

NEWSLETTER

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



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Chairman's Welcome

This is our first newsletter for 2005, yet so much has occurred within the Australian securitisation market so far this year that it seems as if the year is far more advanced than it is. There has been a high level of Australian RMBS issuance into both the domestic and offshore markets; we have seen the largest Australian RMBS to date and spreads are less than half the levels of one year ago. Can it get any better for Australian issuers?

The two US ABS conferences in January/February were well attended by Australian industry representatives. At the American Forum conference, I attended a joint meeting of the executives of the American /European and Australian Securitisation Forums. Going forward this executive meeting will be held annually to discuss areas of common interest to all Forums, how we can work together on issues that are facing all our industries as well as co-operation and participation at each Forum's annual conferences.

On the conference scene in 2005, the European Forum is running its 2005 ABS conference in April in Nice, France; IMN have their Global ABS conference in Barcelona from 13 – 16 June and the Australian Forum will be participating in the Debt Capital Markets conference in Melbourne on 3 May and be presenting the 2005 ASF Securitisation Conference in Sydney on 16 – 17 November. In addition, we will be holding a series of evening seminars in Sydney and Melbourne throughout the year on topics of interest to Forum members. The first seminar will be in Sydney on 6 April styled 'Don't be scared of your AFSL'.

On the Education front, a long-term goal of the ASF has been to take over the running of the securitisation courses in Australia. It is very pleasing to see that this strategy has come to fruition with the 'Introduction to Securitisation' course in April 2005 and the 'Advanced Securitisation' course following later in the year. More details of this programme are in the Education Committee report of this newsletter.

Again, we are always looking for assistance on the various sub committees of the Australian Securitisation Forum, so please contact Bronwyn McMahon on info@securitisation.com.au if you are interested in providing your support.



Roger Desmarchelier
Chairman

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Sub-Committee Updates

ASF Welcomes New Members

- The Rock Building Society Ltd
- Bank of America; and
- Middletons Lawyers

These organisations have joined the ASF as members since our last newsletter. We appreciate their support, and look forward to working with them in the near future.

A key focus of the ASF in 2005 is increasing the value of ASF membership to all who participate in the Australian securitisation industry. While we have several initiatives under way, we welcome your feedback on what we do and what we could do to serve you better.

Fabienne Michaux, Standard & Poor's

Accounting Committee

A brief update. IFRIC (the body responsible for interpreting and providing guidance on IFRS) have still to fully consider the submissions that both we and the European Securitisation Forum made last September, concerning the derecognition criteria in IAS 39. We understand a draft paper has been prepared for the IFRIC Agenda Committee at the end of this month. When I am in London in April 2005 I will be meeting IFRIC staff, together with the ESF, to discuss the issues we raised.

Members of our Accounting Committee met with members of the Tax Committee a few weeks ago to consider certain potential implications of IFRS on the accounting within issuing trusts. Refer to the Tax Committee article in this newsletter.

There has been slow progress so far this year on the Global Securitisation Accounting Convergence Project. We are finalising a survey that will be distributed to industry participants globally, to seek views on the importance of accounting, concerns with existing rules and preferred alternative models. The responses to the survey will help us to frame the project and set the scope for the first phase.

Michael Codling, PricewaterhouseCoopers

Education Committee

The basic securitisation course ('An Introduction to Securitisation') will commence in Sydney on 27 April 2005.

This will be the first course conducted with our new partner AFMA Services and continues the aim of providing a reasonably comprehensive introduction over eight sessions to the various elements of securitisation. Registrations can be made by downloading the course brochure from our website – www.securitisation.com.au. For further information please contact Jason Sheil on ASFeducation@securitisation.com.au or 02 9776 7914.



Later in the year we will, for the first time, be offering the basic course in Melbourne. Details will be posted on the website in due course. Pre-registrations are welcome through the contact details above.

The first Evening Series for the year will be 'Don't be scared of your AFSL'. This will be an important session for those who need clarification of the many issues surrounding the new FSR regime and its impact on our industry. These events are also a terrific opportunity to network with industry colleagues. The sessions will be conducted in both Sydney and Melbourne on 6 April 2005 and 4 May 2005 respectively at the offices of Mallesons Stephen Jaques.

