

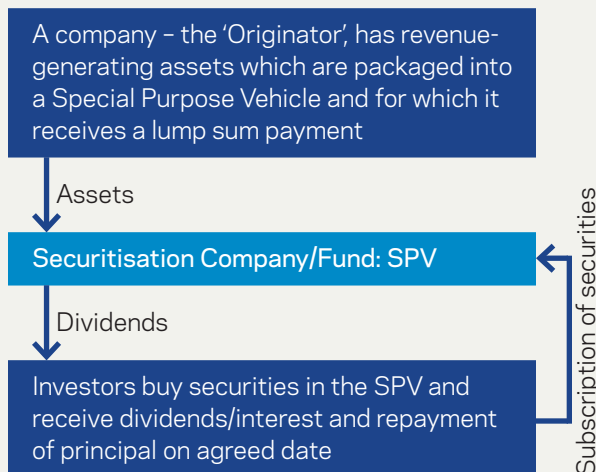
Key Facts

Fund Services – Securitisations

Securitisation is the process of taking assets that deliver a revenue stream and their associated risks, packaging them in a special purpose vehicle (SPV) and then selling securities in the SPV to interested investors who receive dividends/interest and repayment of the principal amount on an agreed date.

Securitisation is frequently used to monetise illiquid assets or to repackage financial assets and diversify risk.

Basic securitisation structure



Luxembourg’s Securitisation Framework

Luxembourg’s 2004 Securitisation Law offers promoters of securitisation structures two clear advantages:

- Lower costs
 - Luxembourg’s existing civil law framework cuts down on the amount of specific drafting for offering documents, lowering

legal fees and making it cheaper to set up a securitisation vehicle in Luxembourg than in many other jurisdictions.

- A comprehensive legal framework
 - Securitisation SPVs can be set-up either as a company or as a fund.
 - No regulation or supervision of securitisation SPVs from the financial regulator is required unless specific conditions are met.
 - The principles of bankruptcy remoteness apply through Limited Recourse and Non-Petition clauses – i.e., the assets in the securitisation vehicle are wholly separated from their origin.
 - Both ‘true sale’ and ‘synthetic’ securitisation are possible.
 - Securitised assets can be ring-fenced within sub-funds of the securitisation vehicle.
 - The law enables tax transparency (for funds) or tax neutrality (for companies).
 - Robust investor protections are in place.

Features of a Luxembourg Securitisation Vehicle

- It is possible to securitise a broad range of underlying assets from trade receivables through to mortgage-backed loans, real estate, intellectual property rights and rental receipts from yachts.
- A range of securities, such as shares, notes or structured or hybrid products, can be issued.

Key Facts

Fund Services – Securitisations

- Issued securities can be offered through private placement or through public offering (under conditions) and could be listed in Luxembourg or on another stock market.
- The structure is subject to Corporate Tax if the securitisation SPV is set-up as a company but benefits from the tax neutrality regime.
- Tax transparency is ensured if the Securitisation SPV is set-up as a fund.
- Dividends or interest paid to investors are tax deductible.
- There is potential for access to double tax treaties.

Example uses of Luxembourg securitisation vehicles:

- A financial institution repackages bonds issued by a listed company and securitises them using a Luxembourg vehicle to re-sell them to investors.
- A company uses a Luxembourg vehicle to transfer non-performing loans to the market in order to 'clean' its balance sheet.
- An institution looking to monetise a large portfolio of real estate assets, securitises the rental income from them using a Luxembourg vehicle, with the future cash flow generated by the assets transferred to investors.

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