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STRUCTURED FINANCE

Luxembourg Securitisation Vehicles

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The Luxembourg law of 22 March 2004 on securitisation, as amended (the **Securitisation Law)** governing Luxembourg securitisation vehicles (**SVs**) has been in force for almost two decades now and it has become a cornerstone of success for Luxembourg as a leading centre for securitisation and structured finance transactions. Together with the Luxembourg law of 10 August 1915 on commercial companies, as amended (the **Companies Law**), the Securitisation Law has created a reliable and investor-friendly legal and tax framework for securitisation transactions carried out by Luxembourg SVs featuring a high degree of flexibility. Combined with the financial, political and social stability enjoyed by Luxembourg, it has resulted in one of the world's safest business environments for securitisation transactions evidenced by the continuous growth of the number of SVs established in Luxembourg that securitise a wide array of assets and issue asset-backed securities. The Securitisation Law was most recently amended on 9 February 2022.

In 2019, the European securitisation landscape became subject to a major overhaul when the Regulation (EU) 2017/2402 of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation (the **Securitisation Regulation**) entered into force. The aim of the Securitisation Regulation is essentially to consolidate the legal framework governing European securitisations. Additionally, the Securitisation Regulation sets out the rules for simple, transparent and standardised (STS) securitisation transactions that would allow certain investors to benefit from less stringent capital requirements. While there may be an overlap between the Securitisation Law and the Securitisation Regulation, the definition of "securitisation" under the Securitisation Law is broader than the definition of "securitisation" as used in the Securitisation Regulation and, hence, a vast number of transactions carried out by Luxembourg SVs fall within the scope of the Securitisation Law, but not of the Securitisation Regulation.

Broad definition of securitisation and of securitisable risks under Securitisation Law

The Securitisation Law provides a broad definition of securitisation allowing a high degree of structuring flexibility. Namely, "securitisation" is defined as the transaction by which a securitisation undertaking (*organisme de titrisation*):

(i) acquires or assumes, directly or indirectly 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

(ii) issues financial instruments or contracts for the whole or part any kind of loan, the value or yield of which depends on such risks.

The Securitisation Law thus allows a wide range of assets to be securitised in Luxembourg. In particular, risks relating to the holding of assets, whether movable or immovable, tangible or intangible, as well as risks resulting from the obligations assumed by third parties or relating to all or part of the activities of third parties, may be securitised. In practice, securitisation transactions in Luxembourg typically involve commercial loans, mortgage loans, car lease receivables, consumer credits, non-performing loans, income from operating businesses, etc.

Securitisation of tangible assets (notably immovable and movable assets and commodities) is acceptable, provided that the purpose of the transaction is to refinance those assets and to render them liquid.

Securitisation undertakings

Opt-in regime

The Securitisation Law provides for an "opt-in" regime, meaning that only the entities that submit themselves to its provisions in their articles of association, management regulations or issuance documentation will benefit from the advantageous legal framework established by the Securitisation Law.

Single-tier or two-tier structures

In Luxembourg, securitisation transactions can be structured either by using a single SV that carries out a securitisation in full or, alternatively, by splitting the acquisition of securitised risks and the issuing of financial instruments between an acquisition SV and an issuing SV.

Different legal forms available

An SV can be structured as a company or as a fund.

An SV in the form of a company may be set up as:

- a public limited liability company (*société anonyme*) (S.A.);
- a private limited liability company (*société à responsabilité limitée)* (S.à r.l.);
- a corporate partnership limited by shares (*société en commandite par actions*) (SCA);
- a common l*imited partnership (société en commandite simple*) (SCS);
- a special limited partnership (*société en commandite spéciale)* (SCSp);
- a simplified public limited liability company (*société par actions simplifiées*) (SAS);
- an unlimited company (*société en nom collectif*) (SENC); or
- a cooperative company organised as a public limited liability company (*société coopérative organisée comme une société anonyme*)(SCSA).

In practice, the first two corporate forms have so far been most commonly used for securitisation transactions.

The minimum share capital for a *société anonyme* and a *société à responsabilité* limitée is respectively EUR 30,000 and EUR 12,000.

The possibility to establish an SV as a common limited partnership (*société en commandite simple*) (SCS) or a special limited partnership (*société en commandite spéciale*) (SCSp) provides for structuring opportunities for securitisation transactions, given the (in principle) tax-transparent nature of such partnerships.

