

NEWSLETTER

Australian Securitisation Forum Inc. | Representing the securitisation industry in Australia



Issue 11 | June 2004 | www.securitisation.com.au | info@securitisation.com.au

Chairman's Welcome

Welcome you to the latest newsletter from the Australian Securitisation Forum.

At the halfway mark of the year, we can look back to a very successful period for the securitisation industry with signs that the sector is well and truly on its way to breaking through A\$50 billion in annual issuance for the first time in 2004. Particularly noticeable has been the success of the European market to Australian issuers this year, with more than half of the MBS volume going into this market.

The ASF has been active in the past few months with evening seminars arranged on Low Doc loans and the impact of GST ruling changes on the securitisation industry. Both these seminars were run in Sydney and in Melbourne. The ASF also co hosted a securitisation conference with INSTO in Melbourne in May, which was a resounding success. In the reports that follow from the sub committees, you will see that the ASF has been active in working on issues relating to international accounting standards, regulatory capital implications, and developments in the securitisation market such as covered bonds, investor reporting standards and improvements to the ASF website. Once again I invite you to participate in the activities of the ASF through these sub committees as well as supporting the evening seminars and the annual ASF securitisation conference in November.

This year the Annual General Meeting of the ASF will be held in September, timed to coincide with an evening seminar and cocktail party. ASF members will be advised in July of the date of the AGM and the voting requirements for election to vacancies occurring on the National Committee.

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Roger Desmarchelier
Chairman



Sub-Committee Updates

Regulatory Committee

As market participants may be aware, the Securities and Exchange Commission has released a proposed rule for the offering of asset-backed and mortgage-backed securities. The proposed rule runs to 397 pages and covers the registration of securities offerings, disclosure standards and on-going reporting requirements. In general terms, the SEC is seeking to codify in the proposed rule many aspects of its current policies, procedures and no-action letters in relation to the securitisation market.

A sub-committee of the ASF Regulatory Issues Committee is working with key Australian issuers and US counsel, Mayer Brown Rowe & Maw, to identify the specific aspects of the proposed rule which relate to Australian (that is, not US based) issuers that could adversely affect, or otherwise limit, the SEC registered securitisation transactions undertaken by Australian issuers and to prepare a comment letter to the SEC in relation to the proposed rule. A copy of that letter will be posted to the ASF's website once it is finalised.

Brian Salter, Clayton Utz
(prepared by Stuart Fuller)

Education Committee

The Education Committee organised the first evening series for 2004 on 20 May 2004 in Sydney and 24 May 2004 in Melbourne. The topic was "Innovations in RMBS" and included a panel discussion on low doc loans and a presentation by Fabienne Michaux on covered bonds. Both Sydney and Melbourne events were well attended.

The education committee would like to thank all of the panel members being, Gavin Buchanan, Tshung Chang, Berkeley Cox, Melissa Marzulli, Ian Paterson, Tim See, Cameron Smith and Andrew Twyford for their contribution on the panel discussions, Fabienne Michaux for her interesting presentation on covered bonds and last but not least Malleons Stephen Jaques for hosting both events.

The next Evening Series in Melbourne will be on monoline insurers and is expected to be held in late July. Invitations for this event will go out shortly.

The next Evening Series in Sydney is expected to be held in September. We are interested in receiving any feedback from members on suggested themes they would like to see covered in this or future sessions.

Phillip Vernon, Perpetual Trustees Australia



Regulatory and Prudential Committee

The sub-committee of the Prudential Committee drafting a submission on covered bonds met again on 2 June.

Further work is now being undertaken. I met with APRA on the same day to discuss enhanced communication between the ASF and APRA on securitisation matters and to discuss the consistency of application of APS 120. The next release of the Basel II framework is expected at the end of June and a Prudential Committee meeting will probably follow thereafter.

David Addis, ANZ Banking Group Limited

Accounting Committee

At the time of writing this short note, there remains some uncertainty as to when the international accounting standard IAS 39 "Financial Instruments: Recognition and Measurement" will apply to Australian entities. Although some changes continue to be made to IAS 39, the FRC has confirmed that the version of IAS 39 released by the IASB on 31 March 2004 will be converted by the AASB to an Australian standard for application from 1 January 2005.

It should be noted that the ongoing changes to IAS 39 do not involve the derecognition ("clean sale") criteria. But it is not clear whether the EU will endorse IAS 39 for application in Europe in 2005. If certain European banking communities get their way, and IAS 39 is deferred or dropped in its current form in Europe, there may (and may not) be ramifications for Australia. This should become much clearer over the next month or so.

