

## Securitisation in Malta

### What is Securitisation?

Securitisation is the process of transforming one asset or a group of assets into tradeable assets or “securities”. Often it involves a financial transaction in which assets are pooled and securities representing interests in the pool are issued and are made available to investors thereby creating liquidity.

### The Malta Securitisation Act

The Securitisation Act (2006, 2011 and 2013) allows for greater flexibility to the types of assets and risks assignable to a securitization vehicle. The Act ensures that Malta-incorporated securitisation SPVs are bankruptcy-remote and that their assets are automatically ring-fenced against third-party claims, hence materially simplifying a transaction’s documentation. Different methods can be selected to transfer assets to a securitisation vehicle and under the Securitisation Act an assignment of assets to a SPV is treated as final. Malta SPV’s enjoy a de-facto tax-free status, with regards to capital gains, interest and dividends. Additionally, the Securitisation Act includes:

- Tax residency certificates that can be obtained, enabling the application of various EU directives and of Malta’s extensive DTT network;
- Protection from bankruptcy proceedings outside the securitisation documentation;
- SPV’s present and future cash flows are ring-fenced to the exclusive benefit of investors and the other parties of the securitisation transaction;
- Claw-back, annulment or revocation by the assignee or its creditors are severely limited (barring fraud);
- Malta is furthermore an EU and Euro-Area member state, as well as an OECD member, making a Malta-incorporated SPV compliant with such investors’ requirements.

### Two Main Types of Securitisation

Asset Securitisation	Risk Securitisation
<p>Existing Assets</p> <ul style="list-style-type: none"> <li>• Secured Credit (RMBS, CMBS, Car Loans);</li> <li>• Funds (CFO);</li> <li>• Unsecured Credit (CLO, Credit Card Receivables).</li> </ul>	<p>Event (Insurance) Risks</p> <ul style="list-style-type: none"> <li>• Cat Bonds;</li> <li>• Indemnity;</li> <li>• Parametric;</li> <li>• Industry Loss Warrants;</li> <li>• Extreme Mortality Bonds;</li> <li>• Longevity Swaps;</li> <li>• Life Settlements / GMDB.</li> </ul>
<p>Future Assets</p> <ul style="list-style-type: none"> <li>• Royalties;</li> <li>• Toll Road/Bridge Tolls;</li> <li>• GMDB/Life Insurance Pay-outs.</li> </ul>	<p>Credit Risks</p> <ul style="list-style-type: none"> <li>• CDS (Synthetic Transfer)</li> </ul>
<p>Hybrid Assets</p> <ul style="list-style-type: none"> <li>• Leasing;</li> <li>• Embedded Value/Reserve Funding;</li> <li>• “Whole Business” Securitisation.</li> </ul>	

## Why Malta?

In 2013 Malta amended and improved its legislation to regulate securitisation and securitisation vehicles (the “Securitisation Act”). The Securitisation Act provides for significant advantages for SPVs based in Malta, notably in respect of bankruptcy and claw-back protection, as well as neutral tax treatment of the SPV’s income.

Benefits of Malta-based securitisation practice include:

- Regulated EU market under the Markets in Financial Instruments Directive providing access to the local EU market’s potential;
- A secure and robust legal framework;
- A straightforward approach to neutral income tax treatment of the securitisation;
- No withholding tax on outbound distributions;
- 65 DTTs;
- Very robust claw-back protection and SPV ring-fencing rules;
- Choice between different legal forms of the SPV;
- Multiple methods of transferring the securitisation assets to the SPV;
- Flexibility in the types of assets that are transferred including both asset and risk securitisation;
- Direct access to stock market;
- OECD membership;
- English as an official language;
- Availability of experienced and professional local directors.

For more information on how Zeta can assist you please contact our Business Development department on [bd@zeta-financial.com](mailto:bd@zeta-financial.com).

### Get in touch

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