Unlike securitisation companies, securitisation funds do not have legal personality, but consist of a pool of assets managed by a Luxembourg management company (*société de gestion*). Securitisation funds can be structured: (i) either in the form of a co-ownership of assets (*co-propriété*), in which case the investors in the securitisation fund will have a right in rem in relation to the relevant underlying securitised assets, or (ii) as a fiduciary estate (in the sense of the Luxembourg law of 27 July 2003 on trust and fiduciary contracts), in which case the management company will hold the securitised assets as fiduciary property (which will be segregated from its own assets). Due to certain regulatory and market considerations, the popularity of this form of an SV is currently on the rise.

Both the securitisation companies and securitisation funds need to be registered with the Luxembourg Register of Commerce and Companies (*RCS Luxembourg*).

Unique compartmentalisation tool

One of the main advantages of the Luxembourg Securitisation Law is the possibility to create segregated compartments within an SV, each representing a distinct part of the assets and liabilities of the SV. Such assets and liabilities are by law ring-fenced on a compartment-by-compartment basis, including in case of insolvency. The Securitisation Law expressly provides that the recourse of the relevant investors and creditors is limited to the assets of the given compartment. As a result, among investors, each compartment is treated as a separate entity, unless otherwise specified in the constitutional documents of the SV. Each compartment can be liquidated separately, without it resulting in the liquidation of another compartment or the SV as a whole. The compartmentalisation technique is particularly appreciated by investors, as it allows to avoid the spill-over of risks and liabilities between the compartments, while reducing administrative costs relating to the set-up and management of separate entities.

Compartmentalisation must be authorised in the constitutional documents of the SV and the creation of one or more compartments is entrusted to the management body of the SV.

The new Securitisation Law allows multi-compartments SVs that are financed by equity, to approve the balance sheet and the profit and loss statement of each compartment by virtue of the votes of such compartment's shareholders only, provided that such option is included in their articles of association. Similarly, the articles of association of an SV may provide that profits, distributable reserves and mandatory legal reserves of a compartment, are determined on a separate basis and without reference to the financial situation of the SV as a whole.

Acquisition of securitised risks

True sale, synthetic securitisation and indirect holding of securitised assets are permitted

The Securitisation Law is very flexible with regard to the manner of the acquisition of securitised risk. Namely, an SV may assume the securitised risks by acquiring the legal title to the assets directly (true sale), by using credit derivatives (synthetic securitisation) or by committing itself in any other way. While there is a degree of uncertainty in certain jurisdictions on whether the entry into credit derivatives could constitute an activity akin to insurance raising regulatory concerns, the Securitisation Law expressly provides that securitisation transactions involving the use of credit derivatives do not constitute insurance activities subject to the Luxembourg law of 7 December 2015 on the insurance sector, as amended.

The new Securitisation Law also clarifies that the SV is allowed to acquire and hold the securitised assets directly or indirectly, i.e. through intermediate holding vehicles.

Legal certainty with regard to conflict of law rules

With regard to the acquisition of receivables, the Securitisation Law ensures legal certainty in the matter of conflict of law rules. It confirms the principle generally set out in the Article 14 of Regulation (EC) 593/2008 on the law applicable to contractual obligations (the **Rome I Regulation**) that the law governing the assigned receivables determines their assignability, the relationship between the assignee and the debtor, the conditions under which the assignment is effective against the debtor and the conditions for the valid discharge of the debtor's obligations.

Moreover, the Securitisation Law fills in the gap left in the Rome I Regulation with regard to the law applicable to the enforceability of an assignment of receivables *vis-à-vis* third parties by referring to the law of the location of the assignor as the applicable law. This approach is in line with the solution offered in the EU Commission proposal of 12 March 2018 for a regulation on the law applicable to the third-party effects of assignments of claims (the **Proposal**), pursuant to which the third-party effects of an assignment of receivables would generally be governed by the law of the country in which the assignor has its habitual residence. Interestingly, the Proposal includes an option for securitisation transactions where the assignor and the assignee would be able to choose the law applicable to the assigned receivable to govern the third-party effects of the assignment.

