

Securitization Support Programs

Playing a Pioneering Role in Financial Innovation as a Government-affiliated Financial Institution

Supporting the Smooth Supply of Unsecured Funds by Private Financial Institutions Using Securitization Methods

The securitization of loan claims for SMEs is increasingly coming to the fore in light of the growing need to facilitate SME financing.

By appropriately sharing the credit risks, credit analysis and administrative burdens of securitization, the SME Unit offers securitization methods convenient for private financial institutions to use

in facilitating unsecured funds to SMEs and to diversify measures to obtain funds. While fulfilling its pioneering roles as a policy-based finance institution, the SME Unit will also contribute to the promotion and development of the debt securitization market.

Methods of Securitization Support

Purchase-type

Operations that involve the securitization of unsecured SME loans, etc., acquired by way of transfer from private financial institutions or the use of credit default swap (CDS) contracts.

Guarantee-type

Operations that involve the partial guarantee of unsecured SME loan claims, etc., securitized by private financial institutions as well as the guarantee or partial purchase of securitized instruments.

Securitization of Account Receivables

Operations that involve support in the securitization of account receivable claims held by SMEs (suppliers) through such means as the provision of guarantees by the SME Unit for private financial institution loan claims against a special-purpose company (SPC) as well as the provision of loans by the SME Unit to SPCs.

Note: In addition to "Purchase-type" and "Guarantee-type" operations, the SME Unit implements the Synthetic CDO Program, under which it securitizes claims on loans provided by itself or corporate bonds acquired by itself.

Case Study of Purchase-type Operation

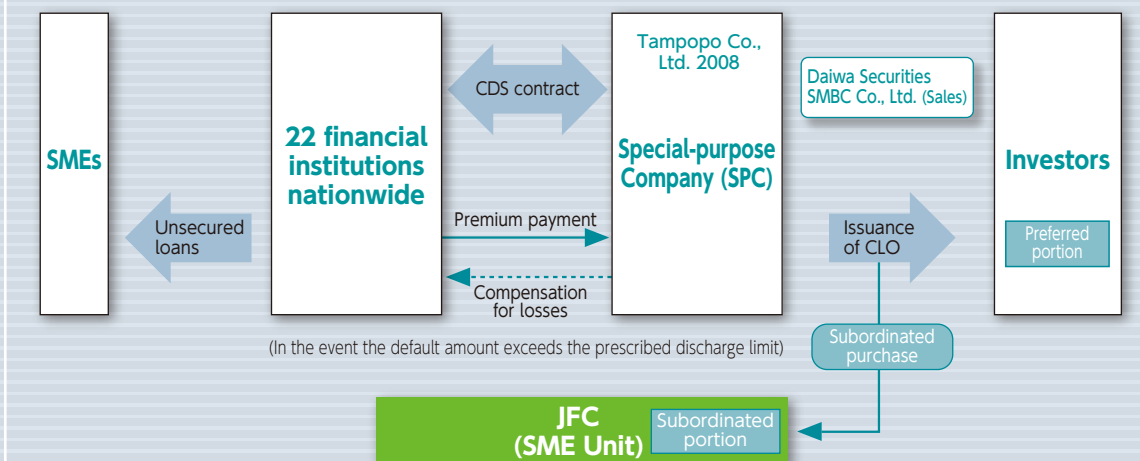
Implementing a Multi-originator-type Synthetic CLO^(Note) in Cooperation with 22 Financial Institutions

The SME Unit implemented its "Purchase-type" Multi-originator-type Synthetic Collateralized Loan Obligation (CLO) program, known as the "Regional Financial Institution Synthetic CLO (Tampopo Co., Ltd. 2008 Program," in March 2008. With 22 regional financial institutions participating in the program, a total of 1,182 companies in 29 prefectures were provided with 29.5 billion yen in unsecured funds.

Note: Synthetic CLO is a securitization method based on CDS contracts under which only the credit risk is securitized with the loan claims still kept by regional financial institutions.

- "CLO" is the abbreviation for Collateralized Loan Obligation.
- "CDS contract" is the abbreviation for Credit Default Swap contract. Under a CDS contract, regional financial institutions pay a premium to a special-purpose company (SPC) according to credit risks involved in the pool of claims, such as claims on unsecured loans implemented. Meanwhile, regional financial institutions receive compensation for losses from the SPC in the event the default amount has exceeded the prescribed limit of discharge.

Project Organization Coordinated by JFC



Japan Finance Corporation (JFC)—Playing a Pioneering Role in the Promotion and Growing Acceptance of Securitized Finance

Since launching its first Securitization Support Program in July 2004, the SME Unit has, in collaboration with a cumulative total of

156 financial institutions, extended 308.2 billion yen in unsecured funds to 9,051 SMEs through the end of March 2009.

Status of Funds Supplied (July 2004 to March 31, 2009—Cumulative Total)

	Purchase-type (cash method)	Purchase-type (synthetic method)	Guarantee-type	CDO Program	Total
Number of composite items	10	3	6	7	21 ^(Note 1)
No. of companies	2,317	2,674	2,308	1,752	9,051
Amount	¥53.7 billion	¥67.4 billion	¥94.3 billion ^(Note 2)	¥92.6 billion	¥308.2 billion
Participating financial institutions	89	60	7	—	156
City banks	1	—	2	—	3
Regional banks and second-tier regional banks	36	20	—	—	56
Credit associations	46	37	1	—	84
Credit cooperatives	6	3	—	—	9
Others	—	—	4	—	4

Notes: 1. Five of the total 26 were "Purchase-type" deals in combination with the CDO Program.

2. Representing the total loan principal amount. The guaranteed amount was 66.0 billion yen (equivalent to 70% of the total loan principal amount of 94.3 billion yen).

Japan Finance Corporation (JFC)—Contributing to the Development of the Collateralized Loan Obligation (CLO) Market

Since 2004, the SME Unit has continued to support SMEs through its Securitization Support Program that presupposes the issuance of such asset-backed securities as collateralized loan obligations (CLOs). In the ensuing period, the scope and scale of these operations have steadily developed, rising to a cumulative total of 279.2 billion yen^(Note 1). This figure represents approximately one quarter^(Note 2) of all SME CLOs issued.

The SME Unit is working diligently to ensure stable and uninterrupted SME CLO growth while proactively disclosing information at the time of CLO issue and throughout the term of each deal. In this manner, JFC is contributing to the development of the CLO market.

Notes: 1. The amount provided to the market after deducting the subordinated portions held by the SME Unit and participating financial institutions.

2. A comparison with the amount of SME CLOs issued (approximate total 1,200.0 billion yen) between fiscal 2004 and fiscal 2008 (source: Japan Finance Corporation).

