



**Israel Securities Authority**

# **Developing the Securitization Market**

## **Public Issues of Asset-Backed Bonds**

**June 2020**

## **A. BACKGROUND**

In September 2019, the Israel Securities Authority (“ISA”) issued a consultation document for public comments on securitization — public issues of asset-backed bonds.

In the document, several questions were posed to the public with respect to the features of securitization transactions that include a public offer of bonds and that are suitable for the first phase of opening this market in Israel. The focus of those features is on making the transactions simple, transparent, and standard s.

The ISA received comments on the consultation document from several entities in the Israeli capital market and from entities overseas, and revised the document accordingly. The ISA wishes to thank all the commenters.

As described in detail below, the purpose of this document is to increase market players’ familiarity with and understanding of the key features of securitization transactions, and to introduce the features of relatively simple securitization transactions, in order to increase legal certainty for entities that are considering issues of asset-backed bonds.

A securitization transaction is a transaction in which securities that are backed by an expected and defined cash flow from a credit portfolio are issued. The securities are issued by a specific corporation that holds the underlying assets, after these assets were transferred to it by another corporation (the originator), which in turn receives the proceeds of the securities issue. A special purpose entity (SPE) is used in order to limit the credit risk to the underlying assets without entailing the risks related to the originator. To ensure that the securitization transaction is not subject to the originator’s insolvency risks, it is essential for the backing assets to be legally and financially distinct from the originator. The underlying asset portfolio serves as the sole source of debt service funds. Generally, the originator manages the portfolio of underlying assets after the transaction, but it may also be managed by a servicer other than the originator.

Securitization transactions are important financial instruments in capital markets worldwide. Global experience shows that a regulated securitization market has many benefits, and the harm caused by an unregulated market may be significant. The ISA believes that a regulated, transparent securitization market, based on a solid regulatory foundation that would help investors understand the risks and opportunities of various transactions may make an important contribution to the local capital market and to the Israeli economy.

Securitization transactions create a more efficient distribution of risks in the financial markets, and therefore provide additional sources of financing for the economy. Developing the securitization market has two primary aims:

First, creation of an attractive source of financing for local real economic activity, specifically for small and medium-sized firms. When securitization transactions are executed on developed markets, credit-seeking individuals and entities may obtain

loans at more convenient terms than are otherwise available. In Israel, diversification of credit sources is extremely important, especially for relatively small firms that are unable to issue bonds on the capital market, and that face challenges in their efforts to obtain sufficient financing, including high costs of loans from non-bank lenders. Furthermore, securitization makes it possible to pool a large number of loans in a single asset, create standardization, and significantly increase risk diversification through the issued instrument. Because the diversification of risks in these transactions reduces credit risks and may reduce the financing costs of granting credit, the development of a securitization market is expected to reduce companies' financing costs.

Many countries around the world, including the USA and European countries, have recognized the significant benefits of a securitization market and its potential to develop real economic activity, and specifically to contribute to the availability of credit to firms.

Second, diversification and expansion of the investment and savings opportunities that Israel offers investors. The benefits of securitization are related to the fact that these transactions can be designed to match the investment duration to investors' needs. For example, originators frequently hold long-term assets even though the structure of their balance sheet is not suitable for carrying such risks. In contrast, investors — comprised mainly of institutional investors that manage other people's money — frequently consider long-term money management and risks, especially when pension savings are involved as they are designated for savers' long-term needs. Securitization allows the originator to remove long-term assets from its balance sheet, and transfer these to savers while it continues to operate these assets. Such a mechanism benefits the entire financial system. On the one hand, the originator can divert equity to additional investments while continuing to manage the underlying assets, and on the other hand, savers benefit from a relatively safe, long-term, asset-backed investment.

In Israel, efforts continue to regulate and promote the securitization market. In 2005, Minister of Finance and Chairperson of the ISA appointed the Haimovitz-Asher Committee to examine aspects of issuing asset-backed bonds. The committee identified and studied the barriers to the development of an efficient securitization market, and among other things recommended to establish a statutory arrangement to eliminate the legal, accounting, and taxation uncertainty that surrounds such transactions.<sup>1</sup> In 2015, the inter-ministerial team for the promotion of securitization in Israel published its report ("the Team's Report"), which also noted the absence of the proper legislative, taxation, regulatory, and accounting infrastructure for developing a securitization market in Israel. The team conducted a global study of the problems in various fields, proposed solutions, and also drafted a bill for the regulation of securitization

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<sup>1</sup> Report of the Committee to Examine Aspects of Issuing Asset-Backed Bonds (Securitization), June 2005.

transactions.<sup>2</sup> Following the team's work, the staffs of the relevant ministries prepared a Memorandum of Law on regulating securitization in Israel.

