

NEWSLETTER

Welcome to the eighth newsletter of the Australian Securitisation Forum Inc.



ASF | representing the securitisation industry in Australia | Issue 9 | December 2003 | www.securitisation.com.au | info@securitisation.com.au

Chairman's Welcome

Welcome to the latest newsletter from the Australian Securitisation Forum and our last one for 2003.

Over the past few months, the ASF has been active in a number of areas through its various sub committees, whose detailed reports follow. Those sub committees are one of the strengths of the ASF and industry participants are always invited to join and contribute to the activities of these various committees.

This Newsletter follows on closely from the 2003 ASF/INSTO Australian Securitisation Conference. Once again it was very well supported by industry participants with almost 600 delegates registered. The timing of the Rugby World Cup allowed us to attract some key speakers from overseas and those participants, together with good local speakers and strong support from our industry, made the conference the success that it was. In addition, in a sign of a closeness that will develop more in the future, there were representatives from the American Securitisation Forum and the European Securitisation Forum, who spoke on issues that are affecting us both here in Australia as well as overseas. The joint securitisation submission to Basle 11 last July, showed how the Forums can work together in matters of common interest and to share ideas. Their attendance at our conference in Australia and our support for their conferences overseas will further develop these ties.

As we go into 2004, we see some challenges ahead in accounting and regulatory changes that the ASF will continue to work on. There will again be a strong MBS issuance program in 2004, both

into the Australian and offshore markets, with probably some new structuring ideas being incorporated into some of those programmes. We will no doubt continue to see developments in the securitisation of other assets and in structures allowing transfer of credit risks.

The ASF will continue to work on behalf of its members playing an advocacy role with regulators and accounting bodies as well as continuing its communication and education programmes for securitisation market participants. On behalf of the ASF National Committee, I wish you and your families the very best for Christmas and we look forward to working with you in the securitisation industry in 2004.

Roger Desmarchelier
Chairman



ASF/INSTO
Australian
Securitisation
Conference 2003



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Sub-Committee Updates

Marketing & Communications

Paul Garvey, Members Equity Pty Ltd

The 2nd Annual Australian ABS Summit held in November has closed an exciting year for the ASF. In an industry that continues to grow with issuance volumes exceeding previous years the conference provided an opportunity for almost 600 delegates to meet in Sydney to discuss this years growth and trends, and the year ahead.

Delegates attending the conference represented a range of participants within the securitisation industry with attendance by issuers, investors, legal, accounting, regulatory, rating agencies, mortgage insurers, and investment banks.

There was also strong international participation in the conference that highlights the globalisation of our securitisation market.

During the conference a range of issues were discussed with topics of interest including:

- challenges for Australian issuers in an evolving global market place;
- will accounting off-balance sheet treatment survive?;
- corporate reform in the United States and Europe and its implication for the Australian securitisation market;
- the challenges and opportunities for non-conforming RMBS;
- the role of lenders mortgage insurance; and
- CMBS- an evolving market.

The conference also included the ASF's end-of-year Christmas cocktail function. Please forward any feedback on the conference to info@securitisation.com.au.

The month of September provided for the second ASF evening series for 2003, 'AAA:Tried and True'. The evening was very informative with an opportunity for three primary financial guarantors to speak on topics of interest to investors in assets wrapped by AMBAC, FSA and MBIA.

The ASF wishes to thank all presenters, panel members and delegates who contributed to each event.



Presentations provided by speakers at the ABS Summit are available on INSTO's website www.insto.com.au.

Tax

Gavin Buchanan, Australian Mortgage Securities Ltd

The Tax Committee of the ASF lodged a submission with the ATO in September in relation to the ATO's project on the applicability of GST on the assignment of income streams.

The ATO were due to release a draft GST ruling in October on this issue. The ATO released the draft ruling GSTD 2003/D6 on Friday 21 November. The draft ruling invites industry response by 14 January 2004.

