

Securitization Support Programs

Using Securitization Methods to Proactively Support the Smooth Supply of Unsecured Funds to SMEs

Features of Securitization Support Programs

- ◇ The SME Unit uses securitization methods to support the smooth supply of unsecured funds from private financial institutions to SMEs, thus encouraging diversification of fundraising methods available to SMEs.
- ◇ By shouldering an appropriate amount of the burden associated with credit risk, credit analysis and administration, the SME

Unit provides private financial institutions with a mechanism whereby they can more easily avail themselves of the securitization option.

- ◇ By steadily promoting operations in this field, the SME Unit contributes to promotion and development of the securitization market.

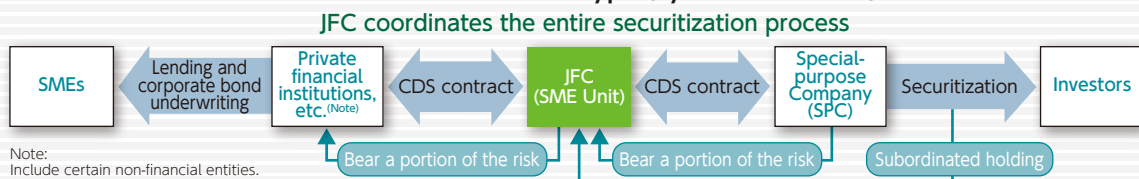
Purchase-type

Under its "Purchase-type (cash method)" operation, the SME Unit acquires by way of transfer claims on unsecured loans from multiple private financial institutions extended to SMEs for the purpose of securitization. Utilizing the Credit Default Swap (CDS*) contract mechanism, the "Purchase-type (synthetic method)," on the other hand, enables the transfer to investors of the credit risk only without the need to transfer the actual loan claims to the SME Unit.

Leveraging the dispersive effect as well as the reduction of risk generated through scale merits, these methods promote the securitization of SME loan claims held by regional financial institutions that find it difficult to securitize on their own.

Note: CDS is the acronym for Credit Default Swap. As one of many types of credit derivative transactions between two counterparties, the CDS purchaser contracts to pay a commission to the CDS seller on the condition that the seller assumes all risks if the buyer defaults on the agreed transaction or debt item.

Mechanism of Purchase-type (Synthetic method)



Guarantee-type

Under its "Guarantee-type" operation, the SME Unit extends partial guarantees (up to 70%) on claims for unsecured loans provided to SMEs by private institutions for the purpose of securitization as well as guarantees for securitized instruments.

Utilizing this operation, steps are taken to reduce the risk borne by private financial institutions while at the same time supporting and promoting the efforts of private financial institutions to securitize SME loan claims on their own.

Mechanism of Guarantee-type



Securitization of Account Receivables

The program supports and promotes the securitization of account receivable claims at SMEs (suppliers) through such means as the provision of guarantees by the SME Unit for private financial

institutions' loans toward SPCs and the provision of loans from the SME Unit to SPCs.

Mechanism of Securitization of Account Receivables, etc.