Phillip Vernon, Perpetual Trustees

Investor Issues Committee

The Investor Issues Committee has not yet met in 2005 due to the travel schedule of the Chairman for much of the first quarter. The Committee intends to meet soon and will be reviewing ABS and ABCP reporting and other issues of interest to investors in Australian securitised paper.

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

Marketing & Communications

Work continues on the organisation of a 2nd Australian Securitisation Conference in Melbourne. The format of the conference will be similar to the event last year with INSTO organising an annual Australian Debt Capital Markets Conference incorporating a half-day allocated to the Australian Securitisation Forum.

The event will be held on 3 May at the Park Hyatt Hotel in Melbourne with the afternoon dedicated to the securitisation industry. Key issues to be covered include:

- the changing nature of the Australian debt market
- strategies and challenges in a tight credit spread environment
- the attractiveness of Aussie paper for offshore investors;
- updates on accounting standards and reporting requirements
- an economic analysis of the Australian property market
- insights into alternative asset classes for securitisation

In addition, to the conference the ASF will also be sponsoring a half-day education session on 2 May as a pre-cursor to the INSTO conference. The aim of the education event will be to provide an overview of securitisation with this event also being held at the Park Hyatt Hotel.

Participants will be required to register for the conference and pre-cursor education session with further information available on the ASF website shortly.

The Marketing and Communications committee has also commenced work on the industry conference in November and additional information will be provided in forthcoming newsletters and publications to members.

Forthcoming Industry Events

The European Securitisation Forum – 2nd Annual Conference

12 – 15 April 2005, Nice, France

Further information: www.europeansecuritisation.com

Global ABS Conference

13 –16 June 2005, Barcelona , Spain

Further information: www.imn.org

Paul Garvey, Members Equity Pty Limited

Prudential Committee

The big news this quarter was APRA's response to the ASF's submission on covered bonds. Here's the crux of it.

"In summary, APRA believes that the issuance of covered bonds would not be consistent with Australia's depositor preference regime and it is not, as a matter of principle, prepared to accept issuance of such bonds (or structures with equivalent effect) by ADIs in Australia."

Naturally, the response was disappointing for all of us, but since APRA had previously expressed this position, not totally unexpected. Thank you to all those who put in a big effort in putting together the submission, particularly Brian Salter of Clayton Utz, who coordinated all the sections and pulled it together.

All is not completely lost though: "As you know, the Government is reviewing the merit of introducing a limited explicit guarantee into parts of the Australian financial system. If this review were to lead to changes in Australia's depositor preference regime, APRA would, of course, be willing to revisit its approach to covered bonds."

The full response is on the ASF website, together with the submission and attachments.

APRA was due to release the draft revised Basel II edition of APS 120 in January 2005, but we believe it will now come out in the second quarter. The qualification dates for Advanced IRB status and commencement dates for parallel runs have not changed though. The APRA Insight 4th quarter 2004 contained a section on Basel II implementation that may be of interest. It is available on the APRA website at www.apra.gov.au/Insight/loader.cfm?url=/commonspot/security/getfile.cfm&PageID=8357. APRA also released the first of its IFRS papers; the second (not released yet) will deal with securitisation.

The FSA has released its version of the Basel II standards (available on the ASF website or at www.fsa.gov.uk/pubs/cp/05_03/index.html).

As usual, if you would like to be kept up to date on prudential matters, please email me (addisd@anz.com) to be added to the list. Welcome to the new members since last newsletter.

David Addis, ANZ Investment Bank

Regulatory Committee

There have been no significant developments from the perspective of the Regulatory Committee.

The key items continue to be the licensing of securitisation managers under the AFSL regime and the effect of the new Rule AB issued by the Securities and Exchange Commission.

In relation to the AFSL regime, managers are reminded of ASIC's requirement that your AFSL application must be lodged with ASIC by 31 March in order to ensure that a licence will be granted by 1 July. As that process continues, you should feel free to raise any practical implementation

EVENING SERIES

FSR ALERT – GET LICENSED

If you are a manager of a securitisation program and you don't have an AFSL, then you should apply for one without delay.

The ASIC Class Order relief in CO 03/1098 ceases to apply on or after 30 June 2005. This means that from 1 July 2005, you must have an AFSL to carry out your business.

For more information, please contact your legal adviser and attend the next ASF Evening Series kindly hosted by Mallesons Stephen Jaques.

