

# NEWSLETTER

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



Issue 15 | June 2005 | [www.securitisation.com.au](http://www.securitisation.com.au) | [info@securitisation.com.au](mailto:info@securitisation.com.au)

## Chairman's Welcome

Welcome to our mid year newsletter!

Over the past few months the ASF has been involved in the delivery of a number of events to address the changes that are occurring in our industry. Evening seminars on legal and regulatory issues have been held in Sydney and Melbourne, as well as jointly holding a securitisation conference with INSTO in May 2005 in Melbourne. All these activities had strong attendance and shows the level of support the Forum gets from its members. The evening functions are on going and are arranged through our member base, who also provide premises and refreshments. Our thanks always go to these parties for their continued support. Topics are related to industry issues that we believe are of interest to our members and we are always looking for ideas, speakers and topics for these sessions, which are co coordinated through the Education Committee.

Work has now commenced, through the Marketing Committee, for the planning of our fourth November securitisation conference, which again has every indication of being a great success. Please give the conference your full support, either participating in sponsorship packages or promoting attendance to your Australian and offshore colleagues.

We continue to maintain good links with other securitisation forums and it is very pleasing to see that the new chairman of the American Securitisation Forum for the next 3 years is an Australian, Greg Medcraft from Societe Generale Corporate and Investment Banking. Our congratulations go to Greg and to his new committee. We also congratulate Anna Borzi, one of the founders of the Australian Securitisation Forum, who received an Order of Australia Award for service to the financial services industry, particularly as a senior analyst and manager of research activities. It is through the early work of industry participants like Anna that has made the Australian securitisation industry and the Australian Securitisation Forum so strong today.

There are many opportunities to get involved in the ASF activities, and we look forward to your on going participation.



Roger Desmarchelier  
Chairman

## INSIDE THIS ISSUE

### 2 Sub-committee updates

- ASF Welcomes New Members
- Education
- Investor Issues
- Marketing
- Prudential
- Regulatory
- Taxation

### 4 Statistics



## Sub-Committee Updates

### ASF Welcomes New Members

- Pacific Prospect
- Stargate Global Asset Management Pty Ltd
- HSBC
- Alliance Capital Management Australia Limited

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.

### Education Committee

It has been a busy quarter for the ASF education committee. The first ASF securitisation course was held in Sydney with the last lecture of the 8 week course finishing on 15 June 2005. According to the feedback from participants the course was a huge success and the ASF would like to take this opportunity to thank all presenters for their time. The next ASF securitisation course in Sydney is a 2 day intensive course (targeted particularly at those members who are interstate) and is already fully booked. Another Sydney course is being scheduled for November 2005.

The ASF securitisation course will also be held in Melbourne for the first time beginning on 20 July 2005. The ASF is still accepting registrations for this course and the registration form is available on the ASF website at [www.securitisation.com.au](http://www.securitisation.com.au)

As a pre-cursor to the 2nd annual INSTO debt capital markets conference in May, the ASF hosted a half-day education session for the Melbourne market. Over 30 people attended the session and were given a broad overview of securitisation from leading experts in the industry.

Finally, there has been a number of evening series events in the last few months, with a particular focus on the regulatory challenges facing the industry. Mallesons Stephen Jaques in Sydney and Melbourne, hosted events focussing on the new FSR regime for securitisation participants. Clayton Utz hosted an event in Sydney (with a video-link up to their Brisbane office) on regulatory changes in the global markets which focussed on the new SEC rules on asset backed securities, the EU prospectus and transparency directives and Basel II. The ASF would like to thank all the presenters from all the events and Mallesons and Clayton Utz for hosting them. Powerpoint slides from each of these events are available on the ASF website.

Phillip Vernon, Perpetual Trustees

## ASF EDUCATION

### In Melbourne and need to know about securitisation?

Then register for the ASF's practical 8 week course – An Introduction to Securitisation – commencing on 20th July 2005. All presenters in the course are experts in their field.

