Australian securitisers have benefited from resurgent global demand for their issuance in 2017.
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FOREWORD
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Treasurer, Commonwealth of Australia

ASF WELCOME
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CEO, Australian Securitisation Forum

WIS
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WAREHOUSES
ANZ looks back at a year of preparation for the forthcoming change to Australia’s securitisation regulatory regime, with a focus on warehouse provision.

INNOVATION
The rejuvenated Australian securitisation market is once again proving fertile ground for new and innovative transaction structures, says National Australia Bank.

MOMENTUM
Westpac Institutional Bank asks whether the success of 2017 in the new-issuance market can be maintained into the new year.

MEZZANINE
Commonwealth Bank of Australia’s top-rated research team offers its FAQ on one of the success stories of 2017: the proliferation of demand for mezzanine deal tranches.

FEATURE
The offshore bid has been a feature of Australian securitisation in 2017. ASJ looks at the drivers and status of this demand in depth.

NEW ISSUERS
A confluence of supply- and demand-side developments are laying the ground for debut securitisation issuers, says Macquarie Bank.

LIBOR
US law firm Mayer Brown assesses how the fallout from the Libor affair might affect Australian securitisation issuers, in the context of outstanding and future deals.

ASF ISSUER PROFILES

ASF MEMBER PROFILES

SURVEY
In October 2017, the ASF surveyed Australian institutional investors to gauge their views on the structured-finance asset class.

FLYP
Introducing the ASF’s Future Leaders and Young Professionals subcommittee, including thoughts on the group’s role and perspectives from its organisers.
This issue of ASJ comes hot on the heels of a series of international forums where – in a welcome change – discussion centred on the emerging positive trends in the global economy and the better days ahead.

The G20, IMF, APEC and World Bank forums provided an opportunity to meet on the sidelines with countries and regions of economic significance to Australia. Given our economy’s impressive record of resilience, there was much interest in the settings we are putting in place to ensure our financial sector remains unquestionably strong, fair and accountable.

At the time of writing, parliament is considering measures to hold banks to a higher standard of accountability and open the door to competition in a sector dominated by four main players. We are also moving to provide the Australian Prudential Regulation Authority (APRA) with monitoring and rulemaking powers over lenders that operate outside the traditional banking sector.

The legislation will enhance APRA’s ability to collect data from non-authorised deposit-taking institution (ADI) lenders, thereby providing a clearer picture of their activities. The regulator will also have the clout to use a rulemaking power when it finds the lending activities of non-ADI lenders are materially contributing to risks of instability in the financial system.

Importantly, APRA will only step in to ensure the sector’s stability where absolutely necessary. In other words, the rulemaking power is a last resort that the regulator will only use where there are significant, clear and identifiable risks to financial stability and where non-ADI lenders are materially contributing to these risks. We would not anticipate use of the power within the foreseeable future.

We have worked with non-ADI lenders to minimise the regulatory burden. In response to feedback, we made changes to clarify the scope of the rulemaking power. This ensures the final legislation supports the non-ADI sector rather than hinders it. Above all, the legislation will send a signal to domestic and overseas markets that Australia’s non-ADI sector is safe, well-run and stable.

Australia’s approach to managing the risks of high household debt was another point of discussion in the wings of recent international financial forums. Australia’s household debt remains high in historical and international terms, at A$2.1 trillion (US$1.6 trillion). Around 80 per cent of it is tied up in mortgages. We acknowledge this can present risks if not properly managed.

However, comparisons between rising house prices in Australia and the housing investment bubbles we saw in the northern hemisphere are wide of the mark. Our housing market has many unique characteristics, including the fact that the low- or no-doc loans that crippled US housing markets are a rarity in Australia.

Mortgages in Australia are subject to full-recourse finance, supported by a strong, stable and resilient banking system, and world’s best-practice credit standards. The bedrock of this system is a well-regulated prudential regime.

The combination of interest-only loans and a low-rate environment escalates the risk that homeowners will bid up prices to secure a property rather than restrict their exposure. APRA’s targeted actions have helped address this risk.

More broadly, several factors should provide some comfort to those concerned about Australian household debt.

First, while household debt has risen over recent years, lower interest rates have allowed debt servicing costs to remain around longrun averages. Many households have taken advantage of low interest rates to build substantial mortgage buffers, equivalent to more than two-and-a-half years of scheduled repayments at current interest rates.

Second, the distribution of Australian household debt is concentrated in high-income households, with around 60 per cent of debt held by households in Australia’s top-two income quintiles – the households that are best positioned to service this debt.

Finally, we shouldn’t just think about one side of the household balance sheet. The Australian household sector’s asset holdings are considerable, at five times greater than its debts – Australian households may have more than A$2 trillion in debt, but they also hold more than A$12 trillion in assets.

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Activity in the Australian securitisation market has been vibrant in 2017. Aggregate new primary issuance for the year ending 31 December 2017 will reflect a post-crisis record. Issuance volume in 2017 should exceed A$40 billion (US$31.4 billion), which will register as the fifth-largest year of issuance in the market's quarter century of operation.

The record issuance volume reflects strong investor demand, with a consequent contraction in margins from the levels prevailing in previous years. Most transactions have been oversubscribed and upsized by issuers to meet demand.

The pattern and frequency of issuance have been notable throughout the year. A wide range of issuers have issued residential mortgage-backed securities (RMBS) or other asset-backed securities (ABS) as part of their funding strategies – including the major financial institutions, regional and mutual banks, as well as frequent issues from the nonbank sector.