There also still remains a deal of uncertainty surrounding the specific interpretation and application of the IAS 39 derecognition rules. One aspect causing concern is the assessment of whether substantially all the risks and rewards of ownership of a financial asset have been transferred.

This involves measuring the transferor's exposure to the variability in the present value of the net cash flows from the transferred asset, both before and after the securitisation (or transfer). The ASF Accounting Committee is currently establishing a sub-committee to address this issue and to consider developing an industry standard model for the measurements and comparisons required.

Since the last ASF newsletter, the Accounting Committee has been involved - together with the ABA Accounting Committee - in lobbying APRA for changes to certain regulatory capital rules. The industry's concern is that if securitised assets return to the balance sheet of an ADI because of the adoption of international accounting standards, the ADI might be required to hold additional capital. We have recommended that APS 120 should be amended so that the need to hold capital is divorced from the accounting rules, and focused instead on the substantive issue of risk transfer.

APRA have publicly stated that they intend to modify APS

120; however, we have yet to see their written proposals. APRA need some of the uncertainties to die down before they can release their proposals.

Michael Codling, PriceWaterhouseCoopers

Marketing and Communications Committee

During the current quarter the Marketing and Communications committee have been active in organising conferences for our membership base and the implementation of a new website.

As detailed in our previous newsletter an initiative of the ASF was to introduce a securitisation conference to the Melbourne market. This conference was held on the 6 May 2004 as a half-day event attached to the INSTO Melbourne Capital Markets Conference on the same date. With over 250 delegates in attendance, the conference was an overall success as a first-time initiative by the ASF into the Melbourne market. A range of topics were presented at the conference including:

- recent developments affecting securitisation – Basel II and International Accounting Standards
- servicing issues related to ABS structures and risks; and
- challenges for investors in the global environment.

The ASF wishes to thank all presenters for their participation at the conference.

Work continues to occur on the organisation of the ASF annual conference in November 2004. It is intended that the conference will be held on the 17-18th November in Sydney. Further information will be forwarded to our membership base as it becomes finalised.

Lastly, the ASF has recently launched a new and more interactive website at www.securitisation.com.au. For updated information on the activities of the ASF and industry developments please review the website.

Paul Garvey, Members Equity

Taxation Committee

After several months of relative quiet for the Tax Committee, the ATO upset the apple cart on May 26 with the release of GST Ruling 2004/4 on the Assignment of Payment Streams including under a Securitisation Arrangement.

In a nutshell, the ruling provides definitive conclusions in relation to the applicability of GST in relation to a number of areas specifically affecting securitisation arrangements, the most notable of which, amongst others, is the treatment of servicing fees in a securitisation arrangement. Where previously accepted practice has been to claim a reduced input tax credit (RITC) against the servicing fee paid, the

ruling now prescribes that taxpayers are not able to claim a RITC for servicing fees. The ruling also applies from 1 July 2000 for all taxpayers who have not previously been the beneficiaries of a private ruling on the point.

In 2003 the ASF was involved in supplying the ATO with some preliminary material to help the ATO in the drafting of the draft ruling GSTR 2003/D6. Further, the ASF was invited to make a submission in relation to the draft ruling which was lodged with the ATO in February 2004. Between the lodgement of the ASF's submission and release of the final ruling, the ASF was not consulted by the ATO. It is fair to say that the content of the ruling in certain areas has caught the ASF and other members of the industry by surprise.

In response to the release of GSTR 2004/4, the ASF has written to Senator Helen Coonan of Treasury (4 June 2004) seeking a meeting to clarify certain aspects of the ruling and whether they accurately reflect government policy intention. In addition, members of the ASF Tax Committee and the ATO have had useful preliminary discussions following the release of the ruling. The ATO has agreed to consult further with industry on the contentious aspects of GSTR 2004/4 before taking steps to implement the approach adopted by the ATO in the ruling. As the ASF learns more from this consultation with the ATO and/or Treasury, we will continue to update members.

Gavin Buchanan, Australian Mortgage Securities Ltd

Investor Issues Committee

Since the establishment of the Investor Issues Committee in April, we have held 2 meetings. The initial aim of the meetings was to develop membership on the Committee and to determine the objectives of the Committee.

These aims have been achieved. The Committee membership now represents a good cross-section of participants in the securitisation market, including issuers, investors, ratings agencies and others. The Committee also decided that its first priority would be to focus on investor reporting. It is hoped that this focus will interest some of the larger Australian investors who will decide to participate in the ASF and the Investor Issues Committee.

Currently the investors represented on the Committee are working to compile feedback on investor reporting. The issuers represented on the Committee will then review this. The Committee ultimately aims to produce a recommended minimum standard for investor reporting for public RMBS and ABS.