A working sub-committee of the Tax Committee met on 24 November to consider the draft ruling and catalogue the issues in relation to it. The sub-committee is also working closely with members of the Tax Institute of Australia in framing the response to the ATO.

The sub-committee will produce a working draft of the submission back to the ATO and this will be circulated to the wider members of the Tax Committee for comment. There are no other matters currently before the Tax Committee.

Education

Melissa Marzulli, State Street Capital Pty Limited

For the fourth quarter of this year the Education Committee is focused primarily on 2 tasks. Firstly, in conjunction with the Regulatory Committee, we have been considering the implications for members of the education and training requirements under the Financial Services Reform Act licensing. The Education Committee recommended that the National Committee adopt a resolution recognising the ASF/ Securities Institute Securitisation courses, the Evening Series lectures and the annual Securitisation Conference as acceptable industry training.

This National Committee adopted this resolution at the November meeting. The resolution is clear that these courses are not to be considered mandatory under the FSR License; however it has been done in an effort to assist member organisations with their compliance under the new regulations.

Secondly the Education Committee, working with the Securities Institute, will be updating the Basic Securitisation course notes in preparation for the 2004 courses. We are also considering the best way to make this type of training available to those industry participants not located in Sydney. This will likely take the form of a concentrated 2-3 day offering of the Basic and/ or Advanced course in Melbourne. We will keep the members updated on these developments.

In 2004 we will be looking to offer Evening Series lectures in both Sydney and Melbourne and would welcome any members' comments on suggested topics. If you are interested in making a contribution please contact Melissa Marzulli on 8249 1222.

Accounting

Michael Codling, PricewaterhouseCoopers

At the time of writing, we have still not seen the final international accounting standard IAS 39. Its release has been delayed again, this time until the third week of December. Until then, we will not know the exact details of the expected new derecognition criteria, including pass-through arrangements.

We were fortunate to have Peter Jeffrey - a London based PricewaterhouseCoopers partner and Chair of the Accounting Committee of the European Securitisation Forum (ESF) - in Australia recently to address the INSTO conference and give us some insight to the likely new criteria. While here, Peter also joined a meeting of the ASF Accounting Committee. The message from Europe continues to be that, once implemented, International Financial Reporting Standards (IFRS) will cause most securitisation vehicles to be consolidated by the originating seller.

We understand the International Accounting Standards Board acknowledge some of the failings of their current and expected pronouncements. The ASF Accounting Committee has resolved to work with the ESF and the American Securitisation Forum, in a medium-term project led by Peter, to propose new accounting criteria for securitisation transactions.

Locally, on 30 October 2003 the Urgent Issues Group (UIG) reconsidered Abstract 28: "Consolidation - Special Purpose Entities". The ASF Accounting Committee were invited to prepare a paper for, and present to, the UIG meeting to explain: (a) the securitisation process and the players; (b) the way the industry currently interprets UIG 28; and (c) overseas developments in accounting guidance.

We involved the Accounting Committee of the Australian Bankers Association (ABA) in the preparation process. Michael Codling, David Addis and Leanne Leong made the presentation at the meeting.

Our key recommendations were endorsed at the meeting, and the ensuing UIG Action Alert recorded "Members noted that asset derecognition and control of SPEs were current topics of the IASB and the US standard setters, and took the view that it would be unreasonable to revise Abstract 28 now given the short time frame expected before an international approach was to be adopted in Australia". However, the matter is to be referred back to the

UIG Agenda Committee for consideration.

The ASF has also been working with the ABA in relation to APRA's regulatory capital rules. Representatives of APRA have publicly stated - including at the INSTO conference - that it makes sense to divorce the existing APS 120 rules from the revised accounting rules under IFRS. In the New Year, our efforts will gather steam to propose to APRA some potential changes to APS 120.

Regulatory

Phil Vernon, Perpetual Trustees

Financial Services Reform Act

The Financial Services Reform Act came into effect on 11 March 2002 and commenced a transitional period of two years for organisations that were already operating a financial services business. By 11 March 2004 all financial services businesses will need to be licensed.