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

### Investor Issues Committee

The Investor Issues Committee met in May 2005. The Committee discussed reporting standards and problems with current prime RMBS reporting. Other reporting-related agenda items included the need for sub-prime RMBS and ABCP reporting standards. The Committee has also been attempting to persuade Bloomberg to make changes necessary to enable the Australian RMBS issues to be reported in as much detail as equivalent US issues on Bloomberg, including cash flow modelling. To date Bloomberg has not responded to the Committee's letter.

Other items for discussion were the viability of a Bond Index for Australian RMBS; the likelihood of Baycorp developing a scoring system like the US Fair Isaac Corp (FICO) scoring system; and an Australian vocabulary for distribution to international investors.

The Investor Issues Committee is seeking additional investors to join the Committee. If you are interested in participating, please contact Melissa Marzulli on (02) 8249 1222.

Melissa Marzulli, State Street Capital Pty Limited

### Marketing Committee

Following the success of the 2nd Australian Securitisation Conference in Melbourne the focus of the Marketing committee is now on the organisation of the 4th annual industry conference in Sydney.

The Sydney conference to be organised in conjunction with INSTO will be held on 17 and 18 November 2005 at the Westin Hotel. With a record number of delegates in attendance last year it is anticipated that a similar level of industry support will occur this year. The Marketing committee involved in the organisation of the conference includes:

- Roger Desmarchelier, St George
- Tony Palmer, National
- Sarah Hofman, Royal Bank of Scotland
- Elizabeth Steenson, Standard & Poor's
- Robert Wagstaff, JP Morgan
- Will Farrant, CSFB
- Tessa Hoser, Freehills
- Kevin Lee, Macquarie
- Jane McCann, Australian Securitisation Forum

With the conference in the preliminary stages of planning any suggestions on topics, guest speakers etc are welcome. Please do not hesitate to contact a member of the Marketing committee or myself with any ideas so that these suggestions can be captured in the planning of the conference.

Further information on the annual industry conference will be available on the ASF website [www.securitisation.com.au](http://www.securitisation.com.au).

Other forthcoming industry events

- **The Eleventh Annual ABS East Conference**  
13th –16th September 2005, Florida, United States  
(for further information –[www.imn.org](http://www.imn.org))  
Paul Garvey, Members Equity Pty Limited

### Prudential Committee

APRA has not yet released the IFRS securitisation paper. However it has again been highlighted in a speech by Charles

Littrell given in March 2005 that not much should change. Here's an extract from the speech:

"APRA has yet to release a discussion paper on two major IFRS issues, the definition of regulatory equity, and securitisation treatment. Taking the least contentious issue first, APRA has already made it public that our policy intent in securitisation is to maintain the regulatory status quo. That is, if an entity complies with APRA's risk separation rules, then the securitised assets will not attract a regulatory capital charge for credit risk."

Interestingly, Charles also raised a new point in relation to separation of sponsors and SPVs, which you may want to think about, particularly some of the majors who have lots of hedging etc with their SPVs. "I also note that APRA reserves the right to amend, which almost inevitably means toughen, our rules regarding risk separation. Many securitisation sponsors are entering increasingly close contractual and operating relationships with securitisation vehicles, and some of these arrangements will require prudential scrutiny in the future."

APRA released the draft Standardised approach standards under Basel II on 11 April. Neither the IRB nor the securitisation (APS 120) ones have been released yet. The full drafts are available at <http://www.apra.gov.au/Policy/Draft-Prudential-Standards-and-Guidance-Notes-for-Authorised-Deposit-Taking-Institutions.cfm>

The main changes (as per APRA) are as follows:

"The standard is somewhat similar to the current prudential standard for credit risk, the main changes being:

- the removal of the OECD/non-OECD grouping for sovereign and bank exposures with risk-weights based instead on credit assessments by external ratings agencies;
- lower risk-weights for exposures to corporate counterparties where those counterparties have an external credit assessment of 'A-' or better;
- an expanded range of collateral and credit risk mitigation techniques;
- the introduction of a capital charge for short-term (less than one year) undrawn commitments; and
- revised risk-weights for residential mortgage loans."

