Irish Debt Securities Association (IDSA)

Ireland: Europe's leading jurisdiction for Special Purpose Vehicles (SPVs)

Irish Debt Securities Association

The Irish Debt Securities Association (IDSA), an industry organisation, was established to promote and develop Ireland as the premier European location for activities to support the global structured finance, debt securities and specialist securities industries. IDSA promotes a responsible, sustainable and effective environment within which debt securities and other specialist securities can be used to facilitate transactions, to create investment products and to raise capital funding.

IDSA aims to achieve its mission by representing all industry participants, promoting high standards of professional conduct among industry service providers and leading the industry activity in Ireland to develop and provide a world-leading environment for structured finance transactions and for the issuance of debt securities and other specialist securities.

From our engagement with and representations to the government, authorities and agencies, IDSA is contributing to and helping shape the development of Ireland's regulatory, tax and legislative framework. This partnership between all constituencies ensures that all aspects of the industry are included in the formulation of policy and guidance. In addition, and through the development of industry policy and guidance papers, IDSA is influencing and defining practice in areas such as compliance, reporting and accounting.

The membership of IDSA includes the corporate administrators, trustees, audit firms, legal advisers, listing agents, and other parties involved in the structuring and management of special purpose vehicles (SPVs) in Ireland.

Ireland: The Leading European Jurisdiction for SPV

- With over 2,300 vehicles and assets of €727bn, Ireland is the leading European jurisdiction for SPVs.
- With an infrastructure of specialist service providers, including directors, advisers, listing agents and trustees, the industry in Ireland has supported and serviced the widest range of structured finance deals.
- SPVs are required and used by a cross-section of the international financial services sector; investment funds, the aircraft leasing sector and insurance companies, among others, use SPVs to hold certain types of assets as part of their risk management strategies.
- Irish and EU authorities have recognised the importance of non-bank funding (and securitisation in particular) to the European economy, and the European Commission has made the development of the European securitisation industry a key aspect of its flagship Capital Markets Union initiative.
- Ireland continues to lead the sector in determining and defining best industry practice.

Through industry ambition, experience and expertise and with 2,306 SPVs representing 22% of the European industry as measured by proportion of assets (reported in accordance with the ECB's financial vehicle corporation (FVC) regulations) - Ireland is the leading European jurisdiction for SPVs. At year end 2018 the number of reporting Irish resident FVCs was 1125 vehicles with asset values of €447bn.

With a highly regarded legal and regulatory regime, Ireland is an international jurisdiction that is a member of the EU and a member of the OECD. Ireland, like the US and the UK, is a common-law jurisdiction. SPVs are established as companies in Ireland, and are subject to Irish laws, regulations and tax. Being established in Ireland as a company involves inherent legal obligations and requirements. These obligations and requirements provide security, certainty and protection to all parties to the arrangement. And it is these legal obligations and certainty that are required and valued by investors.

Bankruptcy remoteness is a key feature in most securitisation transactions. Investors and lenders need assurances that their investment is actually secured on a defined pool of assets or cash flows and cannot be compromised by a possible bankruptcy or the liabilities of other entities associated with the company issuing the debt. This is achieved by creating an orphan company structure where the shares in the company are held on trust for charitable purposes by an independent share trustee. Bankruptcy remoteness is a rating agency requirement and is also a requirement of the European Central Bank for eligibility of certain bonds as collateral.

Irish securitisation companies are also referred to as section 110 companies because section 110 of the Taxes Consolidation Act 1997 (as amended) essentially provides the tax framework for securitisation in Ireland. Specifically, section 110 provides that the calculation of the profits of a section 110 company for tax purposes effectively mirrors its commercial accounting profit. It also provides that, subject to compliance with anti-avoidance legislation, a deduction is available for profit dependent interest. These provisions when taken together typically result in the tax neutrality of a section 110 company. Section 110 companies undertake a broad range of securitisation and financing activities.

These include:

- Collateralised loan obligations (CLO) and mortgage backed securities (MBS): In these transactions, a securitisation company acquires commercial loans or commercial or residential mortgages and issues bonds to finance that acquisition. The bonds are typically listed on a stock exchange;
- Loan origination/direct lending: Section 110 companies are often formed as a means of providing finance directly to business and non-business customers;
- Capital raising: Section 110 companies may be set up by corporate groups to issue bonds or borrow money to finance the group's activities, for example the Section 110 company may be the bond issuer for the corporate group;
- Investment funds: investment funds often set up section 110 companies as subsidiaries in order to isolate and hold particular assets within their portfolios. These companies are often 100 per cent funded by the investment fund; and
- Aircraft finance: Section 110 companies are commonly used to structure aircraft finance transactions. Typically, the section 110 company issues bonds to fund the purchase of one or more aircraft, which the section 110 company then leases to an airline or airlines.

IDSA Members

- A&L Goodbody
- Alter Domus
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- Apex Group
- Arthur Cox
- BDO
- Cafico International
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- EY
- Grant Thornton
- Intertrust
- IQ-EQ
- KPMG
- Law Debenture
- Link IFS Limited
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- Maples Group
- Marsh Management Services
- Mason Hayes & Curran
- Matheson
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