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The Securitisation

What is a securization?

"Securitisation is a financial transaction in which future cash flows are converted into securities (bonds) that can be sold to investors."

1 FORMATION OF AN SPV BASED IN GUERNSEY

A single SPV will be established, based in Guernsey, with the task of acquiring future cash flows and issuing financial instruments.

2 DUE DILIGENCE TECHNICAL, LEGAL AND FINANCIAL

A comprehensive technical, legal and financial analysis to validate the project and cash flows.

3 STRUCTURING OF ENERGY FLOWS AT THE SPV

The energy sales streams, PPA revenues and incentives are transferred to the SPV and serve as collateral for the transaction.

4 SWISS BANK STRUCTURE THE TRANSACTION

The Swiss bank structures the transaction, opens and manages the segregated accounts, the collateral and the coupon payments.

5 SPV GUERNSEY ISSUES GREEN BONDS

The SPV issues Green Bonds, ABS Notes, Infrastructure Notes and Private Notes to professional and institutional investors.

6 INVESTORS PROVIDE FUNDING

Institutional and professional investors subscribe to the financial instruments issued by the Guernsey SPV, providing the necessary capital.

7 ENERGY REVENUES PAY OFF THE BONDS

The revenue generated from the production and sale of energy is used to pay interest and redeem the bonds for investors.

1. Establishment of the operational SPV

The first stage involves the incorporation of an operational SPV (Special Purpose Vehicle) under Guernsey law, i.e. the company responsible for:
-developing and constructing the plant;
-holding the infrastructure assets;
-managing the energy project on an operational basis;
-generating cash flows from the sale of energy.

The choice of Guernsey is no coincidence. The jurisdiction is frequently used in international securitisation transactions thanks to a number of strategic advantages:
-tax neutrality;
-a flexible regulatory framework;
-high asset protection and bankruptcy remoteness;
-strong recognition amongst international institutional investors;
-high efficiency in cross-border transactions

The Guernsey SPV thus becomes the industrial, operational and financial vehicle of the structure.

2. Technical, legal and financial due diligence

Before the transaction is structured, a comprehensive due diligence review of the project is carried out across three main areas.

✓ **Technical due diligence**

This includes analyses relating to:

-the plant's generation capacity;
-solar irradiance and energy performance;
-grid connection;
-the reliability of inverters and components;
-O&M analysis and the asset's useful life.

✓ **Legal due diligence**

This includes checks on:

-authorisations and permitting;
-land ownership and availability;
-regulatory and energy compliance;
-validity of PPA contracts;
-corporate and contractual structure.

✓ **Financial due diligence**

Analyses are carried out on:

-cash flow sustainability;
-DSCR (Debt Service Coverage Ratio);
-financial stress tests;
-sensitivity analysis;
-downside scenarios and market scenarios.

This phase is crucial for validating the bankability of the transaction and reducing the risk perceived by investors.

3. Structuring of tradable flows

The Guernsey SPV holds the economic rights to the future cash flows generated by the project,including:
-revenue from the sale of energy;
-PPA cash flows;
-public incentives;
-any carbon credits or RECs.

At this stage, the cash flows become the collateral for the securitisation, i.e. the economic guarantee underpinning the financial transaction. In practice, it is precisely these future cash flows that will enable the repayment of investors and the payment of coupons on the bonds issued

4. Legal formalisation of the assignment of receivables

Specific contractual agreements are entered into to legally transfer the cash flows to the Guernsey SPV, including:
-Assignment Agreement;
-Receivables Purchase Agreement.

Through these contracts, the Guernsey SPV acquires the economic rights to the project's future receivables.

5. Involvement of the Swiss bank

This is where the Swiss bank comes into play, playing a **central role** in managing and structuring the transaction.

Its functions may include:
-financial structuring of the transaction;
-opening and managing segregated accounts;
-managing collateral;
-paying coupons to investors;
-acting as paying agent;
-custody of financial instruments;
-operational management of cash flows.

The involvement of an international bank **enhances the credibility and soundness of the entire structure.**

6. Opening segregated accounts

Within the Swiss bank, **segregated accounts** dedicated to the transaction are opened. These accounts are separate from the bank's ordinary assets, contractually restricted, and managed in accordance with precise financial waterfall rules.

Generally, four main accounts are used:

–**Collection Account**: receives all revenue generated from the sale of energy and PPA contracts.

–Reserve Account: holds a buffer of liquidity to cover any unforeseen events or temporary reductions in cash flows.

–**Debt Service Reserve Account (DSRA)**: represents a reserve dedicated exclusively to the payment of interest and coupons to investors.

–**Operating Account**: used to cover the project's operational and management expenses.

This structure ensures greater **security, transparency and control over cash flows.**

7. Issuance of financial instruments

The Guernsey SPV then proceeds to issue financial instruments aimed at professional and institutional investors, including:

- ✓ Green Bonds;
- ✓ ABS Notes;
- ✓ Infrastructure Notes;
- ✓ Private Notes.

Investors subscribe to these instruments, providing the capital required to finance the transaction.

Once the targeted funds have been raised, the project is launched or refinanced, and investors are progressively repaid through the revenues generated by the production and sale of energy.