In relation to the last point, there is a proposed table based on LVRs and standard/non-standard ("non-standard" being defined as loans not meeting specified criteria; for the most part, this refers to 'low-doc' loans). There is a single discretion that will be exercised in relation to securitisation and that is to allow undrawn servicer cash advances that are unconditionally cancellable without prior notice to be eligible for a zero per cent credit conversion factor (paras 582 and 641). I am not aware that servicer advances are used much in this market.

John Laker gave an interesting speech in relation to building societies. I won't try to summarise, but it is available here [http://www.apra.gov.au/speeches/05\\_05.cfm](http://www.apra.gov.au/speeches/05_05.cfm) if you are interested.

We have had some discussions on where the draft APS 120 standards might differ from the Basel II Accord. Email or call me if you want further information. As time drags on and APRA has not released the Australian version of the Basel II accord, I have asked the committee whether people would like to get together to discuss their progress in analysing the relevant securitisation provisions, uncertainties in interpretation, feedback from APRA

(if any) etc. I have proposed that the discussions be primarily for Australian ADIs, split into Advanced and Standardised. Each institution may have a number of people involved (eg from their Basel II/compliance, securitisation and treasury areas), therefore we may need to limit numbers. If you're not currently on the committee and would like to be involved, please let me know.

Some of you may be aware that APRA have instituted a new centralised process for the review of securitisation transactions. If you would like more information, please email me or speak to your APRA representative.

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

David Addis, ANZ Investment Bank

## Regulatory Committee

It has been all quiet on the regulatory front over the last month or so. The AFSL licensing process for securitisation vehicles and their managers is proceeding with relatively few difficult issues being raised by ASIC. A number of managers have been granted an AFSL. Please let a member of the Regulatory Committee know if you are having any trouble with ASIC in this regard.

The committee, and the relevant issuers, are still considering the best way in which to approach Rule AB (which is the SEC's new disclosure rules for issuers of asset backed securities) and any benefit which may flow from participating in the SEC's pilot programme.

There are a number of prospective regulatory changes which may affect securitisation programmes, including the anti-money laundering rules and changes to the privacy laws and consumer credit laws. The Regulatory Committee is maintaining a watching brief in respect of these changes.  
Stuart Fuller, Mallesons Stephen Jaques

## Taxation Committee

While there are no definitive outcomes to report, the tax sub-committee has continued to focus on a number of key industry-related issues.

On the GST front, a letter was submitted to the ATO on 11 April 2005 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 ASF tax sub-committee is currently collecting additional material in support of the submission dated 11 April 2005 which we believe will further assist the ATO in its consideration of this issue. Pending submission of this further information, we will then seek a formal response from the ASF.

The ASF has continued its involvement with the ATO's National Tax Liaison Group – International Financial Reporting Standards sub-committee ("NTLG IFRS sub-committee"). In particular, the

## Sub-Committee Updates *cont'*

ASF has requested that the ATO consider what measures can be adopted to provide certainty to securitisation trusts and their advisers that 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.

Members of the tax sub-committee also attended a meeting hosted by Treasury in Canberra on 14 June 2005, as part of the ongoing consultation process on Taxation of Financial

Arrangements (TOFA) Stages 3 & 4. The purpose of the meeting was to provide feedback on issues which Treasury have been considering since the previous consultation meeting in February 2005, to raise and discuss various issues and to discuss the process for the development and release of exposure draft legislation. It is anticipated that further announcements concerning the proposed exposure draft legislation will be made by Treasury in the coming weeks.

