



AMERGERIS
WEALTH MANAGEMENT GROUP

SECURITIZATIONS

Securitization is a financial technique that enables the transfer of risk pertaining to certain underlying assets to an SPV which will finance the acquisition of the underlying by the issue of transferable securities. The amended law of 22 March 2004 on securitization, defines securitization as “the transaction by which a securitization undertaking acquires or assumes, directly or through another undertaking, risks relating to claims, other assets, or obligations assumed by third parties or inherent to all or part of the activities of third parties and issues securities, whose value or yield depends on such risks”. The securitization vehicle takes on these risks by acquiring the securities, guaranteeing the obligations or bearing the risk in some other manner.

KEY BENEFITS

- Delta one performance, the participation is 1 to 1 on the underlying;
- In theory all material and immaterial goods can be securitized;
- EU promotion for listed products;
- No Issuer Risk;
- The flexibility of the product;
- Time to market is expedient compared to other structures; and
- Securitization vehicles do not qualify as an AIF within the meaning of the AIFM Law.

SUPERVISION

In Luxembourg a Securitization Vehicle is not regulated unless such vehicle would issue securities "to the public...on a continuous basis". If this is the intention, the particular vehicle is required to obtain approval from Luxembourg's Financial Authority (CSSF) and will after that be supervised by the CSSF.

ASSET CLASSES

There are no restrictions on which assets can be securitized. Securitization transactions therefore can consequently directly involve movable or immovable assets. The underlying can for example be, but is not limited to, shares, loan agreements, receivables, patents, airplanes, real estate, commodities, etc. Moreover, the risks deriving from the ownership of such movable or immovable property can form the subject of a securitization transaction.

INVESTOR PROTECTION

Luxembourg's Securitization Law provides for contractual provisions with limited possibilities of recourse, a ranking clause regarding the claims of the investors and creditors as well as protection for a Securitization Vehicle in the case of insolvency proceedings against the originator.

TAXATION

Securitization Vehicles which are formed as corporations are liable to taxation as follows:

- Corporate taxation at a maximum rate of 29.22% on its net profits. Notwithstanding this, all obligations arising from the remuneration of the investors are fully deductible;
- A one-off registration tax of EUR 75; and
- Luxembourg's double taxation agreements (DTA's).

They are not liable to:

- Net wealth tax, or
- Withholding tax on the distribution of dividends.

Securitization Vehicles (SPV) formed as Securitization Funds are liable to:

- Corporate taxation;
- "Tax d'abonnement" (subscription tax); and
- Withholding tax on distributions.

EXAMPLES

There are numerous examples of securitization transactions that can occur alongside the traditional securitization of credits, delta one notes on alternative investment funds, re-wrapping of difficult to trade securities, investment products based on managed accounts, refinancing for commercial real estate, club loans, etc.

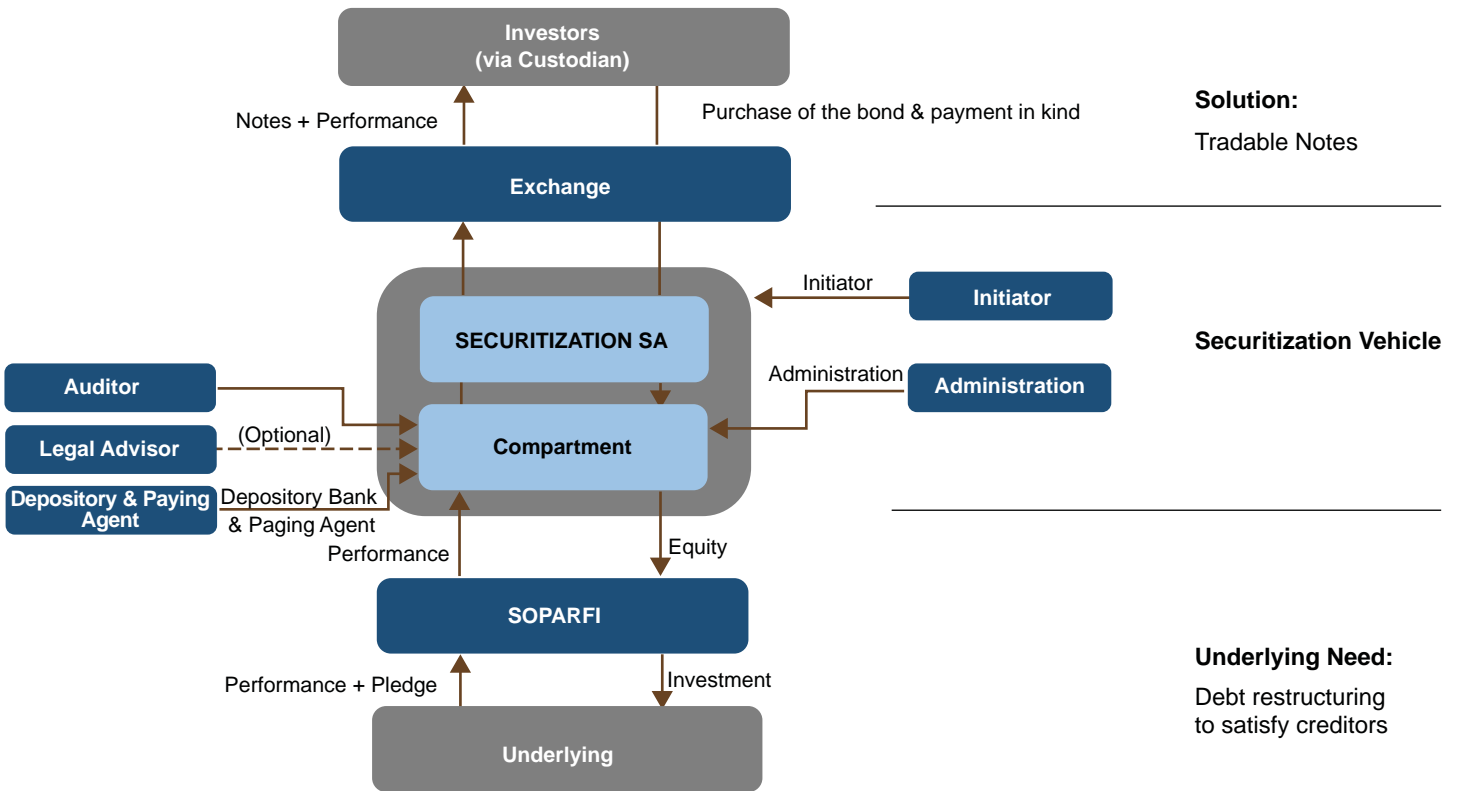
Club Loan

A client who originally had bank loans approached us to restructure these and transfer the loans in bankable assets that can be booked into the bank account of investors who wanted to provide funding for the company from their banks.

The client had a finance corporation which allowed entering into loan agreements. We provided a solution by creating a compartment through our Securitization Vehicle which grants a loan to the FC and securitizes that loan into debt security. The FC grants a loan the company with fixed interest and maturity ensuring an interest margin covers the costs of the transaction.

Investment Basket

Startup managers of managed accounts which are cost sensitive and want to receive initial funding from professional investors. We can arrange for the issue of (asset-backed) Exchange Traded Product whose value is linked 1:1 to the value of this managed account and therefore the client could use the ETP as a feeder-structure into his managed accounts. The investors receive transferable securities that can easily be bought through their normal broker relationship and deposited at Clearstream.



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