



Securitisation in Luxembourg

In a nutshell

In Europe, structured finance transactions, especially securitisations, are one of the main building blocks of the capital markets union. Securitisation transactions offer instruments for risk management and can achieve better financing conditions. Luxembourg is one of the main securitisation locations in the world and gives a favourable legal framework with a dedicated securitisation law. Currently, there are more than one thousand securitisation vehicles established in Luxembourg with around 4,000 to 5,000 transactions executed through them.

www.pwc.lu/securitisation



Securitisation: what's in it for you?



As an Asset Manager, or Private Equity House:

- Are you looking to complement your alternative investments product range and attract institutional investors?
- Do you want to offer a tradeable security with an attractive risk-and-return profile?
- Are you interested in a highly flexible tool, ranging from tailor-made structures to multi-issuance platforms?
- Are you looking for a product usually not subject to AIFMD?



As an Insurer, or Pension Fund:

- Do you face challenges with capital requirements under Solvency II?
- Do you look for repackaging and investing without tranching of notes issued?
- Are you interested in a bond-like, rated security with an attractive risk-and-return profile?
- Do you favour quick time-to-market and comparably low set-up costs when designing a product?



As a Bank, or Financial Institution:

- Do you want to de-risk your balance sheet and reduce your loan book?
- Are you looking for opportunities to reduce your capital requirements and free capital for new investments?
- Are you interested in products that you can offer as an alternative investment possibility for your private banking clients (e.g. structured products)?

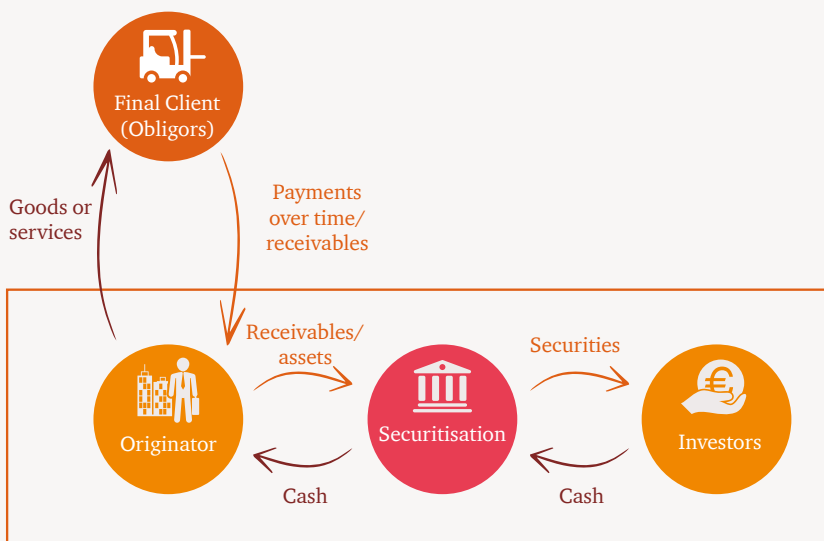


As an Operational Company:

- Are you looking for an alternative and potentially cheaper financing solution?
- Do you need easy access to the European capital markets?
- Do you want a tailor-made tool supporting your asset-liability and cash flow management?
- Are you thinking about assigning some of your assets/risks to investors, segregated from your own credit risk?



How does securitisation work?



Securitisation is a **risk transfer mechanism** that transforms existing assets or risks into tradeable securities.

It is used as a **financing tool**, allowing efficient access to capital markets and alternative funding sources.

The risk of the transferred asset is **ring-fenced** in the securitisation vehicle, i.e. independent from the originator.

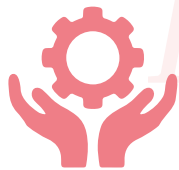
The securitisation vehicle provides **limited recourse** to the securitised assets and is bankruptcy remote.

Securitisation can help **reducing mismatches** in timing or volume of cash flows and risk profile.



Why in Luxembourg?

- ▶ High legal certainty (thanks to a dedicated Securitisation Law);
- ▶ Possibility to create segregated pools of assets and liabilities (compartments, sub-funds);
- ▶ Wide variety of asset classes allowed (incl. loans, equities, commodities, derivatives);
- ▶ Synthetic and true sale securitisation permitted;
- ▶ Tranching possible (also on compartment-level), but not required;
- ▶ Flexibility in legal form (as company or fund);
- ▶ Usually unregulated (except if continuous issue to public);
- ▶ Combinable with other products out of Luxembourg toolbox (SIF, RAIF, etc.);
- ▶ Tax efficient (access to a great number of double tax treaties);
- ▶ AAA-rated country of issuer;
- ▶ Market recognition of Luxembourg as a leading financial place;
- ▶ Full securitisation product continuum can be executed in Luxembourg (from non-EU securitisation to STS and non-STS securitisation).



How we can help

We can assist you throughout the whole securitisation value chain:



PwC Luxembourg



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