To date, several securitization transactions have been performed in Israel in private markets. In recent years there have been some transactions in which banks sold credit portfolios directly to institutional investors. These were mainly mortgage portfolios, but transactions involving consumer debt portfolios were also purchased. The ISA has received occasional inquiries from entities interested in making public offerings of asset-backed securities (ABS) based on a prospectus.

The ISA believes that regulating the securitization market is of extreme importance, and is taking steps to promote regulation, as the public committees recommended. At the same time, the ISA believes that even under the current laws and the absence of specific legislation on securitization, public securitization has advantages over private securitization, including: the requisite transparency in public issues; the resulting ability to critically consider the quality of the issues and to price securities continuously post issue based on, among other things, their price on the stock exchange; requirements related to the conduct of the firm management and the gatekeepers that accompany it during and after the issue; issuers' disclosure documents are reviewed by the ISA; securities laws impose various obligations on issuers; and enforcement measures may be imposed on offenders. In these and other respects, the public securitization market may reduce the potential problems that emerge as a private securitization market develops.

## **B. THE AIMS OF THIS DOCUMENT**

The ISA is publishing this policy document against the background of these developments. One aim of this document is to increase market players' familiarity with and understanding of the main features of securitization transactions. Another aim of this document is to introduce the features of relatively simple ("plain vanilla") securitization transactions in order to increase the legal certainty of entities that are considering public issues of asset-backed bonds. When securitization transactions submitted to the ISA are more complicated than the transactions described herein, they will require significant and lengthy scrutiny and review, and a consideration of the requirements to which they will be subject. Several of the features described in this document are based on the European regulatory framework of "simple, transparent, and standard" securitization ("STS"), while others are based on insights from relevant US regulation. As the market develops, it is conceivable that more complicated transactions than those described in this document will be executed, but for the sake of focus and relevance, this document focuses on simple securitization transactions.

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<sup>2</sup> Report of the Team for Promotion of Securitization in Israel (2015).

This document does not purport to resolve all the principled concerns expressed in the committees' reports, and should not be considered a substitute for the required securitization legislation, in which these issues will be resolved. This document should not be considered a summative document on securitization: It is based on previous work in this area, and is designed to highlight the specific issues that can be expected to arise in the course of a review of public securitization prospectuses.

### **C. THE TRANSACTIONS ADDRESSED IN THIS DOCUMENT**

Securitization transactions, the subject of this document, are transactions in which the securitization structure, the underlying assets, the credit risk, and other risks are simple, transparent, and standard.

One of the lessons of the financial crisis is that complexly structured securitization transactions involving underlying assets with a complex credit risk generated particularly large losses for investors. In retrospect, securitization transactions of this type posed considerable challenges for pricing and were problematic in other aspects. Although this document does not address specific securitization mechanisms or classes of underlying assets, this lesson should be taken into consideration in the efforts to develop the securitization market in Israel.

This consultation document focuses exclusively on securitization transactions and does not address other financial instruments, and specifically complex financial instruments such as structured finance instruments. Consequently, this document should not be deemed a basis for policy decisions on such instruments.

### **D. FEATURES OF SIMPLE SECURITIZATION TRANSACTIONS**

Following is a general description of the features of simple, transparent, and standard securitization transactions. This description is based mainly on the existing regulatory framework on this topic in Europe and the USA and on other outlines of potential securitization transactions that have come to our knowledge. This description may change in the future based on accumulated experience with public securitization transactions, the development of the market, and changing economic conditions.

#### **Transaction structure**

##### **Sales**

One of the main risks of a securitization transaction is that the sale of the assets to the SPE is not recognized as a true sale. This is a risk for the originator and for the investors. For the originator, if the securitization transaction is not a true sale, the buyers of the asset-backed bonds will have recourse to the originator's assets in the event that the

cash flows from the assets are insufficient to service the asset-backed bonds. It is also a risk for the investors because if the securitization transaction is not a true sale, the underlying assets may be considered part of the originator's assets that will service the originator's debt to its own creditors in the event of its default.