If you are interested in making a contribution to the Investor Issues Committee, please contact Melissa Marzulli on (02) 8249 1222.

Melissa Marzulli, State Street Capital Pty Limited

December 2003 Statistics

Fabienne Michaux, Standard & Poors

Number of New Australian Securitisation Transactions

	1Q04	% of total (1Q04)	4Q03	% of total (4Q03)	2003	% of total (2003)	2002	% of total (2002)
RMBS	20	66.7	15	37.5	58	43.0	42	54.5
CMBS	2	6.7	5	12.5	9	6.7	15	19.5
ABS	4	13.3	6	15.0	11	8.1	11	14.3
CDO/Repack	4	13.3	14	35.0	57	42.2	9	11.7
TOTAL	30	100.0	40	100.0	135	100.0	77	100.0

Volume of Term Australian Securitisation Debt Issued (Bils. A\$)

	1Q04	% of total (1Q04)	4Q03	% of total (4Q03)	2003	% of total (2003)	2002	% of total (2002)
RMBS	20.3	91.9	9.8	78.9	44.3	88.6	30.9	82.6
CMBS	0.4	1.6	0.9	6.9	2.2	4.5	3.1	8.3
ABS	1.3	6.0	1.1	8.6	1.5	3.0	2.6	6.9
CDO/Repack	0.1	0.5	0.7	5.6	2.0	3.9	0.8	2.2
TOTAL	22.1	100.0	12.5	100.0	50.0	100.0	37.4	100.0

New Public Ratings Assigned to Australian Securitisation Transactions in 1Q04

Transaction Name	Originator	A\$-equivalent (Mils.)
RMBS		
PRIME – DOMESTIC		
AMS (New Zealand) Fund V	Australian Mortgage Securities Ltd.	186.9
ARMS II Low Doc Fund 1	Australian Mortgage Securities Ltd.	500.0
Compass Master Trust Series 2004-1	Citibank Ltd.	130.0
Compass Master Trust Series 2004-2	Citibank Ltd.	130.0
First Permanent Super Prime RMBS Trust 2004-1	First Permanent Securities Ltd.	85.0
Maxis Loans Securitisation Fund No. 7	Members Equity Pty. Ltd.	475.0
Series 2004-1 TORRENS Trust	Adelaide Bank Ltd.	800.0
TOTAL PRIME – DOMESTIC		2,306.9
PRIME - OFFSHORE		
APOLLO Series 2004-1E Trust	Suncorp-Metway Ltd.	1,063.3
ARMS II Duro Fund VI	Australian Mortgage Securities Ltd.	1,379.9
ARMS II Global Fund 3	Australian Mortgage Securities Ltd.	1,734.3
Crusade Global Trust No. 1 of 2004	St George Bank Ltd.	2,042.9
Interstar Millennium Series 2004-1E Trust	Interstar Securities (Aust.) Pty. Ltd.	1,709.2
Interstar Millennium Series 2004-2G Trust	Interstar Securities (Aust.) Pty. Ltd.	1,379.9
Medallion Trust Series 2004-1G	Commonwealth bank of Australia	3,444.0
RESIMAC Premier Euro 2004-1E Trust	Resimac Ltd.	1,456.9
TOTAL PRIME – OFFSHORE		14,210.5
TOTAL RMBS		16,517.4
CMBS		
Illawarra Series 2004-1 CMBS Trust	IMB Ltd.	232.9
Macquarie Office Finance Pty. Limited - Series 1	Macquarie Office Management Ltd.	120.0
TOTAL CMBS		352.9
ABS		
Medfin Trust Series 2004-1	Medfin Australia Pty. Ltd.	151.5
TOTAL ABS		151.5
CDO/REPACK		
SHIELD Series 21	Commonwealth Bank of Australia	19.0
SELECT ACCESS Investments Ltd. Series 2004-1	Deutsche Bank AG	61.3
TOTAL CDO/REPACK		80.3
TOTAL		17,102.1



STRUCTURING FOR SUCCESS

The Australian Securitisation Forum and Insto would like to remind you that the 3rd annual Australian securitisation conference, **ABS 2004: Structuring for Success**, is only five months away.

Please put a note in your diary.

The conference will be held at The Westin Hotel in Sydney over three days starting with a half day securitisation training session on the Tuesday 16th November followed by two days of conference on the Wednesday 17th and Thursday 18th November 2004.

The conference will cover the rapid evolution of the Australian asset-backed sector and its role in the expanding global financial markets.

Key note speakers from Australia, the US and Europe will add to a very strong agenda covering a diversity of topics relevant to our industry.

Structuring for Success will highlight the achievements and challenges now facing Australian securitisation participants in a truly global market place.

For more details please contact either:

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