Sydney Evening Series

Presenter: Andrea Beatty

Date: Wednesday 6 April 2005 at 5:30pm
for a 5:45pm start

Venue: Level 60 Governor Phillip Tower, 1 Farrer Place
Sydney

Melbourne Evening Series

Presenter: Katherine Forrest

Date: Wednesday 4 May 2005 at 5:30pm
for a 5:45pm start

Venue: Level 50, Bourke Place, 500 Bourke Street
Melbourne

RSVP for either events to sue.minogue@mallesons.com

Sub-Committee Updates *cont'*

issues with me or any other member of the Regulatory Committee.

In relation to Rule AB, issuers will shortly be approached to agree on the best way of determining the effect of the new rule and, in particular, whether there is any support for a representative to participate in the pilot programme (under which an issuer submits its registration statement with the Commission for comment, as if a deal were being undertaken). Members need to determine if they are willing to participate in that process and to share in the cost of doing so.

On other developments, the Federal government's proposed anti-money laundering legislation is due to be released soon, and industry will have a 2 month comment period. A working group to identify any securitisation issues will be formed at that time.

Stuart Fuller, Mallesons Stephen Jaques

Taxation Committee

The Tax Committee has remained actively involved in a number of significant matters.

On the GST front, we are currently finalising a letter to the ATO outlining the ASF's views on the prescribed treatment of "servicer fees" under GSTR 2004/4. This letter specifically addresses a number of key issues previously set out in a draft ATO discussion paper released in 2004. The ASF believes that the ATO should amend the GST tax ruling to reflect the fact that there is a supply by the servicer of loan management and debt collection services, and that most securitisation vehicles should be entitled to a reduced input tax credit under the RITC regulations.

The Tax Committee has also been working closely with the Accounting Committee to assess the potential tax consequences for issuing trusts following the introduction of International Accounting Standards. In order to ensure the tax neutrality of issuing trusts is preserved, it will be important to avoid certain tax/accounting timing differences emerging. One option being considered by industry participants is whether the issuing trusts can be deemed to be non-reporting entities. If this is the case, issuing trusts can prepare special purpose financial reports which do not necessarily have to fully comply with accounting standards (and hence avoid the timing differences). If this option were pursued, it may (in some cases) require amendments to the Trust Deed. There are, however, other options being debated, and we hope to be able to provide a more comprehensive update in the near future.

The ASF is also represented on the ATO's National Tax Liaison Group – International Financial Reporting Standards sub-committee ("NTLG IFRS sub-committee"). During February 2005, the ASF submitted a paper to this sub-committee outlining its concerns regarding the preservation of

tax neutrality post IFRS-implementation. More specifically, the ASF has requested that the ATO consider what measures can be adopted to provide certainty to securitisation trusts and their advisers. These measures should ensure the trustee will not suffer tax in the event that the trust has no net accounting profit according to IFRS, but does have net income for the purposes of Division 6 of Part 3 of the Income Tax Assessment Act 1936.

Finally, the Tax Committee has continued to work with Treasury on the TOFA front. In late January 2005, the Tax Committee made a formal submission to Treasury outlining its views on the 'coherent principles' paper that Treasury issued to various interested parties on a confidential basis in December 2004 (titled "Taxation of Financial Arrangements Stages 3 and 4 – Coherent Principles").

In summary, the ASF agreed that the reform of TOFA is warranted and the ASF will support reforms that it is confident can meet the following two objectives:

1. the application of, and outcome under, the new rules to securitisation vehicles is sufficiently certain; and
2. the new rules allow securitisation vehicles to recognise net taxable income in a way that reflects the economic reality of the securitisation vehicle.

Subsequent to the above submission, the ASF has been invited by Treasury to join a consultative group to discuss policy, framework and drafting issues concerning the development of the proposed legislation which will give effect to TOFA 3 and 4. We will continue to keep members informed of progress on this and other ongoing matters.

Patrick Tuttle, Pepper Home Loans

ASF EDUCATION

LEARN ABOUT SECURITISATION

The ASF is running an 8 week practical education course – 'An Introduction to Securitisation'. The course has been developed by the ASF in consultation with a number of industry experts. All presenters in the course are experts in their field.

The course commences on 27 April 2005, and runs for 8 weeks with a 2 hour workshop from 5:30pm – 7:30pm every Wednesday evening for the 8 weeks. Each workshop will be in Sydney.