These risks highlight the significance of classifying a securitization transaction as a transaction in which the assets are sold to a SPE. The transaction's status as a "true sale" is a material factor in the design of the transaction or in a decision to invest in the bonds based on an understanding of its risks and potential value, and also has implications for a long series of issues including conduct during default, the bonds' interest rate, and their rating.

Therefore, a securitization transaction should be accompanied by a legal opinion on the transaction and its classification as a "true sale". Such a legal opinion should be included in the prospectus that is the basis for the offer of asset-backed bonds. The legal opinion should present a legal analysis of the transaction and specifically whether it will be considered a true sale. To allow investors to rely on the transaction's status as a true sale, the legal opinion should contain unequivocal conclusions and expressly clarify that the Originator's creditors will have no access to the underlying assets, and that the investors who purchase the asset-backed bonds will collect from these assets alone.

To establish that a securitization transaction does indeed transfer ownership of the underlying assets to the SPE, the legal opinion must also, among other things, confirm that the transaction has the following features:

- The SPE has a right as beneficial owner to execute any transaction involving the underlying assets, while the originator in the transaction cannot prevent the SPE from doing so.
- The consideration for the transfer of the underlying assets is fixed, and does not vary over the lifetime of the transaction, and reflects the value of the underlying assets.
- The consideration for the transfer of the underlying assets is an indication of a true sale.
- All the risks and returns related to the underlying assets are transferred to the SPE.
- The originator has no right to re-purchase the underlying assets.
- The SPE has no right to receive any additional payment from the originator if the value of the underlying assets declines.

With respect to public securitization transactions executed before a securitization law is enacted, the ISA expects the legal opinion to include an analysis based on precedents, among other things. Opinions drafted after a law is passed will naturally be also required to include an analysis of the conditions stated in the law. If a transaction involves securitization of assets that are subject to foreign law, the legal opinion is also required to analyze its effects on the transaction.

In view of the transfer's recharacterization risk and potential claw-back risk, legal opinions are expected to conclude that the transfer of assets to the SPE constitutes a true sale, at a high level of certainty.

Additional issues that the legal opinion should address are the implications of the originator acting as the servicer (if the originator's involvement continues in the post-transaction period, after the assets are transferred to the SPE), the existence of any conditions such as the need to obtain the debtors' consent for the sale, regulatory requirements that apply to specific asset classes, and other issues.

The simplicity of the transaction and the definiteness of the legal opinion may have implications for, disclosure requirements, including the need for a disclosure of the originator's business rather than disclosures limited to the underlying assets, and other issues.

### **Risk retention**

As the Team's Report explains, a securitization transaction may give rise to a market failure resulting from information asymmetry between the originator and investors regarding the risks embedded in the underlying assets. Accumulated experience in various countries indicates that such information failures occasionally caused overpricing of the securities offered to investors in securitization transactions, as a result of which originators transferred a disproportionate share of the risk to investors. To reduce the risk of such market failure, the Team's Report proposed to require that the originator retain some of the risk that is transferred to the ABS holders in the securitization transaction.

Naturally, the extensive disclosure requirements in a prospectus and in ongoing reporting are designed to address the various problems that information asymmetry causes, and can be expected to do so in the above case. However, this should not lead to an underestimation of the importance of risk retention. Not only is the risk retention rate important, but also important is the effectiveness of risk retention, which may consequently be compromised by efforts to transfer risks through actions such as hedging.

As a rule, the regulatory regimes that apply to securitization transactions in the USA and Europe determine that the originator must hold at least 5% of each tranche of ABS interests transferred to investors in the transaction (vertical retention). In the case of vertical retention, there is no need to calculate the fair value of each tranche separately because the originator has an interest in all of them. This method of risk retention is simpler to implement than horizontal risk retention (described below) and eases the originator's efforts to remove the transaction from its balance sheet and use it for capital adequacy calculations.

Horizontal risk retention is another option permitted by US and European regulators, in which the originator holds a junior tranche in the transaction, and in the event that the value of this tranche is less than 5% of the fair value of the securitized risks in the transaction the originator also retains an interest in additional tranches whose risk profile is identical to or riskier than the risk transferred or sold to investors, such that the originator will hold at least 5% of the fair value of the securitized risks in the transaction. Horizontal retention requires an assessment of the value of the retained tranche relative to the total liabilities in the securitization transaction.