Most securitisation participants will be required to be licensed as they will be involved in 'dealing' in financial products and hence will be carrying on a financial services business. It is mostly irrelevant for licensing that securitisation products are generally only sold to wholesale investors.

The Regulatory Committee has for some time been lobbying both Treasury and ASIC in relation to what we believe to be the inadvertent impact of the Financial Services Reform Act on securitisation. A number of meetings have been had and submissions made. These can be found on the website.

The thrust of the ASF's case is:

- An issuer should not require a licence to deal in derivatives even as a significant part of its business if it enters into derivatives for the purpose of managing financial risk incident upon an issue of debt securities;
- A trust manager should not require a licence to arrange for the issue of debt securities by the trustee if the principal assets of the trust are assets which have been transferred to the trustee issuer under an arrangement with the manager and the issue of the debt securities does not require disclosure to investors pursuant to a prospectus (ie. They are to wholesale investors);
- An issuer should not require a licence to prepare an information memorandum;
- An issuer trustee should not require a licence to issue beneficial units in the issuing trust;



- An issuer trustee/company should not require an AFS licence to issue debt securities provided the debt securities are issued to an entity that has an AFS licence (ie. the arranger) and the debt securities do not require disclosure by way of a prospectus (ie. they are issued to wholesale investors).

We are still awaiting a response from ASIC on our submission.

The ASF has prepared a FAQ describing in more detail the impact of the FSR on various participants in securitisation structures. This can be found on the ASF website.

Prudential Sub Committee

With the myriad issues arising relating to APRA regulated institutions - Basel II and the potential impact of accounting changes among them - it was decided that a subcommittee specifically focussed on APRA related matters was required. During the period, the Prudential Sub Committee was formed convened by David Addis of ANZ. If you are interested in joining this sub-committee please contact David Addis on (03) 9273 3538.

Membership

Fabienne Michaux, Standard & Poor's

2004 membership renewals will be going out shortly. The membership year will commence on January 1, 2004 and run 18 months to June 30, 2005 to allow the ASF to align its membership year to its financial year. Consequently, the



membership fee will be higher than for 2003, but the increase wholly reflects the extended membership period.

The ASF is keen to see all securitisation stakeholders participating and represented through its membership. One initiative under way is to increase participation from investors in the forum. To support this initiative, the ASF has created a new sub-committee called the Investor Issues sub-committee. Additionally, investors who are not also securitisation issuers are invited to join the ASF with their first year's membership fee waived.

If you are interested in joining the ASF, please contact us at info@securitisation.com.au. In addition to the quarterly newsletter and the website, benefits of membership include:

- **Sub-committee participation.** As well as being involved in raising, exploring, and resolving key issues impacting members, a key benefit of sub-committee participation is the ability to share experiences and views with other key market participants.
- **Free attendance for individuals of member organizations at the quarterly twilight series** (A\$60 per person for non-member organizations)
- **Discounted fees for individuals of member organizations for SIA/ASF securitisation courses, and**
- **2 free passes to attend the annual ASF securitisation conference.**

Number of New Australian Securitisation Transactions

	3rd Quarter 03	Year To Date 03	2nd Quarter 03	Year To Date 02	FY 02
RMBS	16 (55.3%)	42 (45.2%)	14 (42.4%)	33 (60%)	42 (54.5%)
CMBS	1 (3.4%)	7 (7.5%)	3 (9.1%)	11 (20%)	15 (19.5%)
ABS	1 (3.4%)	4 (4.3%)	2 (6.1%)	9 (16.4%)	11 (14.3%)
CDO/Repack/CLN	11 (37.9%)	40 (43.0%)	14 (42.4%)	2 (3.6%)	9 (11.7%)
Total	29 (100%)	93 (100%)	33 (100%)	55 (100%)	77 (100%)