If you would like to know more about securitisation, then you should register for this course.

For more information (including a more detailed agenda and the registration form) then go to the ASF website at www.securitisation.com.au and click on the links to education.

Number of New Australian Securitisation Transactions

	4Q04	% (4Q04)	3Q04	% (3Q04)	2Q04	% (2Q04)	YTD 2004	% YTD 2004	2003	% (2003)	2002	% (2002)
ABS	5	16.67	6	21.43	3	10.34	16	15.84	12	8.82	11	14.10
RMBS	14	46.67	14	50.00	16	55.17	57	56.44	59	43.38	43	55.13
CMBS	2	6.67	1	3.57	5	17.24	8	7.92	8	5.88	15	19.23
CDO/Repack	9	30.00	7	25.00	5	17.24	20	19.80	57	41.91	9	11.54
TOTAL	30	100.00	28	100.00	29	100.00	101	100.00	136	100.00	78	100.00

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

	4Q04	% (4Q04)	3Q04	% (3Q04)	2Q04	% (2Q04)	YTD 2004	% YTD 2004	2003	% (2003)	2002	% (2002)
ABS	0.98	9.70	0.84	4.85	0.24	1.55	3.4	5.57	2	3.90	3	6.74
RMBS	8.43	83.27	16.14	93.10	13.32	87.54	55.0	90.12	45	88.44	32	83.00
CMBS	0.11	1.12	0.00	0.02	1.48	9.75	1.7	2.79	2	3.78	3	8.10
CDO/Repack	0.60	5.9	0.35	2.03	0.18	1.16	0.93	1.52	2	3.88	1	2.16
TOTAL	10.13	100.00	17.34	100.00	15.21	100.00	61.03	100.00	50	100.00	38	100.00

New Public Ratings Assigned to Australian Securitisation Transactions 4Q04

Transaction Name	Originator	AUD Equivalent \$Mil
ABS		
Medfin Trust 2004-2	Medfin Australia Pty Ltd	151.50
Interstar NIM Master Trust Series 2004-1	Interstar Wholesale Finance Pty Ltd	180.00
CNH Capital Australia Receivables Trust No. 3	CNH Capital Australia	500.00
Freshwater Trust	Australand Holding Ltd	151.30
TOTAL ABS		982.80
CDO/REPACK		
Green Forest Securities Limited Series 2004-12	Toronto Dominion	54.20
Obelisk Trust 2004-1	Societe Generale Australia Branch	200.00
Mahogany Capital Ltd. Series 1	Lehman Brothers Asia Ltd	75.00
Generator Income Trust	Macquarie Bank Ltd	154.30
Nexus Bonds Ltd. – Nexus3 Notes	Deutsche Bank AG	35.00
SELECT ACCESS Investments Ltd. Series 2004-15	Deutsche Bank AG	13.50
SELECT ACCESS Investments Ltd. Series	Deutsche Bank AG	48.40
SELECT ACCESS Investments Ltd. Series 2004-17	Deutsche Bank AG	12.80
TOTAL CDO/REPACK		593.20
CMBS		
Quay 62 Pty Ltd 2003-1	AMP Wholesale Trust No. 1 and No. 2	20.00
TMT Finance Pty. Ltd.	Tyndall Meridian Trust	93.60
TOTAL CMBS		113.60
RMBS-DOMESTIC		
PUMA Masterfund P-10 Series B	Macquarie Securitisation Ltd	750.00
ARMS II Find XV	Australian Mortgage Securities Ltd	1000.00
WB Trust 2004-1	Wide Bay Australia Ltd	300.00
Interstar Millennium Series 2004-5	Interstar Wholesale Finance Pty Ltd	750.00
Progress 2004-2 Trust	AMP Bank Ltd	525.00
Maxis Loans Securitisation Fund 2004-1	Members Equity Pty Ltd	450.00
Sapphire VI Series 2004-2 Trust	Bluestone Group Pty Ltd	301.66
Interstar Titanium Series 2004-1	Interstar Non-Conforming Finance Pty Ltd	150.50
TOTAL DOMESTIC		4227.16
RMBS-OFFSHORE		
RESIMAC Premier Euro 2004-2E Trust	RESIMAC Ltd	1499.64
TOTAL OFFSHORE		1499.64
TOTAL RMBS		5726.80

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