To ensure effective risk retention in simple, standard securitization transactions, the following restrictions are typically added as well:

- Transfer or hedging of the risk related to the retained interest is prohibited.
- Risk retention obligations apply to the originator from the moment of the issue, and at least until the full repayment of the ABS issued to investors in the transaction.
- A single entity retains the retained risk in entirety.

Risk retention is relevant in most securitization transactions. We clarify that the share of retained risk is not based on the performance history of any type of underlying asset, but rather, a uniform minimum retention share is applied in all cases, with the exception of special cases such as securitization transactions based exclusively on assets backed entirely by the Israeli government or the Bank of Israel.

Securitization transactions that do not include simple risk retention mechanisms that are similar in outline to those conventionally used in countries with developed securitization regulation, do not constitute simple transactions because they do not conform to globally accepted standards. Furthermore, they represent a more significant moral hazard because the original lender is not exposed to the underlying assets' credit risks, and may have limited incentives to comply with proper underwriting procedures for the backed assets.

In view of the infancy of the securitization market in Israel, especially in comparison to the developed securitization markets of the USA and Europe, the ISA will, when reviewing prospectuses, also examine the extent to which risk retention aligns the interest of originators and investors.

On this point, in reference to banking corporations, we note that the Team's Report of 2015 proposed that the originator should be subject to a risk retention requirement of not less than 10%.

### **Tranches in securitization transactions**

In securitization issues, the securities may be sorted into tranches that represent different combinations of risks and yields, which are a function of the priority of rights to the cash flows of the underlying assets. From the investors' perspective, stratification

of the securitization transaction adds complexity both to a transaction's execution and to its pricing. Therefore, the ISA expects that in the first phase of the development of the public securitization market, the senior debt tranche will be issued to the public while the equity tranche and mezzanine tranche, if any, will be issued in a private placement exclusively to accredited investors.

On this point we clarify that the equity tranche in the transaction is defined as the most subordinated tranche, which is entitled to the residual cash flows in the transaction, in contrast to the debt tranche that is serviced according to a defined repayment schedule. We further clarify that the mezzanine tranche is junior to the senior debt tranche, while the equity tranche is junior to the mezzanine tranche.

In view of the complexity involved in including a mezzanine tranche in a transaction, the ISA will expect any prospectuses submitted to it in the future that include a mezzanine tranche to ensure that the protection to bond holders offered by the combination of mezzanine and equity tranches and the amounts invested in them is not less than the protection that would have been granted to bond holders if the SPE was financed only by two tranches (bonds and equity). A key condition for this is that the equity tranche that is junior to the mezzanine tranche is also fully funded.

In principle, even when a securitization issue is divided into tranches, the liabilities to investors (in each tranche) are expected to be fully funded, in advance. More specifically, the accumulation of loss-absorbing cushions over the lifetime of the transaction is not a substitute for full funding of the liabilities in advance.

### **Tranche cash flow structures**

In securitization transactions with stratified positions, the method used to transfer the cash flows to the various tranches is significant. A feature that helps to simplify such transactions and protect the senior tranches is sequential pay, in which principal payments are transferred to the debt tranches in their order of seniority, until they are fully retired.

That is to say, simple securitization transactions typically retire the principal of each instrument in the order of seniority: First, payments are made to repay the principal of the senior debt tranche until it is fully retired, and only thereafter are payments applied to the principal of the next senior debt tranches, and so on and so forth (known as sequential pay). In this case, before the senior debt tranche is retired, the sole source of servicing the junior tranches is the interest spreads between the interest paid in respect of the underlying assets and the interest paid on the senior bonds (to be issued to the public), taking into account the leverage determined in the transaction. The residual principal payments in the transaction, after retirement of the debt tranche, are also transferred to the junior tranches.

### **Shekel-denominated transactions**

As noted at the outset, the development of a local securitization market is expected to contribute to the diversification of financing opportunities for businesses in Israel. It is anticipated that the underlying assets will typically be located in Israel, and the asset-backed bonds are expected to be denominated in shekels.

