

# NEWSLETTER

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



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## Chairman's Welcome

Since our last newsletter, we have held our 16th Annual General Meeting and I am pleased to say that in my annual report I highlighted the ASF's sound financial position, its increasing membership base and the continuing strong support from its members for the events provided by the ASF throughout the year.

Also, as part of the AGM, there was a partial election to the ASF National Committee, with four of the current committee members standing down and all seeking re election. I am pleased to advise that those four, Phil Vernon of Perpetual Trustees, Melissa Marzulli of State Street Capital, Fabienne Mixhaux of Standard and Poors and myself were re elected for a further two year term.

The following reports from the sub committee chairpersons will give a more detailed understanding of the ASF's activities this quarter, but in particular I would like to recognise the work of Phil Vernon and the Education Committee in the setting up and running of Introduction to Securitisation courses.

The response to these courses in Sydney and Melbourne has been very strong and I thank all those speakers for giving their time to present on the various topics.

I would also like to remind you of the ASF /INSTO Securitisation conference, being held on the 17/18 th of November. This will be our fourth conference and it promises to be bigger and better than our great success last year. Please give it your full support.

Once again, I remind you that there are many opportunities to get involved in the ASF sub committee activities, and we look forward to your on going participation.

Roger Desmarchelier  
Chairman

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## Sub-Committee Updates

### ASF Welcomes New Members

- Greater Building Society
- AMP Bank Limited
- ASIA ABS LTD
- New Zealand Guardian Trust
- New England Credit Union Ltd

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

At the beginning of this year we set ourselves the goals of upgrading the course and improving the delivery formats to members. During the past quarter we completed two important milestones in terms of an improved delivery format for members:

- The delivery of our first offering in Melbourne as an 8 week evening lecture series during July and August. The Melbourne market contains a significant proportion of ASF members from issuers, rating agencies and investment banks and it is pleasing to have been able to have finally delivered the course to meet the demands of members.
- The delivery of a 2 day format in Sydney on 8 and 9 September. This provides more options for members who may not find the evening format suitable and is particularly aimed at interstate members.

The next course will be a further 2 day intensive in Sydney held in conjunction with the ASF conference on 15 and 16 November. This course is aimed specifically at interstate members wishing to take the opportunity to take the course in conjunction with travelling to Sydney to attend the conference.

By year end we will have put over 130 people through the course this year - more than three times that of previous years – testimony to the success of the new formats.

During the quarter we also held an Evening Series hosted by Mallesons Stephen Jacques. This was a presentation by Louis Christopher of Australian Property Monitors on “Housing Prices – their measurement and outlook”. APM have recently developed a new median housing price series for the Reserve Bank of Australia which is likely to

become a leading indicator of housing price moments in Australia. Louis also gave his views on the outlook for the Australian property market.



We also recently held a luncheon – also hosted by Mallesons – in Brisbane, in order to cater to the interests of Brisbane members. This was a presentation by Standard & Poors on the release of their new guidelines for Reverse Mortgages.

Both of these presentations can be found on the ASF website.

Phillip Vernon, Perpetual Trustees

### Investor Issues Committee

The Investor Issues Committee met in July and September. The Committee is continuing to work on establishing guidelines for investor reporting in different asset classes, including non-prime RMBS and ABCP. We are also in a dialogue with Bloomberg on the subject of improving the reporting of Australian RMBS issues on Bloomberg. The primary topic of discussion has been the lack of cash flow modelling of Australian issues.

The Committee believes that a dictionary or vocabulary list of Australian securitisation terminology would be of benefit to international investors in Australian ABS. We are working on this and would welcome any suggestions or contributions from members.

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

### Prudential Committee

Some National Committee members met with APRA representatives this month as part of our program to increase contacts between the ASF and the regulators. Subsequent to that meeting, representatives from the Prudential Committee met with APRA to discuss the treatment of redraw facilities. This issue had been one that had been raised frequently with members of the committee as part of the new centralised review. The conversation was fruitful and we will continue the discussions.

