- CLO Resets and Refinances
- Securitizations of retained vertical strips
- New-Issue CMBS
- New-Issue Consumer ABS
- Other U.S., European and Asian securitizations

## U.S. risk retention rules

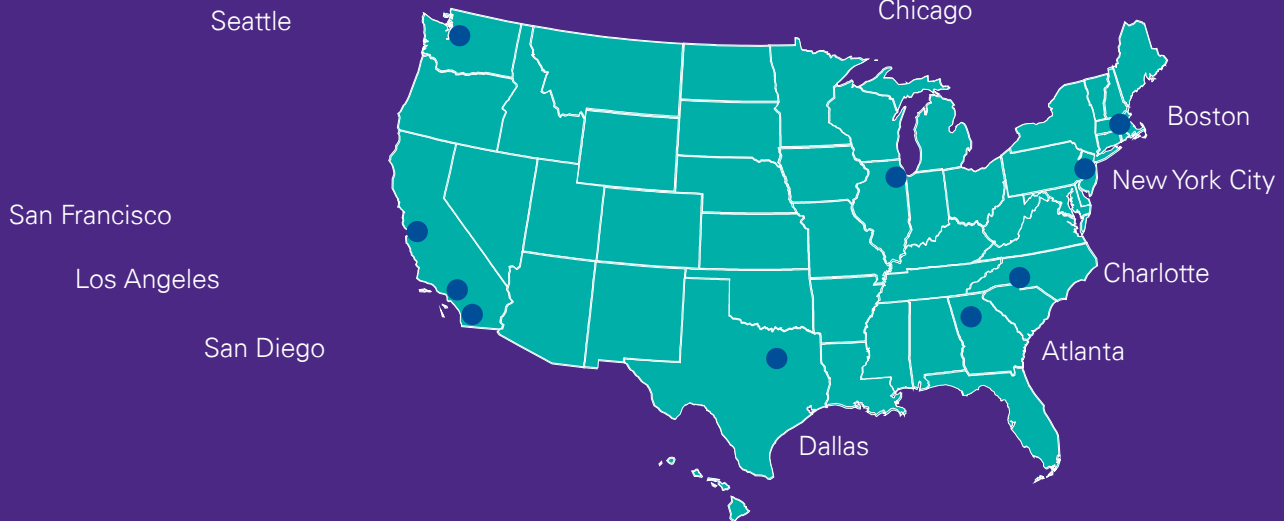
- For securitizations that need to meet risk retention regulatory requirements, the sponsor is required to retain the credit risk either vertically, horizontally, or a combination of both
- “Sponsor” is the entity that organizes a securitization or sells assets to the issuing entity.
- Restrictions on transferring, hedging, and financing of credit risk retained
- Compliance with the rules are dependent on asset type as well as how the assets are sourced (acquired in the open market vs. originated by the sponsor themselves)
- European risk retention rules differ from U.S. rules and certain securitizations may need to be compliant with one while not with the other.

- When risk retention compliance is necessary and the sponsor elects to comply via a horizontal retention, then a range of fair values must be disclosed in the preliminary offering document for each class of notes (including both debt and equity) as well as the fair value methodology utilized and material assumptions applied.

## How KPMG can help

- Since 2016, KPMG has been a market leader in providing valuation services in the context of risk retention compliance.
- We have worked with numerous sponsors, arrangers and law firms across various types of securitization transactions, giving us a broad range of experiences from which to draw. This ultimately allows us to provide our clients with best in class valuation support along with guidance on the risk retention process and documentation requirements.
- Our team is accustomed to the fast pace that often accompanies the pricing process of securitizations and are able to react quickly and provide multiple iterations when necessary.
- In these volatile times, choosing an adviser requires a firm that has the technical skills and practical experience to provide sound, objective, and independent advice. KPMG professionals provide the knowledge to help meet your valuation needs through this challenging time.

Our risk retention advisory professionals are located in major metropolitan areas.



## Contact us

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