In principle, using derivatives to hedge currency mismatch risks between assets and liabilities of the SPE will not disqualify transactions from being considered simple transaction. At the same time, concerns related to the use of derivatives for this purpose will be reviewed in the prospectus review of specific transactions. The review will assess whether the securitization transactions is no longer a simple transactions as a result of the complexity created by its hedging transactions. For example, if transfer of collateral to the hedging counterparty could potentially impair the cash flows that service the bonds or increases the credit risk. Originators must take this into account in structuring the transaction and, while the use of derivatives to control transaction risks generates benefits, they must ensure that investors are not assuming any additional risks, such as cash flow mismatch risk, where the SPE lacks the sources to service its derivative-related obligations.

### **Fixed or variable interest**

The debt tranche in securitization transactions receives a fixed or variable interest rate, depending on the interest on the underlying assets. If the assigned interest rate is variable interest, accepted benchmark interest rates in Israel should be used. Furthermore, attention should be given to ensure that investors do not assume significant interest risks that stem from an interest mismatch between the assets and the liabilities in the transaction. Any mismatches that exist can be reduced by hedging against interest risks.

In principle, the use of derivatives to control interest risks does disqualify a securitization transaction from being deemed a simple transaction. Specific concerns related to the use of derivative for this purpose will be reviewed by the ISA team that is handling the transaction. Among other things, this review will also assess whether the securitization transactions is no longer a simple transactions as a result of the complexity added by the hedging transactions, for example, through the transfer of collateral to the hedging counterparty in a manner that could potentially impair the cash flows to service the bonds.

## **Synthetic securitizations**

Synthetic securitizations are transactions that are not based on the full ownership of the underlying assets. In these transactions, credit risks are transferred through the use of credit derivatives or financial instruments rather than through the sale of the assets. The added complexity is not a feature of simple securitization transactions.

## **Features that change bonds' time to maturity**

Simple securitization transactions may include clean-up calls to increase the efficiency and economic benefits when securitization transactions come close to maturity. Therefore, these options are permitted in securitization transactions.

simple transactions may also include debt tranches with an early redemption option after the elapse of a predefined period, and at predetermined periods (call dates). The payout to investors in an early redemption event is determined as the liability value of the debt tranche plus accrued and unpaid interest (at par), or according to any other mechanism. We clarify that the payout to investors for the exercise of such options is not required to be subject to the rule of “the higher of” the par value of each debt tranche in early amortization and the market value of the bonds. The option of early amortization at par is designed, among other things, to protect the originators and the equity investors in the transaction against the risk of managing a transaction when it is not in their interests to do so, which is in line with the accepted practice in the developed securitization markets of the USA and Europe. Obviously a full disclosure of the early redemption mechanisms is required to allow investors to take them into consideration in their investment decision making process.

## **Limited use of derivatives**

Simple securitization transactions do not include derivative contracts, other than for managing interest or currency risks, as relevant, as explained above.

## **The underlying assets and their management**

### **Types of underlying assets**

Simple securitization transactions may securitize a variety of assets, however they do not include synthetic securitizations that use derivatives or resecuritization transactions, in which securities that are the product of previous securitizations are securitized.

It should be noted that the more homogeneous the securitized assets, especially in terms of the cash flows they generate and the risks they entail, the simpler the transaction.

## **Extended performance history and disclosure of credit risks**

Pricing and assessing the quality of securities in a securitization transaction largely relies on the performance history of the type of underlying assets. The existence and disclosure of a satisfactory performance history, including information on defaults and early repayments, is therefore important. A period of less than five years may be insufficient to properly assess the underlying assets' performance history. This statement should not be considered a definitive determination of the desired minimum performance history; The ISA believes that a longer history should be used when relevant to performance assessments.

The prospectus is expected to contain a description of the performance of assets that are similar to the securitized assets in the transaction. Specifically, these descriptions should include information on defaults, delinquency, and early repayments in the relevant asset class, covering a period of more than five years. In transactions in which the bonds have an especially short time to maturity, the ISA will consider whether disclosure regarding a shorter period is sufficient. The disclosure should also include the distributions of the historical data and not only long-term averages. To remove all doubt, we clarify that these and other statements in this document concerning disclosures do not constitute an exhaustive list of the disclosure requirements of securitization issue prospectuses that will be examined when the prospectuses themselves are reviewed.

