

OUR FINANCIAL MARKETS PRACTICE IN LONDON



Dear Clients and Friends,

2010 proved to be another busy year with the London team handling a number of notable transactions in the financial markets sector, a trend that is expected to continue in 2011.

We have played a significant role in the global structured credit and securitisation market since its inception. As regulatory reform and market practice have evolved over the past two years we have continued to work with you to understand the direction and effects of regulatory changes introduced to the market and how these will impact existing and future financial market products. We have continued to invest in the structured finance arena partnering with our clients to address issues arising out of current market conditions and to assist you to develop the products of the future.

We would like to thank the many of you who attended our breakfast briefings during 2010 to address and discuss the most pressing issues for our industry and how we, as a group, could and should respond to the voluminous regulatory changes imposed on the market. In 2011 issues will continue to include applying the new regulatory capital charges, due diligence, reporting and transparency, the resolution regime for failing banks and the outlook for the Euro. Inflation and rising interest rates may also become issues. We believe however that the mass of new regulation may be coming toward its end and the focus should shift back to finding ways to fund assets and a return to growth in the major economies.

HIGHLIGHTS OF 2010 – FINANCIAL MARKETS TRANSACTIONS

Existing structured note programmes and derivatives

During 2010, we worked with you on the issue of a number of derivatives structures and numerous series of credit linked and ABS repackaged notes through new or existing securitisation repackaging vehicles. As cost has become a significant issue, being able to take derivative positions and using these vehicles provide a means of low cost issuance for certain types of financial product.

New securitisation

At the start of 2010 we were pleased to advise major vehicle manufacturers on major UK auto loan securitisation programmes. During the year, we worked with you on a number of other asset classes including leases, mortgages and other property interests. In a difficult market it was possible for good deals still to be done.

EMTN Programmes

During 2010, we advised on debt programmes including advising ICCREA Banca S.p.A on the establishment of its €3,000,000,000 euro medium term note programme. A major theme of 2010 was ensuring financial institutions in Europe had adequate access to capital and establishing a European Medium Term Note programme is a significant capital markets funding tool for many of our relationship organisations.

Emerging Market structured assets

We worked with a number of financial institutions and businesses on structuring assets in emerging markets. In the early part of the year, we worked with frontier markets specialist Exotix on extending and restructuring maturing securitisation certificates relating to frontier market assets and on proposals for a frontier market repackaging programme to develop liquidity in these illiquid assets.

Restructuring of complex financial instruments

Inevitably in the economic circumstances of 2010, there were a number of structured transactions which were required to be restructured or unwound. We acted for a number of financial institutions in successful restructuring and consensual unwind of securitisation transactions relating to various assets. In order to reach a successful conclusion it is essential to understand the way these assets work and to be able to work with the funds and other investors exposed to the various risks that these assets encompass to find a compromise, exit and termination that does not destroy the intrinsic value that the underlying assets may retain.

Funds

During 2010 we advised on the establishment and the continued operation of numerous funds. Here we worked with our offices around the world to provide management, funding, investment, tax and regulatory advice on a range of fund structures and types. We also worked with our fund clients to address issues arising from the financial crisis including access to funds and transfer of claims in the insolvent Lehman financial group.

Litigation and Arbitration

We were also asked to assist our clients in a number of complex litigation and arbitration actions often related to complex underlying financial structures. A number of these were high profile and involved the conclusion of long running disputes. We were also engaged in settlements and disputes for a number of financial institutions. Our understanding of detailed legal and market practice aspects of complex financing has enabled us to play a significant role in disputes involving complex financial products.

IN THE US WE CONTINUED TO BE ONE OF THE TOP RANKED PROVIDERS OF LEGAL SERVICES TO THE FINANCIAL MARKETS SECTOR. EXAMPLES OF HIGH PROFILE DEALS INCLUDE:

Redwood Trust – Mortgage-backed securities

We advised Redwood Trust as issuer's counsel in a US\$230 million public offering of securities backed by prime residential mortgage loans issued by Sequoia Mortgage Trust 2010-H1. The offering was the first significant non-governmental mortgage-backed securities offering since the onset of the financial crisis.

FDIC – Asset securitisation

We advised the Federal Deposit Insurance Corporation (FDIC) as counsel in connection with its first asset securitisation during the financial crisis. The transaction was a pilot residential mortgage securitisation backed by approximately \$471.2 million of performing one- to four-family mortgages from sixteen failed banks. The transaction had many unique features designed to increase independent third-party oversight and put in place procedures to align compensation of servicers who

resolve problem loans and minimise trust losses. Many of the features of this transaction will be models for securitisations by others.

FDIC – Sale of structured notes

We advised the FDIC as the seller of more than \$2 billion in notes in two separate transactions, backed by real estate loans and other real estate assets initially seized through the failures of Corus Bank in Chicago and Franklin Bank in Houston. These were only the second and third sales of structured notes since the early 1990s. In both sales, the notes were guaranteed by the FDIC in its corporate capacity, backed by the full faith and credit of the United States. These sales will increase recoveries for the two receiverships, providing substantial funds for the Deposit Insurance Fund, which has weathered an elevated number of bank failures over the past two years.

WHILST IN ASIA, OUR HIGHLY SUCCESSFUL FINANCIAL MARKETS TEAM CONTINUES TO WORK ON A VARIETY OF UNDERLYING ASSET CLASSES IN THE GROWING ASIAN MARKET.

Citigroup – Credit card receivables

We advised Citigroup as the arranger, trustee and swap provider in the securitisation of US\$300 million of credit card receivables originated in Korea by Shinhan Card.

Fitch – Auto loans rating

We advised Fitch on their rating of a securitisation of US\$500 million of auto loans originated in Korea by Hyundai Capital.

KDB/KFC – Credit facility provider

We advised Korean Development Bank (KDB)/ Korean Finance Corporation (KFC) as credit facility provider in the securitisation of ¥40 billion of future flow airline passenger-ticket receivables originated in Korea and Japan by Korean Air Lines.



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Martin Bartlam leads the financial markets group in London and with over 20 years of experience of advising on English law aspects of securitisation and derivatives transactions, has been at the heart of Orrick's London based investment in product development and innovation in this sector. Martin works with our offices across the world and clients include Citigroup, Goldman Sachs, Deutsche Bank, RBS, Barclays, JPMorgan, Société Générale and many others on some of their most complex and challenging transactions. Our financial markets practice is comprised of a team of more than 80 lawyers located across Europe, the US and Asia, who work together closely to represent a range of market participants in complex financing transactions and the development of innovative financial products.

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