A promising aspect to the market in 2017 has been the increased participation from offshore investors, particularly Japanese investors, who have become more active over the last 12 months. This edition of ASJ explores the state of and prospects for international demand in depth (see p18).

Regime Change
A significant policy development for the market this year has been the government’s amendment to the Banking Act to extend the powers of the prudential regulator, the Australian Prudential Regulation Authority (APRA), to give APRA “reserve” powers to make rules in respect of the lending activities of non-authorised deposit-taking institution (ADI) lenders.

The powers have been limited such that they can only be activated should the lending activities of nonbanks materially contribute to risks of instability in the Australian financial system.

However, the legislative changes also extend and clarify the remit of the Financial Services Collection of Data Act (FSCODA) to require financial corporations to supply APRA with data to facilitate monitoring of lending volume, particularly the nonbank sector.

Importantly, the measures do not constitute prudential regulation of the nonbanks by APRA and any rules imposed by APRA are not intended to affect outstanding RMBS or ABS issued by nonbank lenders. The final legislation is expected to be passed into law by parliament in late 2017 or early 2018 and nonbanks not already registered under FSCODA will be required to register and start reporting information to APRA thereafter.

January 2018 will be another milestone for the Australian securitisation market with APRA’s new prudential standard, APS 120, taking effect from the new year. The new APS 120 will regulate the multiple roles played by Australia’s financial institutions as issuers, investors and transaction counterparties in the securitisation market. The most significant outcome of the new standard will be generally to increase the amount of regulatory capital that ADIs will need to hold against securitisation exposures.

Property Focus
A continuing focus of regulators and investors is the state of Australia’s residential property market. A key issue for investors in RMBS continues to be the direction of the Australian residential property market and the transition of the growth drivers of Australian economic growth from the mining sector to the construction, infrastructure, education and tourism sectors.

Population growth continues to underpin growth in the large urban centres of Melbourne and Sydney with other regional markets exhibiting disparate patterns from strong growth in Hobart to negative growth in Perth. APRA has introduced macroprudential measures to curtail lending for investment properties and interest-only loans to maintain strong underwriting standards by lenders.

The performance of Australian RMBS and ABS markets has continued to be strong from a credit perspective albeit with a slight uptick in arrears for both RMBS and ABS throughout the course of 2017.
Knowledge, Experience and Insight

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Credit Union Australia
Daimler Mercedes Benz
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IMB Bank
Kiwibank
Latitude Financial
Liberty Financial
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Macquarie Leasing
Motor Trade Finance
MyState Bank Ltd
National Australia Bank
People’s Choice Credit Union
Resimac
Suncorp
Victorian Mortgage Group
Volkswagen
Westpac
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A core part of the ASF’s strategy is to provide high-quality professional-development opportunities for the industry. As part of its commitment to quality, the ASF refreshed the content of its professional-development programme in 2017.

In 2018 the ASF will offer the following courses in Australia:
- Securitisation Fundamentals
- Securitisation Professionals
- Applied Securitisation
- Securitisation Trust Management

Tailored courses are now being offered in New Zealand, with a Securitisation Fundamentals course scheduled to be held in Auckland in March 2018. This course incorporates key aspects and principles relevant to the New Zealand market.

Membership of the ASF continues to grow, and as at the end of 2017 our membership comprises 112 Australian and New Zealand market participants. Pleasingly, our membership now includes a significant cohort of New Zealand-based members.

We welcome recent new members including DLA Piper New Zealand, Harbour Asset Management, Equity Trustees, Brighte Capital, MoneyMe Financial Group, Collection House, Investors Central, Moody Kiddle & Partners, Sitex Consolidated, Avanti Finance, Lane Neave and Integrous Group.

The ASF’s newest initiative, the Future Leaders and Young Professionals (FLYP) subcommittee (see p55), achieved significant progress in 2017. The aim of this group is to promote securitisation as an attractive and long-term career opportunity for the next generation of securitisation professionals in Australia and New Zealand.

The inaugural subcommittee members were confirmed in June and a well-attended kick-off event was hosted at Ashurst’s Martin Place terrace in Sydney. The FLYP group instigated a programme of outreach to universities in Melbourne and Sydney in the second half of 2017 to inform undergraduate and postgraduate students of the structure and current state of the securitisation market in Australia and highlight it as a sector for a career in the Australian and global debt capital markets.

The New Zealand Market subcommittee is to work to further advance and grow the role and benefits of securitisation in New Zealand’s financial market. Growing interest in securitisation as a funding alternative in New Zealand is evident by the increased number of New Zealand-based members that have joined the ASF in 2017. A key initiative continues to be to engage with the Reserve Bank of New Zealand to discuss the potential role of RMBS in New Zealand’s financial market.

The ASF acknowledges and recognises the significant contributions of three retiring members of its National Committee. Sonia Goumenis (Clayton Utz), Graham Mott (Deloitte) and Mary Ploughman (Resimac) will retire at the ASF AGM in November. All three have made substantial contributions to the ASF during their terms.

Mary has served as deputy chairman of the ASF for four years and was the founder and champion of the ASF’s Women in Securitisation subcommittee. Additionally, she was instrumental in fostering the establishment of the New Zealand Market subcommittee.

Graham has been the longstanding treasurer of the ASF as well as serving as chairman of the ASF’s Audit and Risk subcommittee and Accounting and Tax subcommittee.