Simplified perfection requirements

With regard to the perfection requirements, the assignment of an existing receivable to, or by, an SV becomes effective between the parties and against third parties as from the moment the assignment is agreed upon among the parties (unless agreed otherwise). While the assignment of a future receivable is conditional on it coming into existence, as soon as the receivable does come into existence, the assignment becomes effective between the parties and against third parties as from the moment the assignment is agreed on, despite the opening of bankruptcy proceedings or any other collective proceedings against the assignor – even if such proceedings are opened before the date on which the receivable comes into existence.

Protection against re-characterisation of the assignment

The Securitisation Law provides expressly that a receivable assigned to an SV becomes part of its property as from the date on which the assignment becomes effective, notwithstanding any undertaking by the SV to reassign the securitised receivables at a later date. The assignment cannot be re-characterised on grounds relating to the existence of such an undertaking, thus providing an additional layer of certainty to parties seeking to structure the transaction as a true sale.

Automatic transfer of ancillary guarantees and security rights

Pursuant to the Securitisation Law, the assignment of a receivable to, or by, an SV entails the transfer of the underlying guarantees and security interests securing such receivable, without any further formalities.

Financing rules

Issuance of financial instruments and/ or contracting loans

The acquisition of the securitised risks by an SV must generally be financed through the issuance of financial instruments (instruments financiers) or by contracting for the whole or part any kind of loan, the value or yield of which is linked to such risks. Both debt and equity financial instruments can be issued for this purpose. The financial instruments for the purpose of the Securitisation Law are as defined in the Luxembourg law of 5 August 2005 on financial collateral arrangements, as amended, which definition covers a broad range of instruments, whether they are in physical form, dematerialised, transferable by book-entry or delivery, bearer or registered, endorseable or not and regardless of their governing law.

The Securitisation Law also allows SVs to issue trackers, i.e. financial instruments whose value or yield is linked to specific compartments, assets or risks, or whose repayment is subject to the repayment of other instruments, certain claims or certain categories of shares.

The new regime allows the SVs to contract loans in order to finance, wholly or in part, the acquisition of underlying assets.

According to the parliamentary works relating to the amendment of the Securitisation Law, the term “loan” comprises, irrespective of its accounting treatment, any kind of debt that gives rise to the obligation to reimburse the creditors, including instruments where such reimbursement obligation is dependent on the performance of the underlying assets or the financial situation of the SV. For the avoidance of doubt, any reference to “financial instruments” in the Securitisation Law is deemed to included loans contracted by the SV.

No debt/equity ratios

SVs do not have to comply with any debt/equity ratios. Usually, SVs are established with minimum share capital and are predominantly debt financed.

Validity of bankruptcy remoteness tools

The Securitisation Law recognises the validity of crucial contractual tools customarily used in securitisation transactions to achieve bankruptcy remoteness of the SV. Namely, limited recourse and non-petition provisions may be included in the issuance or constitutional documents of the SV and any proceedings initiated in breach of such

non-petition will be declared inadmissible.
Additionally, SVs are typically set up to eliminate any corporate connection with the originator in order to avoid a potential consolidation for the purpose of any bankruptcy, accounting or tax laws. For this reason, shares in an SV would generally be held by an orphan vehicle, e.g. a Dutch foundation (*stichting*) or an Anglo-American charitable trust.

Statutory subordination

The Securitisation Law includes statutory subordinations rules that determine the rank of various instruments that can be issued by an SV:

- the units, shares or interests issued by an SV are subordinated to the other financial instruments issued and loans contracted by the SV;
- the shares or interests in a securitisation company are subordinated to the beneficiary shares (parts bénéficiaires) issued by such securitisation company;
- the beneficiary shares (*parts bénéficiaires*) issued by a securitisation company are subordinated to the debt financial instruments issued and loans contracted by such securitisation company; and
- the debt financial instruments with non- fixed yield issued by an SV are subordinated to the debt financial instruments with fixed yield.

This order of priority may be overridden by the constitutional documents of or any agreement entered into by, the SV and any proceedings initiated in breach of either such default waterfall or the overriding provisions will be declared inadmissible.