## **Selection of the underlying assets in a transaction**

A selective sale of assets is the selection of specific assets for securitization by the originator in the transaction. As noted, the opportunity of adverse selection may create a moral hazard when originators choose to securitize assets of a lower quality than the assets they retain on their balance sheets. As a result, the inferior quality of the underlying assets will also affect the performance of the securitization instrument and generate losses for investors.

In view of this risk, the issue prospectus should contain a detailed disclosure of the criteria used to select the underlying assets for the transaction. The disclosure should refer to the manner in which adverse selection (compared to other non-securitized assets held by the originator or the originators) was prevented. The disclosure should further address how "cherry picking" of the transferred assets was prevented. For example, the disclosure should clarify that the underwriting standards applied to the underlying assets were not less stringent compared to other non-securitized assets, and that no specific underlying assets were selected from a pool of assets without proper justification, and that the assets were created in the ordinary course of the originator's business.

In addition, in simple securitizations, securitized assets will not include defaulted assets.

An additional requirement for simple securitization transactions is that the assets transferred to the SPE will be assets in respect of which “at least one payment” was made. This requirement is designed to reduce the risks of fraud and cancellations by ensuring that a genuine borrower is behind each securitized assets.

### **Underwriting the assets**

Underwriting the underlying assets should be subject to the originator’s standards that apply to the relevant asset class.

### **Absence of active management of the underlying assets**

In simple securitization transactions, the underlying assets are not subject to active management. .

Active management is the performance of trading activities involving the transaction asset portfolio by the originator, with the aim of replacing the underlying assets over the course of their lifetime. We clarify that servicing the assets per se does not constitute active management of the assets. Nonetheless, securitization of assets with a short average duration, which requires revolving securitization, may be considered simple securitization transaction (for more information on this point, also see below).

### **Revolving securitizations**

In some revolving securitization structures, the underlying assets that are transferred later on to the SPE do not exist at the transaction date.

Reports by the interministerial teams on securitization addressed the fact that Israeli law creates uncertainty regarding the option of assigning currently non-existing assets. The ISA expects such transactions to be accompanied by a legal opinion that indicates that the revolving structure of the securitization transaction does not undermine the effect of the true sale.

### **Expected cash flows from the underlying assets**

Standard asset-based bonds are based on the ongoing cash flows of the underlying assets. They do not rely on the sale of assets to repay the obligations, among other things because such a sale increases the uncertainty concerning the source of repayment, compared to contractual repayments. Consequently, the bonds’ repayment in full will not depend on any sale of assets.

Specifically, the scope of assets that reach maturity before the bond repayment date should exceed the amount of the debt issued in the transaction plus a safety margin to cover expected credit defaults. Calculation of the safety margin may take into account reasonable assumptions concerning prepayments, based on a sufficient performance history, the current market conditions, and potential future market conditions.

**E. Parties to the securitization transaction and entities accompanying the public issue**

A securitization transaction involves four major parties:

1. The originator - a corporation that controls the underlying assets before the rights to these assets are transferred to a SPE in a securitization transaction;
2. SPE – a legal entity that was incorporated for the purpose of purchasing the underlying assets and issuing ABS; We clarify that the legal entity may also be a transparent partnership for tax purposes, where this type of incorporation may be a solution to potential tax concerns that stem from the timing differences between the profits and losses of the SPE.<sup>3</sup>
3. Servicer – whose function is to operate the underlying assets and manage the cash flows stemming from them;
4. Investors – who purchase the cash flows stemming from the underlying assets.

In traditional securitization transactions, the rights to future payments and the collateral that backs these rights are transferred from the originator to the SPE, which then issues bonds whose payments to investors are based on the future cash flows generated by the assets.

The issue prospectus should contain clear explanations about the division of powers and responsibilities of each of the parties to the transaction, information about the transaction's underlying agreements, and the expertise and relevant experience of the parties involved in the transaction. Furthermore, due to the importance of the performance of the gatekeepers in securitization issues, additional disclosures concerning the bond trustees' conduct, the underwriters who performed due diligence on the issue, and the rating companies that rated the bonds can be expected.

With respect to rating, in the first phase of market development, bond issues in securitization transactions will be conditional upon submission of rating reports by two separate rating agencies. This condition is designed to ensure that investors are able to better assess the SPE's default risks, and give investors the opportunity to review different rating methodologies that are applied to this new instrument.

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<sup>3</sup> For an elaboration on this point, see Report of the Team to Promote Securitization in Israel. See footnote 2, 40-41.