Sonia has concluded her three-year term during which she led the ASF’s Education subcommittee and expanded its scope in Australia and New Zealand. She has also played a key role in establishing and championing the FLYP subcommittee.

All three will be greatly missed and the ASF thanks them for their contribution to the ASF and the securitisation industry.

In 2018, the ASF will remain focused on its core and longstanding objectives. These are to provide the Australian market with a platform to discuss market and regulatory matters, advocate on behalf of members, provide a comprehensive suite of professional-development programmes, improve market standards and practices, and promote the market to global investors and policy makers.

I look forward to an active 2018 for the Australian, New Zealand and global securitisation markets.
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Contact our team to find out how we can help:

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* For the Bank of New York Mellon as of June 30, 2017

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In August 2017, the Australian Securitisation Forum (ASF)’s Women in Securitisation subcommittee facilitated a series of lunchtime workshops in Sydney proactively to support the resilience, performance and wellbeing of women in the workplace.

The programme was fully subscribed with 14 ASF members taking part. Pleasingly, attendees ranged from senior industry women right through the spectrum to participants who are relatively inexperienced and new to the workforce.

Presented by Positive Psychology coaches Kate Wilkie and Debra Close, the programme drew upon the science of “positive psychology”. This is the science of optimum functioning, performance and wellbeing, and it focuses on what is helpful and what is going right rather than primarily seeking to fix deficiencies.

Resilience is defined as coping with stress, bouncing back from challenges and growing from them. The group agreed that levels of stress and challenge are inevitable in the securitisation industry but noted a desire to respond positively, confidently and flexibly to pressure, challenges and changing situational demands.

To meet this goal, attendees were introduced to three pathways relevant to building resilience at work and in life over the course of four workshops. Research shows that practical skills can develop resilience, so a key outcome of the programme was to allow each attendee to leave with specific actions to improve their resilience and psychological wellbeing immediately. There was also a personal resilience plan for attendees to support ongoing resilience and wellbeing into the future.

The three pathways are:

- Mental toughness: investigating the ways in which people react to stress and challenges.
- Wellbeing: breaking down the components that can help us to feel good and function well in the workplace.
- Performance strengths: harnessing existing internal capacities to build engagement, confidence and energy at work.

THE IMPORTANCE OF MINDSET

Central to the programme was the concept of mindset. Our mindset is crucial to what we tell ourselves about our abilities, talents and intelligence. Those with a fixed mindset believe their success is based on their innate ability, and that this probably will not change. In contrast, those with a growth mindset believe success is based on learning, challenging, growing and persisting.

A growth mindset will help us more readily to believe we can develop and cultivate our internal resources to cope with stress. The adoption of a growth mindset was strongly encouraged throughout the workshops as a key to dialling-up resilience in the face of challenges.

To capitalise on the supportive relationships developed during the programme and encourage an ongoing network, the subcommittee sponsored a post-programme lunch which was well-attended. The 14 women have established an informal ongoing network, planning to meet quarterly to discuss challenges and progress, and to provide support and encouragement.

Throughout the programme, Debra and Kate provided email support to participants as desired and arranged follow-up coaching for individuals who wished to explore specific parts of the programme in more detail.

Helping women in the securitisation industry build resilience is an important part of empowering and encouraging women to take charge of their careers. The women who attended this inaugural resilience programme were encouraged to visualise themselves as their best resilient self, and commit to personally meaningful activities to build this level of resilience.

They could see that when we put strategies in place to boost resilience and wellbeing it pays dividends at work and in other areas of our lives.

WHAT PARTICIPANTS SAID

Each of the participants surveyed at the completion of the programme reported that:

- The programme was excellent or very good.
- They would recommend the programme to women in their industry.
- The facilitation and activities helped them understand the various pathways to resilience and how they might use them to build their resilience.

Additionally, they commented that they felt the most beneficial features of the programme were:

- The opportunity to gain self-knowledge and awareness.
- The practical nature of the course with actions to take away.
- The chance to listen to the experiences of other women in the industry.

Given the success of the programme, WIS is considering running future resilience programmes in Sydney and Melbourne. If you would be interested in attending in 2018, please email Lynsey Jackson via ljackson@securitisation.com.au.
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WAREHOUSE SHIFTS

It has been a very busy 12 months since the final APS 120 was released on 10 November 2016, shortly before the 2016 Australian Securitisation Forum (ASF) conference. ANZ’s Sydney-based head of structured capital markets, Graham Metcalf, reviews the consequences of the new regulation for securitisation issuance.

The capital markets have provided the largest volume of securitised issuance since the financial crisis in the past year, with larger deals, debut issuers and a broadening investor base all very positive features in 2017. We have seen more offshore investment, particularly from Asia, as the global search for assets with respectable yields continues.

There were a number of notable firsts including ANZ Banking Group pricing the first capital-relief residential mortgage-backed securities deal for an Australian major bank in December 2016 and the first Australian public credit-card securitisation issue by Latitude Finance Australia.

The release of APS 120 seems to have contributed to supply into this very receptive capital market, as issuers review their securitisation funding arrangements and the efficiency of private-warehouse arrangements as well as public term capital-markets issuance.

In the background, ANZ’s securitisation business has been re-engineered to enable the extension of existing private warehouse-funding arrangements with clients through mitigating the worst-case additional capital requirements imposed on warehouse providers under the new standard. We have spent time and money to ensure we can risk-grade and risk-weight exposures correctly and report them accurately and in time. We have reworked policies, procedures and systems for this purpose.