Management of assets

Passive management requirement

While the Securitisation Law permits any kind of assets to be securitised, the nature of securitisation transactions requires that the securitised risks stem exclusively from the assets acquired or assumed by an SV in the course of the securitisation and not from any entrepreneurial or commercial activity of the SV. Thus, Luxembourg securitisation vehicles must have a passive attitude when managing their assets. The role of the SV should be limited to the administration of financial flows linked to securitisation transaction itself and to the 'prudent-man' management of the securitised risks, and exclude all activities likely to qualify the SV as entrepreneur. Any management by the SV that creates increased risk in addition to the risk inherent to such assets or which aims at creating additional wealth or promoting the commercial development of the SV's activities would be incompatible with the Securitisation Law, even if the actual management has been delegated to an external service provider.

The new Securitisation Law allows active management only with regard to SVs securitising debt securities, debt financial instruments and receivables, provided that the SVs do not issue financial instruments to the public. This creates opportunities for actively managed CLO structures to be established in Luxembourg.

Restrictions on assignment of and creation of security interests over the SV's assets

An SV cannot assign its assets, except in accordance with the provisions set forth in its constitutional or issuance documents. It may only grant security interests over its assets in order to secure the obligations that are related to the securitisation transaction.

Servicing of securitised assets does not require a license

An SV may entrust the assignor or a third party with the collection of the securitised receivables, as well as other management tasks, without such persons having to apply for an authorisation under the Luxembourg law of 5 April 1993 on the financial sector, as amended.

Supervision

The overwhelming majority of Luxembourg SVs are unregulated: only SVs issuing financial instruments to the public and on a continuous basis are subject to the authorisation and prudential supervision by the Luxembourg Supervisory Commission of the Financial Sector (*Commission de Surveillance du Secteur Financier)* (the **CSSF**). These two criteria are cumulative.

Continuity

Financial instruments are deemed to be issued on a continuous basis if there are more than three issuances of financial instruments offered to the public during a financial year. For multi-compartments SVs, this threshold is determined at the level of the SV on a consolidated basis, and not at the level of each compartment.

Issuance of financial instruments to the public

Public issuances are issuances of financial instruments:

- which are not intended for professional clients within the meaning of article 1(5) of the law of 5 April 1993 relating to the financial sector, as amended (which corresponds to the definition of professional clients for MiFID II purposes);
- whose denominations are less than €100,000; and
- which are not distributed on a private placement basis.

Criminal sanctions and fines may apply in case an SV issues financial instruments to the public on a continuous basis without having obtained a prior authorisation from the CSSF.

Regulated SVs must appoint a custodian and are subject to certain reporting obligations vis-à-vis the CSSF

Whereas unregulated SVs are not required to appoint a custodian bank, regulated SVs have to entrust the custody of their liquid assets and securities to a credit institution established or having its registered office in Luxembourg.

Regulated SVs are also subject to certain reporting requirements *vis-à-vis* the CSSF, e.g. copies of financial and annual reports and summary of the financial situation, as well as certain other documents must be provided to CSSF on a regular basis. Any change in the constitutional documents, the management body or an auditor of the regulated SV, as well as any change of control of a securitisation company or management company must be notified to CSSF on an *ad hoc* basis and is subject to CSSF's prior approval.

Annual accounts and audit

All SVs (including SVs in the form of a common limited partnership (*société en commandite simple*) (SCS), a special limited partnership (*société en commandite spéciale*) (SCSp) and an unlimited company (*société en nom collectif*) (SENC)) have to prepare and publish annual accounts.

The annual accounts and financial statements of both regulated and unregulated SVs have to be audited by one or more approved Luxembourg independent auditors (*réviseurs d'entreprises agréés)*. In case of a multi-compartments SV, each compartment will have to be separately detailed in the financial statements of the SV.

Reporting obligations

Both regulated and unregulated SVs are subject to reporting obligations to the Luxembourg Central Bank, essentially for statistical purposes, including an initial registration obligation. Periodic and ad hoc reporting obligations apply during the lifetime of the SV, including notifications in case the SV is liquidated or in presence of major changes to the information provided at the time of registration. For SVs whose balance sheet exceeds certain thresholds, quarterly and monthly reports to Luxembourg Central Bank will also need to be made.

EMIR

When entering into derivatives contracts, SVs may fall within the scope of Regulation (EU) No 648/2012 of 4 July 2012 on over-the-counter derivatives, central counterparties and trade repositories and the related implementing regulations, as amended (collectively, the EMIR). As a result, SVs may be subject to the reporting obligations and, where applicable, other obligations (e.g. clearing) under EMIR and related rules and regulations.

