

## SECURITISATION: FROM TECHNICAL TOOL TO STRATEGIC SOLUTION



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### A FAST-GROWING SWISS MARKET

Long the preserve of a handful of large companies, private bond issues are now playing an increasingly important role in financing the Swiss economic fabric. The combined effect of the search for alternatives to traditional banking channels, the growing sophistication of investors, and a more demanding regulatory environment, has meant that this method of financing is gradually establishing itself as a fully-fledged infrastructure - flexible, disintermediated, and in the process of standardisation.

Switzerland offers particularly fertile ground for this development. At the end of 2024, private debt stood at 165% of GDP, compared with around 32% for public debt, illustrating the extensive recourse to off-market financing. In 2023, the Swiss stock exchange recorded 436 new bond issues, mostly in Swiss francs, corresponding to a total volume of CHF 116 billion of debt - the second consecutive year above the CHF 100 billion mark.

### REGULATORY FRAMEWORK AND FINANCIAL TRADE-OFFS

The regulatory environment is playing a catalytic role. With the finalisation of Basel III, unused lines of credit - which were previously subject to limited constraints - have become more expensive for banks, which have to tie up capital even on undrawn commitments. This reduces their appetite for revolving credit facilities. Against this backdrop, issuers are turning to private markets to obtain more permanent financing that can be adjusted to their needs.

Private bond issuance offers valuable flexibility in this respect. The issuer can adapt the maturity, payment frequency, currency or form of yield according to their constraints. They can also structure the bond in multiple tranches to suit different type of investors.

### THE STRATEGIC ROLE OF THE PAYING AGENT

Such flexibility requires a robust operational infrastructure. The role of the paying agent therefore becomes strategic. In addition to simply distributing payments, it oversees the life cycle of the bond, ensures contractual compliance, supervises the calculation and distribution mechanisms, and acts as a neutral third party between the issuer and the bondholders.

The paying agent is mandatory in bond issuances: it provides the operational link between the company issuing the bond and the central depository responsible for maintaining the register and settling the securities. It guarantees the fluidity, security and compliance of transactions from the primary market through to post-issuance flows.

### "In my view, the role of the paying agent is often overlooked."

This function is essential for building trust: the paying agent lends credibility to the transaction, encourages the participation from institutional investors, ensures the traceability of flows, and enables continuous monitoring throughout the product lifecycle in line with regulatory standards.

In my view, the role of the paying agent is often overlooked, even though it is absolutely central to the smooth running of an issuance. It is like the oil in the wheels: ensuring coordination between all service providers while leveraging its network to support issuing companies. What makes this role particularly stimulating is the diversity of the projects supported, projects which by their nature and purpose reflect the richness of the Swiss economic landscape.

### SECURITISATION AND FUTURE OUTLOOK

Securitisation involves transforming assets like private bonds into financial securities that can be traded on a private or organised market. It enables the legal and financial structuring of a transaction around a specific asset, making it liquid and transferable. Beyond operational aspects, securitisation has significant legal and patrimonial value: it helps define and protect an asset.

Traditionally, in Switzerland an unlisted shareholder is identified on an internal register, which might lack legal enforceability. But when an asset is embedded into a securitised structure - an obligation linked to an economic right - it benefits from a documented and legally secure framework.

Securitisation also addresses the limitations of tokenisation. While tokenisation promises traceability and accessibility, it still faces a fragmented regulatory environment and technical risks. Securitisation, by contrast, is based on recognised and transparent structures, offering legal certainty and investor protection.

Private bond issuance is no longer a marginal instrument. It is becoming a strategic lever, supported by specialised players, of which the paying agent stands as a cornerstone.



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