WAREHOUSE IMPACT

Attendees at the 2016 ASF conference may recall considerable debate about whether warehouse financing was sustainable for Australian issuers. Removal of the advanced modelling approach for risk-weighting purposes would see warehouse providers holding substantially more capital against these exposures, with associated pricing consequences.

Speculation abounded as to future margin increases of 40 basis points or more on these facilities given the large increase in capital required to be held against them.

While there was considerable industry focus on the Australian Prudential Regulation Authority (APRA)’s approach to date-based calls, funding-only securitisations, trust-backed arrangements, subordination of derivative payments and various other specific technical matters, ANZ’s primary concern was always the impact of this additional capital impost on our clients.

As to the new APS 120, the need to complete the restructuring of securitisation facilities by the 1 January 2018 implementation date became an immediate focus at ANZ. With the exception of a possible future revisiting of a regime for simple, transparent and comparable securitisation it was clear that APRA had moved on from APS 120 to other priorities.

From well before release of the final standard, the ANZ securitisation team was visiting clients to provide insights on the complexities of the new rules. Working collaboratively with clients on their specific needs and developing innovative solutions has been a time-consuming and challenging, but ultimately worthwhile, process.

Pleasingly, ANZ has been able to retain warehouse facilities and continue to provide a valuable transition mechanism for clients to capital-markets issuance. This has proven true for our clients with auto- and equipment-loan books as well as residential-mortgage books.

One positive development flowing from regulatory changes has been the opportunity for ANZ to bring new mezzanine investors into warehouses for our clients and to provide existing mezzanine investors with expanded opportunities.

There had previously been very constrained supply of mezzanine notes in this market, so the ability for increased dialogue with mezzanine investors on this product has been very welcome. The changes have been a catalyst for issuers gaining access to new sources of capital that should serve them well in future. Challenging intercreditor issues have been resolved, enabling issuer clients to establish efficient and stable funding platforms.

WHERE NEXT?

With the effects of APS 120 still playing out, there are numerous other regulatory pieces to consider. The interplay between warehouse arrangements, macroprudential measures limiting flow of new interest-only lending and APRA’s “reserve powers” for nonbank lenders is interesting.

APRA specifically noted in March 2017 that it would be concerned if regulated banks were growing warehouse facilities at a materially faster rate than their own housing-loan portfolios or if lending standards for loans within warehouses are of materially lower quality than would be consistent with industry-wide sound practices.

With APS 120 imminent and with a year of regulatory-related work nearly completed the good news is we continue to be a viable and efficient financing solution for many financial institutions and corporates, which can assist competition in the Australian market. ANZ continues to be a proud supporter of the ASF and the ASF conference gala dinner! ■
When it comes to growing your business across borders, connections count. That’s why ANZ connects you to insights and expertise in markets across Asia Pacific. So when you need to reach your customers, suppliers and business partners, you know you’ll have the right people at the right places.
IT’S BACK TO BUSINESS IN SECURITISATION

Securitisation has been one of the compelling stories in the Australian capital market in 2017. National Australia Bank (NAB) says issuers are keen, investors are willing and there is abundant appetite for new and exciting assets and structures.

Confidence is up in Australia’s securitisation market. As of mid-October, the volume of mortgage- and asset-backed securities had already reached a post-financial-crisis high.

As an industry leader, NAB has participated in more than 90 per cent of the year’s deals to date. The bank’s Melbourne-based director, securitisation origination, Lionel Koe, is confident the total volume will increase still further before year’s end. “We’re currently live on a couple more trades and there are still a few in the pipeline, which will see a strong close to 2017.”

It’s a whole different story from 2016. “Credit markets were relatively volatile last year, which, coupled with low credit growth, resulted in subdued issuance volume. The tide has certainly turned this year,” Koe says.

From an origination perspective, the cumulative effect of macroprudential tightening and market volatility resulted in issuers delaying or reducing their secured-funding tasks in 2016.

However, 2017 has seen a turnaround. For one thing, residential mortgage-backed securities (RMBS) credit spreads have contracted significantly and the product has been strongly supported by both domestic and offshore accounts, Koe points out.

WIDER AND DEEPER DEMAND

Regulatory changes are also influencing the types of deals Australia’s major banks are doing. Since the financial crisis, the major banks have used securitisation for funding-only transactions. But the implementation of the net stable-funding ratio, revised mortgage risk weights and changes to APS 120 have seen them change their use of securitisation to include capital relief, Koe says.

While there were some initial concerns about the impact of increased supply of mezzanine and subordinated notes into the market, it in fact did the opposite.

“What’s been really positive is that as the majors brought funding and capital-efficient trades, we’ve seen new and existing mezzanine and subordinated investors materially increasing their appetite for these notes, opening up the market and promoting liquidity,” comments Koe.

The market has also been buoyed by overseas investors – notably from the UK and Japan. “This year certainly saw the emergence of an active and sizeable bid from Japan after an extended industry courtship with a number of existing and new accounts supporting transactions in meaningful ways across the capital structure,” Koe says. “It’s been really pleasing to see our investment in the region pay off. We’ve actively engaged investors outside the pressures of live deals with regular regulatory, market and credit updates coupled with issuer due diligence and deal-specific engagements.”

DEAL INNOVATION

NAB has been at the forefront in arranging and lead-managing innovative deals. In fact, NAB arranged one of the most innovative transactions this year: Bank of Queensland (BOQ)’s €500 million (US$591 million) conditional pass-through (CPT) covered bond, a first in the Asia-Pacific region.

