

MARK ADELSON	Editor
MITCHELL GANG	Production Editor
DEBORAH BROUWER	Production/Design
BARBARA J. MACK	Content Director
SYLVIA LANG	Head of Marketing
DENISE ALIVIZATOS	Marketing Manager
RYAN C. MEYERS	Account Manager
VICTORIA KUNZ	Account Manager
ALBINA BRADY	Agent Sales Manager
DEWEY PALMIERI	Reprints Manager
CHERLY BONNY	Customer Service Manager
BEN YARDENI	Finance Manager
NICOLE FIGUEROA	Business Analyst
MARK LEE	Advertising Director
BRUCE MOLINA	Digital Advertising Operations
DIANE ALFANO	Chairman and CEO
DAVE BLIDE	Publisher

Spring is in the air and a young man’s fancy lightly turns to thoughts of ... baseball. The smells of horsehide and pine tar, the crack of the bat, the roar of the crowd, ice cold beer, and hot dogs—paradise on Earth for the loyal fan. The structured finance industry made a strong showing in spring training and now appears ready to start the regular season in fine form. As of this writing (April 1) issuance volumes for ABS, non-agency MBS, and CLOs are all on track to exceed last year’s levels. The mood at the SFIG Vegas conference in February was distinctly positive. Regulatory concerns are receding, although lawyers are finding new and elaborate ways to agonize over risk retention requirements. Even the recent hiccups in the subprime auto and marketplace lending areas seem (for now) to be little more than an inconvenience.

However, as Yogi Berra reportedly said, “In baseball you don’t know nothing.” Maybe the hiccups don’t mean anything, but maybe they do. Could it be that lenders are swinging for the fence to generate origination volume while at the same time striking out on credit quality? We have to wait and see. And another thing: Every winning streak eventually ends. The credit cycle has been in a benign phase for a long time. Conventional wisdom would say that a downturn ought to occur in the reasonably near future. But the exact timing remains uncertain. We can’t tell whether the credit cycle is in the sixth inning or the ninth.

Moreover, as spring gives way to summer, the structured finance industry will be approaching a sobering milestone. July 10, 2017, will be the tenth anniversary of the day when Moody’s and S&P first downgraded hundreds of MBS tranches backed by subprime mortgage loans. Although the financial crisis did not really start until more than a year later, that date is important because, with the benefit of hindsight, it seems like the first significant hint of what was to come later. To be sure, the July 2007 downgrades were concentrated almost entirely in triple-B rated tranches of subprime deals. At that time, most market participants absolutely did not anticipate either the breadth or the depth of the deterioration that later emerged.

In the meantime, though, it is still spring and there are plenty of other things to think about before summer. In that vein, this issue of *The Journal of Structured Finance* includes 10 articles covering a wide range of topics.

The issue starts with an article on financial services litigation by Joseph Heller and Gene Phillips of PF2 Securities Evaluations in New York. Heller and Phillips examine the broad range of recent litigation in the financial services industry, from securitization cases to LIBOR to FX to commodities and more.

Vinod Kothari and Abhirup Ghosh of Vinod Kothari Consultants supply a primer on securitization in India. They explain that the “direct assignment” structure, which has been favored for the past several years, may give way to greater use of the pass-through structure.

Martin Goldberg of Validationquant addresses model risk and explains that much of model risk comes from sources outside quantitative models themselves.

Amira Mustafa of Menara Analytics examines the effect of Brexit on public–private partnerships in the United Kingdom. She explains that the U.K. PPP market should be able to weather the impact of Brexit but that U.K. PPP financing costs are likely to increase, at least for a while.

Landon Parsons and Michael Shemi of Moelis & Company examine GSE credit risk transfer initiatives and conclude that they are not a substitute for solid equity capitalization.

Dhruba Purkayastha and K.C Iyer of the Indian Institute of Technology in Dehli, India analyze the predictive power of credit ratings on project financings in India. They present evidence that the ratings on Indian project financings have overstated the risks and, therefore, impeded rather than enhanced the function of the markets.

Patrick Dolan, a partner at Norton Rose Fulbright US, examines potential legal and regulatory issues affecting U.S. securitization in 2017. He considers credit risk retention, the swap margin requirements, potential legislation to roll back the Dodd–Frank Act, and more.

Andreas Horsch and Sylvia Richter of the Technische Universität Bergakademie in Freiberg, Germany

write about fixed-income financing for environmentally friendly projects (“green bonds”). They conclude that green bond investors are motivated by considerations other than simply risk and return.

Arsalan Ali Farooquee of cKers Finance in New Dehli, India examines a pre-securitization financing facility for a rooftop solar project. He applies a Monte Carlo simulation approach to assessing the risk of the financing.

The issue concludes with an article by me about representations and warranties (R&Ws) in mortgage-backed securities. I examine the particular R&Ws that figured most prominently in the post-crisis litigation, and I explore standards for determining the materiality of breaches of R&Ws.

Following the articles, the issue includes highlights from *GlobalCapital* and a selection of industry news items from the Structured Finance Industry Group (SFIG), in both cases covering Q1 2017.

As always, we welcome your submissions. Please encourage those you know who have good articles or have made good presentations on structured finance or project finance related subjects to submit them to us. Submission guidelines can be found at <http://www.ijournals.com/page/jsf/submitanarticle>. If you have comments or suggestions, you can email me directly at markadelson@nyc.rr.com.

Mark Adelson
Editor