Patrick Tuttle, Peppers Home Loans

## Statistics

Fabienne Michaux, Standard & Poors

### Number of New Australian Securitisation Transactions

	1Q05	% (1Q05)	4Q04	% (4Q04)	3Q04	% (3Q04)	YTD 2005	% YTD 2005	2004	% (2004)	2003	% (2003)	2002	% (2002)
ABS	1	6.67	5	16.67	6	21.43	1	6.67	16	15.84	12	8.82	11	14.10
RMBS	11	73.33	14	46.67	14	50.00	11	73.33	57	56.44	59	43.38	43	55.13
CMBS	0	0.00	2	6.67	1	3.57	0	0.00	8	7.92	8	5.88	15	19.23
CDO/Repack	3	20.00	9	30.00	7	25.00	3	20.00	20	19.80	57	41.91	9	11.54
<b>TOTAL</b>	<b>15</b>	<b>100.00</b>	<b>30</b>	<b>100.00</b>	<b>28</b>	<b>100.00</b>	<b>15</b>	<b>100.00</b>	<b>101</b>	<b>100.00</b>	<b>136</b>	<b>100.00</b>	<b>78</b>	<b>100.00</b>

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

	1Q05	% (1Q05)	4Q04	% (4Q04)	3Q04	% (3Q04)	YTD 2005	% YTD 2005	2004	% (2004)	2003	% (2003)	2002	% (2002)
ABS	0.40	2.50	0.98	9.70	0.84	4.85	0.40	2.50	3.40	5.57	2.00	3.90	3.00	6.74
RMBS	15.71	97.20	8.43	83.27	16.14	93.10	15.71	97.20	55.00	90.12	45.00	88.44	32.00	83.00
CMBS	0.00	0.00	0.11	1.12	0.00	0.02	0.00	0.00	1.70	2.79	2.00	3.78	3.00	8.10
CDO/Repack	0.05	0.30	0.60	5.90	0.35	2.03	0.05	0.30	0.93	1.52	2.00	3.88	1.00	2.16
<b>TOTAL</b>	<b>16.16</b>	<b>100.00</b>	<b>10.13</b>	<b>100.00</b>	<b>17.34</b>	<b>100.00</b>	<b>16.16</b>	<b>100.00</b>	<b>61.03</b>	<b>100.00</b>	<b>50.00</b>	<b>100.00</b>	<b>38.00</b>	<b>100.00</b>

### New Public Ratings Assigned to Australian Securitisation Transactions 1Q05

Transaction Name	Originator	AUD Equivalent \$Mil
<b>CDO/REPACK</b>		
Wollemi 2005-1	Westpac Banking Corp	300.00
SELECT ACCESS Investment Ltd Series 2005-2	Deutsche Bank AG	6.05
Echo Funding Pty. Ltd Series 16	ANZ Banking Group Ltd	11.00
<b>TOTAL CDO/REPACK</b>		<b>47.05</b>
<b>RMBS-DOMESTIC</b>		
FirstMac Bond Series 1-2005 Trust	First Mortgage Company Pty Ltd	520.00
Superannuation Members' Home Loans Warehousing Trust 2005-1	Members Equity Pty. Ltd.	750.00
Series 2005-1 REDS Trust	Bank of Queensland Ltd	802.00
PUMA Masterfund P-10 Series C	Macquarie Securitisation Ltd	750.00
Liberty Series 2005-1 Trust	Liberty Financial Pty Ltd	1200.00
Series 2005-1 TORRENS Trust	Adelaide Bank Ltd	1000.00
<b>TOTAL DOMESTIC</b>		<b>5022.00</b>
<b>RMBS-OFFSHORE</b>		
Medallion Trust Series 2005-1G	Commonwealth Bank of Australia	4169.75
Series 2005-1G WST Trust	Westpac Banking Corp	1948.69
APOLLO Series 2005-1E Trust	Suncorp-Metway Ltd	2000.11
Crusade Global Trust No. 1 of 2005	St George Bank Ltd	2567.52
<b>TOTAL OFFSHORE</b>		<b>10686.07</b>
<b>TOTAL RMBS</b>		<b>15708.07</b>

[www.securitisation.com.au](http://www.securitisation.com.au)

**Australian Securitisation Forum Inc.**  
Level 3, 95 Pitt Street, GPO Box 3655 Sydney NSW 2001  
Tel: + 61 2 9776 7988 Fax: + 61 2 9776 4488  
Email: [info@securitisation.com.au](mailto:info@securitisation.com.au)