The structure provided clear upsides to both issuer and investors. As its name suggests, the CPT structure means that upon issuer insolvency, note holders are repaid via a forced sale of the pool as is typical in hard- or soft-bullet covered bonds.

“The methodology borrows RMBS technology and is correspondingly less reliant on the rating of the issuer,” Koe says. “In fact, from a Moody’s Investors Service perspective, the structure is completely delinked from the rating of BOQ while note holders benefit from a four-notch buffer from Fitch Ratings’ perspective.”

The transaction was well received by European accounts, which are familiar with the structure. “Within an hour and a half of launch books were north of €1 billion, enabling us to close books and price relatively quickly. Importantly, the transaction also diversifies BOQ’s investor base, which was one of the objectives,” Koe says.

NAB was also a joint lead on Latitude Finance Australia’s inaugural A$1 billion (US$784.7 million) securitisation under its credit-card and sales-finance master trust in April 2017. This was the first such deal from Australia.

The transaction was very well received, particularly by investors in the UK, Europe and Asia that were familiar with the structure and asset class. It also provided diversity away from RMBS, another positive for the buy side.

The level of interest generated oversubscription levels ranging from approximately three to seven times, easily supporting the upsize and facilitating tightening of margins across the capital structure.

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¹ Year to date, NAB has lead (as arranger or JLM) $21.19b of issuances comprising of RMBS and ABS transactions, representing 91.1% of all issuance to date (includes AUD and foreign currency tranches, excl. self-led deals).

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Australian Securitisation Still on the Up


Refreshing, in 2017 activity has been spread across authorised deposit-taking institutions and nonbank issuance, as well as collateral classes. New investor mandates and renewed interest from existing buyers of the asset class have propelled demand for Australian asset-backed securities (ABS).

As a result, senior and mezzanine note spreads have continued to contract over the last 12 months. ME Bank’s recent SMHL 2017-1 transaction, with senior notes pricing in September at a margin of 98 basis points over swap, illustrates the path of spreads. The year prior, the senior notes of SMHL 2016-1 priced at a margin of 118 basis points over swap.

Notwithstanding recent spread contraction, the Australian securitisation market continues to provide attractive outright yield for offshore investors. A key enabler has been the current interest-rate settings of central banks in Europe and the US, driving solid support from European and Asian investors which have made up roughly a third of the demand in the Australian market in 2017.

Aside from the significant volume, an exceptional level of pricing transparency all the way down the capital structure has further driven demand and has piqued the appetite of investors searching for yield. This has resulted in three- or four-times oversubscription levels on mezzanine tranches of recent transactions.

Increased activity is not confined to primary issuance. There has also been solid activity in the secondary market. To provide some context, Westpac has facilitated secondary-market flows across more than 80 individual securities in 2017. The strong pipeline of primary issuance has helped this flow, providing a regular barometer for clearing margins.

Additionally, service providers continue to enhance the functionality of their platforms, making it easier for investors and dealers to transact. For example, Westpac is currently providing daily executable pricing on more than 40 senior tranches of Australian ABS securities.

This heightened activity has resulted in strong enquiry from institutional investors that have not previously participated in the Australian ABS market. As Westpac’s Sydney-based head of ABS research, Martin Jacques, notes: “It is fair to say that this year I have met with more new accounts that are interested in the sector than any year in the last decade.”

Notwithstanding renewed interest in Australian ABS, investors remain vexed on the Australian housing market. High house prices and levels of household indebtedness are an ongoing focus for investors, as are recent pockets of stress in regional and metropolitan locations. These concerns are somewhat alleviated by the structural features offered by issuers and recent regulatory developments, though.

On the structural side, issuers continue to provide credit support on senior notes exceeding rating-agency requirements, while issuers with regionally concentrated collateral continue to offer lenders’ mortgage insurance.

Investor views on the recent regulatory developments to further enhance the mortgage market are also positive. These measures include changes around responsible-lending practices, the application of loan-serviceability standards and macroprudential measures around interest-only loans and investor lending by the Australian Prudential Regulation Authority (APRA).

Crystal Ball: 2018

While the macroeconomic environment will ultimately set the tone for issuance in 2018, the signs are largely positive for another strong issuance year. However, we expect certain regional and mutual-bank RMBS issuers that have been active in 2017 not to return to the market until 2019. This may result in more modest RMBS supply in 2018, providing further impetus for spread contraction should demand persist.

On 28 September, APRA disclosed that the total volume of committed liquidity facility provided to Australian banks would increase by A$25 billion (US$19.6 billion) for 2018. At face value this increase is a positive for RMBS demand, given this asset class is the highest-yielding option available for repo eligibility.

The new APS 120 standard that comes into effect in 2018 will permit Australian banks to provide date-based calls for funding-only securitisations, allowing banks to issue bullet-style securities in multiple currencies. This could open the market to a new set of investors. On the demand side, the new APS 120 will allow Australian banks to participate in non-senior-rated note tranches, further driving demand for this part of the capital structure.

We also expect in 2018 to see the ongoing diversification of collateral classes issued in the Australian market, with greater issuance likely to come from the consumer-credit sector – namely credit cards and personal loans. This collateral variety will attract demand from investors looking to diversify away from Australian RMBS.
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BUZZING MEZZ

Australian securitisation volume in 2017, of more than A$30 billion (US$23.5 billion) by late October, is close to the post-financial-crisis record. The surge in supply has been accompanied by growth in mezzanine (mezz) investor participation. The Commonwealth Bank of Australia (CommBank) research team, voted number one in the KangaNews 2017 Fixed-Income Research Poll, shares its mezz investment FAQ.