APRA have continued to release Basel II draft standards: standardised operational risk guidelines and advanced IRB guidelines were released at the end of July; advanced operational risk guidelines were released on 4 October. We are still awaiting the revised APS 120 standards.

APRA released the IFRS securitisation paper at the end of August. As was well signalled, APRA is to decouple

the prudential treatment from the accounting treatment by removing references to accounting standards in APS 120. This will be effective as of 1 July 2006.

In summary, so far as securitisation is concerned, the IFRS release says:

- 1 "... APRA proposes to remove any references to accounting standards in its guidance notes effective from 1 July 2006. Specifically, AGN 120.1 will be amended to remove the explicit reference to accounting treatment in the separation criteria and these criteria will be enhanced, where appropriate, to ensure they fully reflect prudent clean sale practices. Consequently, the assessment of securitised assets for capital adequacy purposes will be de-coupled from the accounting treatment of these assets."
- 2 APRA is considering two main options for the purpose of measuring capital adequacy and other statistical reporting:
  - (a) on a fully consolidated basis, in line with AASB139, with those securitised assets passing the clean sale test receiving a zero risk - weighting for capital adequacy purposes (taking into account measures such as the level of impaired assets); and
  - (b) (and this is APRA's preference) to provide that securitised assets that meet the clean sale test be deconsolidated and excluded from APRA's statistical reports altogether and reported to APRA separately.
- 3 There are three APRA initiatives unrelated to IFRS which are likely to have an impact on prudential requirements for securitisation activities:
  - (a) the application of the regulatory capital charge for operational risk borne by ADIs. In July 2005, APRA released a discussion paper setting out the methodology for calculation of this charge for ADIs adopting the standardised approach and in coming months a paper will be released for those adopting the advanced approach;
  - (b) revisions to APRA's prudential standards and guidance notes to take account of:
    - (i) APRA's review of business practices and clean sale compliance levels at ADIs; and
    - (ii) changes to the international regulatory environment and market developments.
  - (c) its approach to securitisation techniques by general insurers in light of its primary concern that any securitisation of liabilities is effective at transferring or mitigating risk so that any possible reduced insurance capital charged is justified. Until there are standards transactions for insurers will be assessed on a case by case basis

For those that have not already read it, Charles Littrell gave a speech on 7 September to the FISCAL forum which is worth reading, particularly for regional banks and larger building societies and credit unions. The speech is available on the APRA website.

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

### Accounting Committee

Not a lot of news lately from the IASB or IFRIC to be shared. There is still considerable uncertainty over the application of certain aspects of IAS 39 (and the equivalent AASB 139). That said, for many securitisation structures in Australia the answer is clear, and originators and/or program sponsors are preparing to disclose securitised receivables on their balance sheets under AIFRS.

Those entities which care most about off-balance sheet treatment (and the related P & L impacts) are following the work underway in Europe to provide more clarity around the derecognition rules. We are contributing to the specific guidance on the partial derecognition and continuing involvement tests. We hope to be able to share the results of this work at the ASF conference in mid-November.

In Australia a lot of attention has been paid to accounting within securitisation trusts under AIFRS. Avoiding adverse tax consequences has been the main driver. A variety of different solutions to tackle the issues have been developed, and we intend to run a separate Evening Series session for those interested.

The global accounting convergence project mentioned in earlier newsletters is progressing. The IASB have asked to see the results of the global survey currently being finalised. Again, we should be able to share these insights at the ASF conference.

Michael Codling, PricewaterhouseCoopers

### Taxation Committee

In a Press Release issued on 2 September 2005, it was announced that securitisation vehicles will be exempted from the new foreign currency rules in the income tax law. The Minister for Revenue and Assistant Treasurer, Mal Brough, announced that securitisation vehicles will instead remain subject to the former foreign currency tax legislation. ADI's and non-ADI's are already exempt from

## Sub-Committee Updates *cont'*

the new foreign currency rules contained in Division 775 and Subdivisions 960-C and 960-D of the Income Tax Assessment Act 1997 (ITAA 1997).