Securitisation Regulation

Certain securitisation transactions may potentially fall within the scope of the Securitisation Regulation, which would trigger a broad array of obligations for the involved securitisation special purpose entities (as defined in the Securitisation Regulation), but also for originators, sponsors and investors (among others, requirements with regard to risk retention, due diligence, transparency and disclosure, restrictions on sale to retail investors, etc). In order to determine whether such obligations would be applicable, it needs to be assessed whether the transaction meets the definition of "securitisation" as set out in the Securitisation Regulation.

Article 2(1) of the Securitisation Regulation defines "securitisation" as a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranched, having all of the following characteristics:

- payments in the transaction or scheme are dependent upon the performance of the exposure or the pool of exposures; and
- the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme.

Consequently, a transaction would only fall within thescope of the Securitisation Regulation if the securitised credit risk is tranched.
The Securitisation Regulation define "tranche" as:

- a contractually established segment of the credit risk associated with an exposure or a pool of exposures;
- where a position in the segment entails a risk of credit loss greater than or less than a position of the same amount in another segment; and
- without taking account of credit protection provided by third parties directly to the holders of positions in the segment or in other segments.

Furthermore, the transactions falling within the "specialised lending" exception (as described in article 147(8) of the Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms) are not subject to the EU Securitisation Regulation, even if the above conditions are satisfied.

It is therefore advisable to assess each securitisation transaction on a case-by-case basis to determine whether the above conditions are met.

While there may be an overlap between the Securitisation Law and the Securitisation Regulation, the definition of "securitisation" under the Securitisation Law is broader than the definition of "securitisation" as used in the Securitisation Regulation. As a consequence, in practice, a large part of the Luxembourg securitisations do not meet the criteria of "securitisation" laid down in the Securitisation Regulation and are thus implemented outside of its scope.

AIFMD

Directive 2011/61/EU of 8 June 2011 on Alternative Investment Fund Managers, as amended (the **AIFMD**) and the Luxembourg law of 12 July 2013 on alternative investment fund managers, as amended (the **AIFM Law**) do not apply to securitisation special purpose entities (SSPE). SSPEs are defined in the AIFMD as entities whose sole purpose is to carry on a securitisation or securitisations within the meaning of Regulation ECB/2008/30 of the European Central Bank of 19 December 2008. Regulation ECB/2008/30 has been repealed with effect as from 1 January 2015 by Regulation ECB/2013/40 (which includes an updated definition of the securitisation relevant for the purpose of the AIFMD exception) without the corresponding reference being corrected in the AIFMD. It is also noteworthy that the definition of securitisation in both the repealed Regulation ECB/2008/30 and the new Regulation ECB/2013/40 is not as broad as the one under the Securitisation Law and, consequently, some SVs may still be caught by the AIFMD.

Entities which primarily act as "first" lenders (i.e. originating new loans) are not considered as being engaged in securitisation transactions within the meaning of the AIFMD exemption and will thus fall within the scope of the AIFM Law. The same applies to SVs issuing structured products that primarily offer a synthetic exposure to assets other than loans (non-credit-related assets) and where the credit risk transfer is only ancillary.

It is the view of the CSSF that, independently from their potential qualification as SSPE (for the purpose of the AIFMD), SVs which only issue debt instruments should not constitute alternative investment funds (**AIFs**) for the purpose of the AIFM Law. Similarly, irrespective of the fact whether SVs qualify as SSPE for the purpose of the AIFMD, SVs which are not managed in accordance within a "defined investment policy" (within the meaning of the AIFM Law) do not constitute AIFs.

Taxation

Corporate taxation

An SV in the form of a company is fully subject to Luxembourg corporate income tax (the **CIT**) and municipal business tax (the **MBT**) on its worldwide income. For the fiscal year 2022, the CIT rate is 18.19% (including the 7% solidarity surcharge for the employment fund) and the MBT rate is 6.75% in Luxembourg City resulting in an aggregate rate of 24.94%.

An SV company benefits from a special tax deduction regime which aims to achieve tax neutrality. Under such regime, commitments (engagements) *vis-à-vis* investors and creditors are tax-deductible. As a result, interest on debt instruments and commitments to pay out dividends to equity holders are considered as tax-deductible for income tax purposes.