Who are the mezz investors?

◆ Mezz investors are predominantly asset managers. This is because banks typically don’t invest in mezzanine tranches given they must hold more capital against them than senior tranches. Funding-only residential mortgage-backed securities (RMBS) do not provide investment opportunities for mezz investors because only the senior tranches of such deals are sold to investors while the issuer retains the junior notes.

Why has there been increased participation by mezz investors?

◆ Since the financial crisis they have had relatively limited investment opportunities in benchmark deals given Australia’s major banks weren’t issuing capital-relief RMBS. That changed late last year. ANZ Banking Group (ANZ) and CommBank broke the drought as each priced capital-relief RMBS over the past year.

The combined effect of higher mortgage risk weights for advanced internal ratings-based accredited banks, the approaching net stable-funding ratio regime and new “unquestionably strong” capital rules mean it is now more attractive for the major banks to issue capital-relief RMBS.

Some mezz investors have been quite vocal in conveying their interest in such deals to the major banks. In fact, it was reverse enquiry from investors for Medallion mezzanine notes that facilitated CommBank’s capital-relief RMBS issue. The distribution of mezzanine notes also introduced additional investors into the Medallion programme.

KangaNews reported that the mezzanine and subordinated tranches of ANZ’s Kingfisher Trust 2016-1 transaction were pre-placed prior to opening the books for the top-rated notes.

In addition, the deal size of some of the nonmajor bank and nonbank RMBS this year hit a post-financial-crisis record. Suncorp issued two RMBS worth A$2.75 billion in 2017 – the largest aggregate volume printed by Suncorp in a calendar year since 2005. In the nonbank sector, Resimac has priced A$1.7 billion of prime RMBS so far this year, another issuer record.

But supply itself doesn’t create demand. Moving down the capital stack provides investors with relative yield pick-up, especially when spreads are tightening in various parts of the market. The mezz notes of a number of deals in 2017 were well bid to the point they were oversubscribed and resulted in the notes being priced tighter than initial guidance.

What does the future hold?

◆ The regulatory developments that led ANZ and CommBank to market capital-relief deals are here to stay. Putting aside relative spread movements, the current regulatory environment remains conducive for capital-relief RMBS versus funding-only RMBS. If this trend continues, it should enable issuers to maintain a healthy breadth of mezz investors.

Moreover, the implementation of APS 120 is likely to bring some restructuring in the warehouse space that would further support greater mezz investor participation. On the other hand, any potential change to the Banking Act that gives APRA additional power over nonbank lending could see a negative impact on future RMBS volume from this sector.

What are the risks to mezz investors?

◆ Mezz investors are exposed to tail risk. Low weighted-average seasoning in some recent RMBS could pose risk for mezz investors if rates start to rise from next year or if the housing market undergoes a large correction. New borrowers tend to have less equity built up and therefore are more susceptible to shocks.

Additionally, RMBS and asset-backed securities (ABS) arrears rates have been slowly ticking up from their recent low levels. This is not unexpected. The impact from the mining downturn, along with underemployment and low wages growth, continue to affect some borrowers’ ability to service their mortgages. Recent ABS data, however, show that the economies of the two mining states – Queensland and Western Australia – are now performing more strongly.

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GLOBAL INVESTORS SWAYED BY AUSTRALIAN RESILIENCE

Calendar 2017 is proving to be a bumper year for Australian securitisation in more ways than one. New issues exhibit the characteristics of a mature market: diversity of issuers, healthy investor demand across tenor and risk profile, oversubscription, and, most markedly, higher offshore interest by size and number of tickets across the capital stack.

BY VINAY KOLHATKAR

Globally, market conditions at the end of 2017 are close to unprecedented. An uninterrupted, and globally unidirectional, monetary policy has been in effect for several decades. In addition, for the last five years there has been almost incessant growth in the balance sheets of the world’s large-economy central banks via QE.

The Bank of Japan (BOJ)’s QE even bought corporate equity, while the US Federal Reserve (Fed), the Bank of England (BOE) and the European Central Bank (ECB) purchased billions in asset-backed securities or corporate bonds every month. Australian securitisers note especially strong offshore support for their deals from jurisdictions in which QE is ongoing and has affected conventional supply dynamics – specifically Europe and Japan.

Markets are now watching closely for reactions to a mere taper in the size of central-bank buying programmes, let alone a stoppage in growth or a reversal.

Mindful of the capricious balance of world financial markets, smart global investors are peering deeper into the long-term fundamentals of various investment destinations. For many, Australian asset-backed securities display a resilience that tilts the balance in their favour.

The need is almost symbiotic. Australia’s thriving nonbank sector, now a resurgent residential mortgage-backed securities (RMBS) issuer, is a notable beneficiary of the additional offshore demand as it seeks to fund lending growth.

Todd Lawler, group treasurer at Pepper in Sydney, estimates that the Australian market is large enough to support individual nonbank issuers to the tune of approximately A$2 billion (US$1.6 billion) each per year but likely no more. “Thus an issuer of size must seek offshore investors,” Lawler comments. “There are deep pools of capital which allow issuers to go to market more frequently and in significant size.”

