


Securitisation: Unlocking the Potential

Achieving Neutrality for Securitisation Taxation & Accounting

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Taxation, VAT, Stamp Duty, etc

- A taxation neutral regime is - What is necessary for securitisation to be
 - Economically viable
 - Optimally structured
- Without this either no securitisation or usually greater risk through transactions being structured around taxation laws with sub-optimal risk resulting – less securitisation – higher costs



Not About Tax Avoidance or Preference
Recognises ABS is different as are
e.g. leases or trusts BUT ABS is new

Approaches

- We need to consider all imposts, taxes, charges
- Many jurisdictions have introduced targeted approach via legislation, rulings or interpretations - in some cases it took years to achieve
- Is possible to go part of the way via ABS structuring techniques – 2nd & 3rd & 4th..... best approaches to transfer of assets etc
- Use of trusts greatly assists because “look through” already applies BUT is not the whole picture

Approaches & Compromises

- Trusts do not address, e.g. Economic Service Charge or Debits Tax
- Allowing “structuring around” is always attractive for Regulators & Policy Makers – tax changes are “hard” – “always suspicion”
- BUT especially in new markets can be like a whirlpool -

EASY TO GET SUCKED IN & THEN ??

Implications of Not Addressing

- Limited issues of ABS
- Reduced economic benefit
- OR Worse – Securitisation proceeds with 4th best position & structure fails for legal reasons – investors loose \$\$\$\$\$\$ - Not much future interest.
- We work around – policy makers change mind & #*#*#*#*#*#*# Market's Dead – Deals Crash & Burn – Where to Now.

Addressing the Issue Properly

- Does Not require massive changes
- Will NOT result in a loss of tax revenue
- Will not advantage one group over another
- Will facilitate economic development & building of capital markets

WHAT WE NEED IS AN OPEN MIND APPROACH TO
ARRIVE AT A SOLUTION

ACCOUNTING ISSUES

- True Sale
 - Risk Transfer
 - Off Balance Sheet Treatment
 - Relationship with SPV
 - Audit requirements
 - Accounting Standards
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Conclusion

- The real challenge is at the political & policy level
 - Enacting a Securitisation Act
 - Addressing the 2 real issues as fully as possible
 - Taxation aspects
 - Providing “look through” enforcement rights
 - Resourcing the Securitisation Regulator
 - Not having multiple layers of approval process but focus on key issues by each regulator
 - Providing clarity of process & a timely outcome
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