

# Planned Opaqueness in Securitization

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## Abstract

Issuers of structured finance products, who screen assets and issue securities based on the assets that have passed the screening, have informational advantage over potential buyers. The main culprits of the financial crisis, namely lax screening standards and complexity of structured finance products, are the products of issuers' incentive to exploit such informational advantage. Issuers, however, can enjoy additional informational advantage through repackaging only when they have sufficient information regarding the quality of underlying assets. Consequently, regulating issuers' ability to make securities intentionally opaque and difficult to evaluate their risks and values has *detrimental* effects on the issuers' screening incentive, and can *reduce* the overall social welfare.

JEL-Classification: C78; G11; G14; G20

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