But it is not just nonbanks benefiting, John Caelli, Melbourne-based treasurer at ME Bank, says: “The domestic capital market continues to have reasonable interest. But to grow the issuance market we must grow the offshore base.”

Making the transnational marriage work is 2017’s emerging narrative. It involves enticing the deep pools of capital offshore with the Australian asset-resilience story amid a myriad of regulatory constraints and activities – though some of these contribute to the appeal. Market participants believe this narrative is likely to stay in play for some time to come.

Demand from international investors has yet to support consistent flow of foreign-currency issuance from Australian securitisers, but it has helped take Australian dollar issuance to what could easily become an annual record (see chart on p20). The subtext is even better than the headline, issuers insist.

In September, Simon Lewis, deputy treasurer at Suncorp in Brisbane, told KangaNews that appetite for the entire RMBS capital structure had continued to improve throughout 2017 – having already been in good shape at the start of the year. “We now see more than 30 investors across Australia, Asia and the UK that are prepared to buy down to the B notes, and more than half a dozen that will buy the equity tranches,” Lewis revealed.

Haan Ti, executive director and head of ABS, Australia and New Zealand at MUFG Securities in Sydney, echoes Lewis’s

“In Europe, we get consistent demand from banks, supranationals and fund managers. In the past 6-7 years, we have seen Japanese investors come in. Initially, they only invested in major-bank RMBS, now they invest in regional-bank and nonbank RMBS.”

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sentiments. He tells ASJ: “In Europe, we get consistent demand from banks, supranationals and fund managers. In the past 6-7 years, we have seen Japanese investors come in. Initially, they only invested in major-bank RMBS, now they invest in regional-bank and nonbank RMBS.”

The Japanese demand picture is still evolving, though. Ti adds that, in the main, these buyers prefer to stick to triple-A rated senior tranches. However, a few have ventured into the triple-A mezzanine space, ie class AB notes, while a very small number has bought at double-A level.

James Kanaris, Sydney-based director, structured finance at Westpac Institutional Bank, notes that the continuing strong demand out of Europe and Asia is aided by the outright yields offered by Australian securities relative to other regions.

**DEAL SPECIFICS**

A look at some recent transactions illustrates the scale of global demand for Australian securitisation product. Investors out of the UK and Asia strongly supported Latitude Finance Australia (Latitude)’s first transaction, a March 2017, A$1 billion securitisation of credit-card receivables priced on 31 August. This was a landmark deal for the Australian market by collateral and also was its first master-trust-based issue. International demand was key to its success.

Lionel Koe, Melbourne-based director, securitisation origination at National Australia Bank (NAB) – a lead on the Latitude transaction – confirms offshore interest was 78 per cent. Europe, including the UK, represented 38 per cent of the book and Asia 33 per cent. “While Latitude was a new issuer it had significant performance data and established a master-trust structure that was well understood internationally. As a result, the transaction was very well supported by UK- and Asia-based investors,” Koe comments.

Latitude returned to the market with a A$500 million securitisation of credit-card receivables priced on 31 August. According to KangaNews, it was the level of reverse enquiry the issuer received from investors after its debut which prompted Latitude to return in less than six months with a volume-capped follow-up ABS deal.

More familiar RMBS structures are attracting offshore demand, too. In between the two landmark Latitude ABS transactions, there was Columbus Capital’s Triton nonconforming RMBS issue on 22 June: a A$500 million deal with 40 per cent international placement. About three weeks earlier, Commonwealth Bank of Australia reported a 54 per cent overseas take-up of the full structure of its A$2.4 billion Medallion Trust Series 2017-1 prime RMBS – including a consistent oversubscription of lower-rated tranches.

The trend has continued through 2017. Going back to February, following the success of Suncorp’s A$1.3 billion Apollo 2017-1 prime RMBS transaction, Lewis remarked that “demand down the capital structure appears to be at almost unprecedented levels”.

**MOTIVATION FACTORS**

The market backdrop establishes a state of affairs that goes some way to explaining resurgent global interest in Australian product. QE has sucked up supply, forcing investors – especially those in Europe and the US – to spread the net wider to place their cash. At the same time, loose monetary policy keeps yield suppressed and adds to investor interest in assets, like Australian securitisation, that offer both a good risk-return equation and acceptable headline yield.

These factors certainly demonstrate why it is investors from Europe and Japan – where QE has been deepest and longest-lived – that have been to the fore in the offshore bid for Australian deals in 2017. But offshore accounts are not mere yieldchasers, and Australian issuers say they have a credit story that resonates globally. The quality of product being offered has registered with a growing cohort of global investors including those from the US (see box on p22).

“One should still go ahead even if worse off by a few basis points on any tranche in any issue, because of what commitment to the market brings – more volume at a lesser cost in the long term. Investors are not interested in flaky issuers.”

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An investor perspective on Australian issuance

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However, Paez says it also has room for further growth. “We would have the ability to participate more actively in this market if there was additional issuance in US dollars or, within Australian dollar issuance, in fixed rate or longer tenors. We have some Australian dollar mandates as well as those in US dollars, and potentially we could use both.”

For Paez, Australian issuance displays five strong points. Taken together, these foundations make the asset class an appealing allocation option for MetLife.

The first is that the nature of the securitisation market in Australia is generally seen as a funding tool – in other words, a means of financing existing, profitable businesses. In some other parts of the world, Paez says, the asset class is often an arbitrage tool that has traditionally suffered from issues around originators’ level of skin in the game.

