

**Deloitte.**



Deloitte Luxembourg  
Integrated solutions for  
securitization services

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# Luxembourg Securitization

The Law of 22 March 2004, as amended (*“the Securitization Law”*) and the law of 10 August 1915, as amended, (the *“Company Law”*) allow the use of regulated and non - regulated vehicles for the securitization of a wide range of assets including trade receivables, loans, tangible and intangibles assets, shares, and any other activity with a reasonably ascertainable value or predictable future revenue streams.

Luxembourg securitization vehicles are not subject to authorization or supervision by the Luxembourg regulator, the Commission de Surveillance du Secteur Financier (“CSSF”), unless shares or bonds are issued: (i) to the public, and (ii) on a continuous basis (more than three times per year).

These two conditions are cumulative. The Securitization Law requires that the assets (e.g., real assets, loans, claims, rights, etc.) are transferred by a third party to the securitization vehicle. A Luxembourg securitization vehicle therefore cannot be used to originate assets (such as new loans). However, a third party (such as a loan-originating debt fund) can continuously generate new assets and subsequently transfer them to the securitization vehicle.

The role of the securitization vehicle is limited to the administration (collection and distribution) of financial flows linked to the securitization transaction itself and to the prudent management of the securitized assets.

Aside from the well-known benefits of securitization, such as lower regulatory capital requirements for banks and insurance companies, portfolio diversification, capital market access, and efficient refinancing and restructuring, the Luxembourg securitization framework offers a range of additional advantages to originators, sponsors, and investors.

Increasing regulations lay pressure on the existing ways of working and the current operating model, leading the securitization industry players to revisit their organization and business model.

**All these changes and challenges are full of opportunities that could be seized by the industry.**



## Our solution for your challenges during the securitization journey

We are proud to offer a centralized securitization team and state-of-the-art technology to assist with the initial structuring and regulatory, tax, and accounting set-up, as well as the daily administration of securitization structures, their investment portfolios, and issued financial instruments.

Deloitte offers the clients qualified industry competence, by maintaining a balance between three service lines: **Audit, Consulting and Tax.** The professionals in these service lines interact on a daily basis, helping and learning from each other.

**This provides an invaluable pool of hands-on operational expertise to our clients.**





## Our audit and accounting advisory solutions

Deloitte has extensive experience in delivering a comprehensive range of services for securitization vehicles, such as:

- Statutory and contractual audits
- Limited reviews and agreed-upon procedures
- Accounting advice and support on complex accounting issues, capital market transactions
- Assessments of the accounting implications to entities in the process of restructuring
- Accounting services for entities in multiple locations
- Multi-GAAP (Lux GAAP, IFRS, US GAAP etc.) accounting, financial statement compilation, and consolidation
- Support in the external financial reporting process
- Identification and analysis of proposed/newly implemented accounting principles
- Advising on consolidation requirements and assisting in control assessment



## Our consulting solutions

Our wide range of consulting services include:

### Securitization Advisory

- Advice on bespoke capital markets solutions to achieve financing objectives
- Help position the transaction for the marketplace by utilising our extensive knowledge of the securitization investor base, and offer valuable insights into investor preferences
- Preparing initial investor memorandum to source funding alternatives
- Assisting in term sheet negotiations
- Advising on commercial points in relation to transaction documentation

### Analytics and Modelling

- Providing essential statistical and cash flow analysis
- Producing high quality, relevant market intelligence and risk profiling for a range of stakeholders

### Market Sounding

- Extensive experience and long-standing relationships with investors in the securitization universe
- Perform interest soundings on a no-name basis to understand appetite and pricing

### Structured Finance Ratings Advisory

- With the benefit of a wealth of expertise across all major asset classes and experience across the three major rating agencies, the team is well placed to assist clients in navigating the ratings process and delivering an optimal outcome for the seller of the assets
- Regulatory Advisory
- Developing and/or reviewing Significant Risk Transfer (SRT) policies for compliance with ECB-SSM and EBA requirements
- Providing Investor and/or Originator support in relation to Simple, Transparent and Standard (STS)
- Performing Impact analysis on RWAs (for both the selling and acquiring parties)

### Transaction Services

- Performing term pool file with agreed-upon procedures
- Providing term prospectus comfort
- Acting as the Verification Agent on synthetic securitizations
- Conducting Due Diligence on receivables origination, management, reporting, and process benchmarking



## Our tax solutions

In view of changing tax regulations, we at Deloitte can extend a helping hand to walk you through the changes and help discover best solutions to efficiently structure deals involving securitization vehicles in Luxembourg, such as:

### Direct tax services

- **ATAD's Interest Deduction Limitation Rule:** we can help you assess the risk of this regulation on your structure and its taxable basis
- **New securitization Law:** we can assist you with analysing the changes to the Law and provide recommendations to achieve optimum efficiency.
- **Treaty Access services:** (with assistance of our vast Deloitte network) - We can assist with the analysis of access to treaty benefits and application for residency certificates in relevant jurisdictions.
- **Hybrid mismatch:** we can assist you with analysis of hybrid mismatch scenarios especially for Securitization Funds and related restructuring.
- **Others:** Tax compliance services, ATAD 3 (new EU tax Directive for capturing shell entities).

### VAT

- Fund Management VAT Exemption: we can assist in determining the applicable VAT treatment of services applying the case-law as well as current practice with the aim to manage the VAT cost of such structures.
- Review of the VAT treatment of fees charged by SV and VAT implications of the assets held by SV.
- Luxembourg VAT compliance services
- Interactions with the VAT authorities: we can assist in case of VAT related question/challenge from the VAT authorities

## Audit & Assurance



**Ekaterina Volotovskaya**  
**Partner**

Audit Securitization leader  
+352 451 452 387  
evolotovskaya@deloitte.lu



**Anar Heydarov**  
**Director**

Audit  
+352 451 453 353  
anheydarov@deloitte.lu



**Jeremy Pages**  
**Director**

Accounting and  
Reporting Advisory  
+352 451 453 863  
jpages@deloitte.lu

## Tax



**Julien Lamotte**  
**Partner**

Financial Services  
+352 5145 3336  
jlamotte@deloitte.lu



**Eric Centi**  
**Partner**

Financial Services  
+352 45145 2162  
ecenti@deloitte.lu



**Dido Shadie**  
**Director**

Financial Services  
+35245145 2859  
dshadie@deloittece.lu

## Financial Advisory



**Joachim Heukmes**  
**Partner**

Financial advisory  
+352 45145 2037  
jheukmes@deloitte.lu



**Elena Petrova**  
**Director**

Financial advisory  
+352 45145 3065  
elpetrova@deloitte.lu

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