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

	3rd Quarter 03	Year To Date 03	2nd Quarter 03	Year To Date 02	FY 02
RMBS	13,211 (93.4%)	32,391 (91.8%)	10,035 (94.4%)	23,140 (83.0%)	30,923 (82.6%)
CMBS	402 (2.8%)	503 (1.4%)	54 (0.5%)	2,404 (8.6%)	3,088 (8.3%)
ABS	230 (1.6%)	1,154 (3.3%)	170 (1.6%)	2,269 (8.1%)	2,586 (6.9%)
CDO/Repack/CLN	307 (2.2%)	1,244 (3.5%)	368 (3.5%)	80 (0.3%)	828 (2.2%)
Total	14,150 (100%)	35,292 (100%)	10,627 (100%)	27,893 (100%)	37,425 (100%)

Source: Courtesy of Standard & Poor's (Australia)

Third Quarter 2003: New Public Ratings Assigned to Australian Securitisation Transactions

Transaction Name	Originator	A\$ Equivalent (Mils.)
RMBS		
Prime - Domestic		
Series 2003-1 Harvey trust	Credit Union Australia	300
PUMA Masterfund P-8B	Macquarie Securitisation Limited	700
Superannuation Securitisation Fund 2003-1	Members Equity Pty Ltd	700
RBS 2003-1	The Rock Building Society	260
Illawarra Series 2003-1 Trust	Illawarra Mutual Building Society	500
FirstMac Bond Series 1-2003 Trust	FirstMac	350
Series 2003-1 TORRENS Trust	Adelaide Bank	600
Interstar Millennium Series 2003-4 Trust	Interstar Securities (Australia) Pty.Ltd.	500
Superannuation Members Home Loans Securitisation Fund 2003-2	Members Equity Pty Ltd	1,000
APOLLO Series 2003-2	Suncorp-Metway Ltd	600
ARMS II Fund XIV	Australian Mortgage Securities Ltd	750
Total prime - Domestic		6,260
Prime - Offshore		
Interstar Millennium Series 2003-3G Trust	Interstar Securities (Australia) Pty Ltd	1,233.6
RMS Trust 2003-1E	RAMS Home loans	1,702.1
PUMA Global Trust No.4	Macquarie Securitisation Limited	837.5
Crusade Global Trust No. 2 of 2003	St George Bank	2,247.2
HBS Trust 2003-1E	Heritage Building Society	930.5
Total prime - Offshore		6,950.9
Total RMBS		13,210.9
CMBS		
Property-specific		
Macquarie Office Finance Pty. Limited Series 1	Macquarie Office Trust	402
Total CMBS		402
ABS		
Eden Park Trust # 6	Orix Australia Corp Limited	230
Total ABS		230
CDO/Repack/CLN		
Single-name CLN		
Rembrandt Australia Trust 2003-9	ABN AMRO Bank N.V.	32.7
Total portfolio CLN		32.7
Portfolio CLN		
SPARC Australia Ltd. Series 2003-20	UBS Australia Limited	20
SELECT ACCESS Investments Ltd Series No. 2003-9	Deutsche Bank AG	34.25
SELECT ACCESS Investments Ltd Series No. 2003-10	Deutsche Bank AG	12
SELECT ACCESS Investments Ltd Series No. 2003-11	Deutsche Bank AG	10
SHIELD Series 10	Commonwealth Bank of Australia	11.5
SHIELD Series 11	Commonwealth Bank of Australia	10
SHIELD Series 12	Commonwealth Bank of Australia	120
SHIELD Series 13	Commonwealth Bank of Australia	10
SHIELD Series 14	Commonwealth Bank of Australia	15
SHIELD Series 15	Commonwealth Bank of Australia	32
Total portfolio CLN		274.75
Total CDO/Repack/CLN		307.45
TOTAL		14,150.35

Source: Courtesy of Standard & Poor's (Australia)



Forthcoming Industry Events



For further information see website: www.imn.org



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