The exemption provided to securitisation vehicles will apply until the commencement of the proposed retranslation and hedging regimes to be introduced as part of Stages 3 and 4 of the Taxation of Financial Arrangements (TOFA) reforms. Broadly speaking, retranslation and hedging will be elective regimes that allow entities to achieve tax timing matches of foreign exchange gains and foreign exchange losses.

The new foreign currency rules will not apply – and will be taken never to have applied – to ‘securitisation vehicles’ as defined in the ITAA 1997. In addition, in respect to securitisation vehicles, the provisions that existed prior to the commencement of the new foreign currency rules will be taken never to have been repealed.

The ASF is particularly grateful for the efforts of Tim Oner from Westpac Banking Corporation in helping to secure this important concession on behalf of the Australian securitisation industry.

Patrick Tuttle, Peppers Home Loans

### Strategy Committee

During 2005 the National Council agreed the need to develop a Strategic Plan for the ASF over the next 3-5 years. An initial full day planning session has been held which resulted in the development of a new Mission Statement and 4 Key Objectives which were presented to members at the ASF AGM on 29th September as follows:

“ To shape the future of the Australian Securitisation Industry for the ongoing benefit of our members”

It has identified 4 Key Objectives of a Strategic Plan to achieve the Mission:

- Develop the Structure required for the next 3-5 years: Review the National Committee and sub committee structure, the funding model, consider partnerships with other forums and investigate needs for full time executive
- Have the ASF recognised as the key Advocate for the Industry: Develop close and dependent relationships with APRA, ASIC, ATO

- Develop a strong value-proposition for Investors: Raise Investors’ allocation for Australian securitised products
- Be recognised as the key industry provider of accredited Educational solutions that reflect members changing needs: Regular formal training in introductory and advanced topics and industry forums that facilitate networking and information exchange

Action plans will now be started to implement some of the strategies arising from these 4 key objectives and more information on those plans will be advised to members through the next year.

The next phase is to hold a half day NC meeting in November to plan the Implementation of the Key Objectives which involves setting priorities and appropriate resourcing. Clearly the issues of ASF structure, ongoing funding model and exploration of other industry partnerships are high priorities in the achievement of the Mission. The Strategy Comm comprising myself and Roger Demarchelier would welcome any suggestions members have for the development and implementation of the Strategic Plan.

Leigh Powell, PMI Mortgage Insurance Ltd

### Marketing Committee

Details of the 4th annual Australian securitisation industry conference – ABS 2005: Beyond Borders, Value Diversification & Strength- is currently being finalised with the Marketing committee of the ASF and the team from INSTO working towards finalising all aspects of the conference.

The conference to be held in Sydney during the 17-18th November will address both domestic and global issues that impact upon the securitisation industry. In addition to formal aspects of the conference, the event will also feature a number of social functions that include the ASF Christmas Cocktail Party, an industry Gala Dinner, a Sailing Regatta, and a Sunset Harbour Cruise.

To register for the conference or to receive a copy of the conference agenda please see attached or visit website [www.insto.com.au/orders.php](http://www.insto.com.au/orders.php)

Paul Garvey, Members Equity Pty Limited





## 4th Annual Australian Securitisation Conference

# ABS 2005: **BEYOND BORDERS**

VALUE, DIVERSIFICATION & STRENGTH





17-18 November 2005

Now in its fourth year the *Insto/ASF Australian Securitisation Conference* has become the benchmark event for the asset-backed securities (ABS) industry in the Asia-Pacific region. The conference is again being developed in conjunction with the Australian Securitisation Forum (ASF).

This year's event - **Beyond Borders: Value, Diversification & Strength** - will reflect key themes in the Australian ABS market in its international context. The event will host a series of independent domestic and international keynote speakers, presenters and panellists.

# MARK YOUR DIARY!

In addition to the 2-day conference, this event will also feature a number of social functions, to enhance networking opportunities. They include:

-  ASF Christmas Cocktails
-  Gala Dinner
-  Sailing Regatta
-  Sunset Harbour Cruise

[Click here for the CONFERENCE AGENDA](#)

OR

To REGISTER, log onto:

<http://www.insto.com.au/orders.php>

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