SVs are, however, subject to the rules implementing the European Anti-Tax Avoidance Directive (Council Directive (EU) 2016/1164 of 12 July 2016 – **ATAD**). Further to the implementation of these measures, certain securitisation transactions, and most notably the deductibility of the commitments, may be impacted, in particular by the interest deduction limitation rule under ATAD. This rule does not apply to certain standalone entities. Ultimately, the concrete impact of the ATAD rules on a securitisation transaction should be analysed on a case-by-case basis. Moreover, tax opaque SVs should also monitor the interpretation and impact of anti-hybrid rules (Council Directive (EU) 2017/952 of 29 May 2017 – **ATAD 2**) on the deductibility of interest and commitments.

Furthermore, an SV company is subject to a minimum annual net wealth tax (the **NWT**). For the fiscal year 2022, if the sum of fixed financial assets, transferable securities and cash at bank of the SV company exceeds 90% of its total gross assets and EUR 350,000, the minimum NWT charge would be set at EUR 4,815. Otherwise, the minimum NWT charge would range from EUR 535 to EUR 32,100 depending on the SV company's total gross assets amount. As the assets of an SV company generally consist of at least 90% financial type assets, the annual minimum tax should not exceed EUR 4,815.

As SV companies are fully taxable Luxembourg-resident companies, they should be considered as "liable to tax" in the sense of tax treaties and therefore qualify as resident under such tax treaties. A resident under a tax treaty is generally entitled to its benefits. Ultimately, the relevant source country must confirm whether tax treaty benefits are granted to SV companies.

On the contrary, a fund type SV is often transparent for Luxembourg tax purposes, and it will hence not be subject to CIT, MBT or minimum annual NWT. Additionally, a fund type SV should generally not qualify as a resident under tax treaties and should therefore generally not be entitled to treaty (or European Directives) benefits. An SV in the form of an SCS or SCSp is also in principle transparent for Luxembourg tax purposes. Tax transparent SVs should still monitor the potential impact of the so-called "reverse hybrid rules" under ATAD 2, which apply as from tax year 2022. There may be additional tax reporting obligations in connection with such rules.

Withholding tax and non-resident taxation

Interest and dividend payments to investors by an SV company are not subject to Luxembourg withholding tax. Distributions by a fund type SV are also not subject to withholding tax. Non-resident shareholders (i.e. shareholders that do not maintain a Luxembourg permanent establishment to which the shares of an SV company are allocable) are only taxable in Luxembourg when they realise a capital gain in respect of an important shareholding (generally at least a 10% shareholding) in an SV company within six months after the acquisition of the shares, or they became non-resident taxpayers less than five years before the disposal took place, after being Luxembourg-resident taxpayers for more than 15 years. However, shareholders who reside in a country with which Luxembourg has a tax treaty in force should generally not be taxable on such capital gains, if an exemption is provided for in the treaty. A non-resident investor holding equity instruments issued by a tax transparent SV may be subject to tax in Luxembourg if the SV holds real estate located in Luxembourg, or in certain circumstances, if the SV holds shares in a Luxembourg company.

VAT

Management services provided to an SV benefit from a VAT exemption and VAT leakage is therefore reduced to a minimum. As long as they are specific and essential to the management of the SV, collateral management fees and investment advisory fees may be considered to be covered by this exemption. Subscription, underwriting and placement fees may also be VAT exempt based on the general exemption of fees on the negotiation of securities.

