FNMA A$ Global Notes

What's Unusual:

a) Largest A$ deal ever. ($751 mm)
b) Largest non-US$ deal done by FNMA
c) First US agency to do A$
d) First A$ deal lead managed by SBC Warburg
e) Tightly priced against A gov bond rates, was oversubscribed and traded at a premium
f) Deal was globally underwritten -- a registered deal in USA, simultaneously offered with Euro and Asia/Australian tranches.
   1) Aust – 9%
   2) Asia – 13%
   3) Europe – 57%
   4) USA -- 21% (~$150 million)
Attraction to FNMA:

a) New market access (A$), new funding sources
b) Large enough size for good liquidity and repeat issues
c) Global secondary trading market (US registration, easy for FNMA)
d) Rates, after swap were = US market rates (no more costly for the innovation)
Attraction to Investors:

a) AAA FNMA available in A$ at rate premium over US $ rates. Swappable asset

b) Liquidity, good global market (including USA because of registration)

c) Investment in A$ instrument of superior credit, in liquid form (investors looking for diversification away from $ bonds)
Attraction to SBC Warburg:

a) Highly visible piece of US business, with significant repeat possible
b) SBC Warburg proprietary position respected
c) Opportunity to lead very successful issue in four markets simultaneously
d) New sector of Euro-currency market ($A) for SBC Warburg
e) Overnight terms; Fixed price re-offer deal (more control, less u/w risk)
f) Significantly profitable for SBC Warburg (eg 3/8% x $750mm = $2.8mm?)
g) Fit with SBC Warburg’s global strategies
What Does it Take to Succeed:

a) Market intelligence and analytical ability

b) Ability to move quickly to put deal together and get all approvals and commitments necessary

c) Access to borrowers (FNMA and others) at the right level, ability to know their intentions and wishes

d) Ability to engineer risk out of deals, or to pass them on to other players through syndicate or placing

e) Placing power: SBC private banking clients

     : SBC’s balance sheet to carry (subsidize?) the swap

     : SBC’s ability to attract co-lead managers