Fact Sheet

CF Fund Services

SECURITISATION IN LUXEMBOURG

Overview

Securitisation is a financing process by which an entity transfers illiquid assets or risks to a securitization vehicle ("SV") in exchange for cash. The SV finances the assets' acquisition by issuing transferable securities (shares, bonds or other securities) on the risks of the underlying assets.

The Luxembourg law of 22 March, 2004 on securitization, as amended, offers one of the most competitive, flexible and efficient legal and tax regimes for SVs in Europe:

- a high level of protection for investors;
- no diversification requirements;
- no restrictions as regards the assets that may be securitized (moveable or immoveable, tangible or intangible assets);
- accessible to all types of investors (institutional or retail);
- tax neutral.

SVs may be set up as (i) securitization funds (no legal personality, managed by a management company) or (ii) commercial companies (S.A., S.C.A., S.à r.l. or SCoSA).

Compartments corresponding to a distinct portfolio of assets and liabilities, with different investment/distribution rules, may be created. They may be liquidated separately and offer a complete protection against creditors of other compartments.

SVs are not regulated by the Luxembourg supervisory authority of the financial sector (CSSF) except if they issue securities to the public on a continuous basis (i.e. more than 3 issuances per year).

Regulated SVs must entrust the custody of their liquid assets to a custodian bank based in Luxembourg.

The annual accounts and financial statements must be audited by one or more independent auditors (*réviseurs d'entreprises agréés*).

TAX EFFICIENCY AND NEUTRALITY

SECURITISATION FUNDS

Tax transparent: not subject to corporate income tax, wealth taxes, subscription tax (*taxe d'abonnement*);

no withholding tax on income distributed;

however, do not benefit from double tax treaties agreed by Luxembourg.

SECURITISATION COMPANIES

Fully taxable but benefit from a special tax regime and may deduct, without limitation, any commitments towards investors (dividends, interest, etc.). *De facto*, taxable basis reduced to zero;

subject to a minimum corporate income tax of EUR 3,210;

fixed registration tax of EUR 75 upon incorporation;

benefit from the EU Directives and double tax treaties concluded by Luxembourg.

1 Disposal of the asset
2 Issue on a public or private market of securities representing the asset
3 Proceeds from the issue of securities
4 Asset's reimbursement price

FOR FURTHER INFORMATION, FEEL FREE TO CONTACT OUR EXPERTS:

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