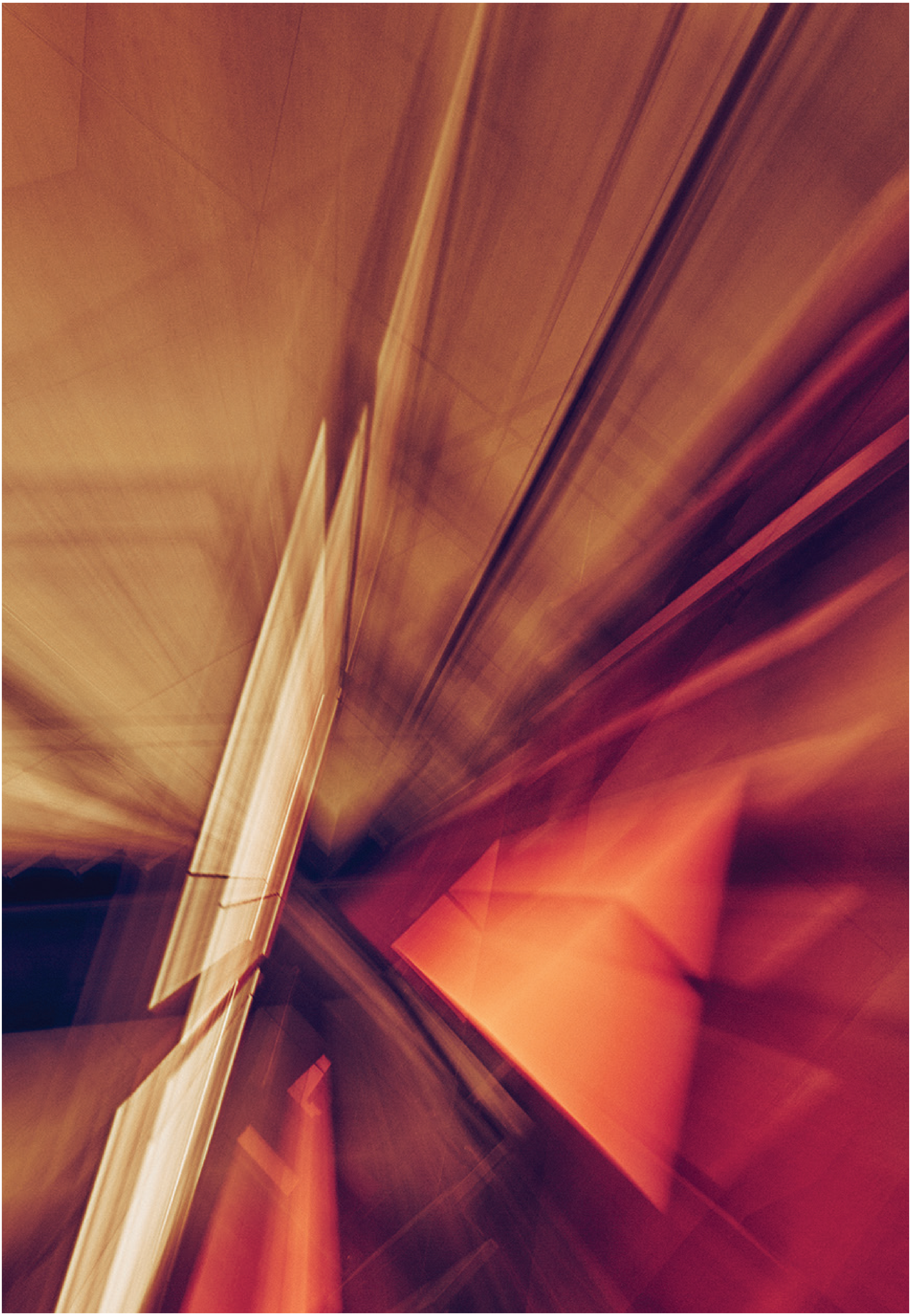
An SV qualifies per se as a VAT taxable person in Luxembourg. As a result, the SV must register for VAT if it receives services from non-Luxembourg service suppliers in order for it to self-assess the Luxembourg VAT (in the absence of a general exemption for such services).

Other

Agreements entered into in the context of a securitisation transaction and all other instruments relating to such transaction are not subject to registration formalities, even when referred to in a public deed or produced in court or before any other public authority, provided that they do not have the effect of transferring rights which must be transcribed, recorded or registered and which relate to immoveable property located in Luxembourg, or to aircraft, seagoing ships or riverboats recorded on a public register in Luxembourg.

Conclusion

Luxembourg is one of the main securitisation hubs in Europe. Its attractive and flexible legal and tax framework is tailored to fit the needs of investors and SVs and provides a wide array of efficient structuring tools and eligible assets to carry out securitisations. SVs and the other market participants involved in structured finance transactions in Luxembourg enjoy a high degree of legal certainty achieved by a successful combination of a stable political and economic environment with the unique practical knowledge translated into business-friendly legal texts. These factors will indubitably continue to contribute to the growing investors' trust in the Luxembourg securitisation environment.



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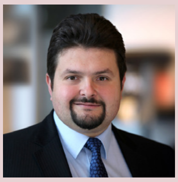

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