Second, Paez compliments the Australian legal framework for being “protective of lender rights”. The recourse nature of mortgage loans lends itself to the ability to pursue borrowers until all claims are satisfied. In some other jurisdictions, borrowers can often “throw back the keys” and walk away.

Paez also believes Australian regulators have done a good job of keeping a lid on speculative activity and preventing the market from overheating so far. “Underwriting standards are very prudent and collateral quality thus results in a better bond quality compared with some other parts of the world,” he comments.

The structural and credit-support features of Australian securitisation are sound, Paez adds. He explains: “This is evidenced by the robust historical performance of Australian residential- and other asset-backed securities on a global-comparison basis.”

Finally, issuance volumes have the potential to become more meaningful. Paez agrees with Australian securitisers that say offering the potential to be programmatic issuers – ideally on an own-name basis, but at least as a national group – is very important to international investors. Fund managers have limited credit-analysis resources and have to prioritise based not just on quality of opportunity but also the likelihood that it will be repeatable.

“We would have the ability to participate more actively in this market if there was additional issuance in US dollars or, within Australian dollar issuance, in fixed rate or longer tenors.”

FRANCISCO PAEZ METLIFE

Other than communicating the points of strength to investors new and old, market participants emphasise the factors that need to be considered if the goal is maintaining and growing a consistent offshore investor base over time.

These factors are expanding investor education to the uninitiated, tackling issuance in foreign currencies, regulatory certainty, a predictable frequency of issues, secondary-market liquidity, investing in documentation and roadshow costs assuming regularity, data transparency, consistent information analytics, innovative structures, and readiness to adapt to changes in investment mandates on an ad-hoc basis.

Several of these factors, issuers say, can be grouped under the heading ‘commitment to market’. Global investors want to see issuers that regularly offer new deals and that have a degree of dedication to responding to the requirements of offshore accounts in their programmes. Lawler sums this up as “investors want an issuer that is committed to repeat issues and can therefore justify the pre-work.”

Ti highlights the same theme by saying: “Most Australian issuers come to the market at least once a year and sometimes twice. This approach is designed to be programmatic because it keeps investors engaged.”

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requirement, this means riding the wave of price fluctuation at times. “One should still go ahead even if worse off by a few basis points on any tranche in any issue, because of what commitment to the market brings – more volume at a lesser cost in the long term. Investors are not interested in flaky issuers,” Lawler says.

He stresses adaptability as another part of the commitment-to-market stance. This includes responding to different pockets of investors when structuring deals to offer the best fit on weighted-average life.

By the same token, Caelli notes that the trend towards partial lenders’ mortgage insurance (LMI) coverage from full coverage has been growing for some time. This takes Australian product closer to global norms, and Caelli says rating agencies have also become comfortable over time. He adds that the transition has been positive for issuers on an all-in cost basis.

Kanaris cites other ways of enhancing structures. “We must also look at ways to make structures more efficient – strategies such as soft-bullet tranches in US dollar or euro denominated issuance are useful,” he suggests.

GROWTH CONSTRAINTS

Intermediaries in particular have said for several years that there is massive untapped potential in offshore demand for Australian securitisation. This appears still to be the case, despite the progress made in 2017.

Perhaps the most crucial constraint on aggregate demand is Australian securitisers’ limited ability to issue in foreign currencies at cost-effective levels. Volume in 2017 has been unspectacular (see chart on this page), with global investors much more likely to make the jump to Australian dollar allocations than issuers are to cross the gap to printing foreign-currency denominated securities.

The limitation remains the high cost of the cross-currency swap, though intermediaries say this only partly arises from the amortising nature of the securities. The other aspect is a regulatory impost.

Ti explains: “Rating agencies require counterparties – the arranging banks – to post collateral if they are downgraded below a predefined point. Even though this low-probability contingencies may never transpire, under the banks’ liquidity-coverage ratio test they must assume they have been downgraded and therefore hold liquids against this potential collateral requirement. They price this cost into the swap.”

Master trusts have been touted as a technology that may overcome some of these challenges. Ti continues to hope master trusts, to the extent they enable a bullet-type, non-amortising structure to be offered, would reduce the cost of swapping back foreign-currency issuance to Australian dollars.

Latitude did not offer bullet-maturity notes in its master-trust issuance, however, and regulatory changes appear to have made them significantly less appealing to the major banks that were expected to be their first adopters in Australia.

Speaking at a roundtable hosted by KangaNews and RBC Capital Markets in September, Eva Zileli, head of group funding at NAB in Melbourne, acknowledged that master trusts are “for the moment” a non-starter for the bank. She explained: “While master trusts offer flexibility, speed to market and the ability to incorporate date-based calls, thus mitigating extension risk, they are unfortunately limited to funding-only transactions... The punitive treatment from a net stable-funding ratio perspective means master trusts are not something we are actively exploring in the short term.”

Secondary liquidity, meanwhile, continues to be a challenge for Australia. In a survey conducted on behalf of the Australian Securitisation Forum in October 2017, Australian investors highlight constraints on the secondary market as the biggest challenge for securitisation (see p53). This issue may be mitigated to some extent by the buy-and-hold nature of many international investors, but equally it may prove to be a constraint on further market growth at least to some extent.

Intermediaries insist they make strong efforts to facilitate secondary exits for investors. But they acknowledge that the buy side – at home and abroad – factors a degree of illiquidity into its pricing assumptions.

On the up side, limited liquidity entails an enhanced credit spread and this may in fact attract new investors that
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have a lesser degree of emphasis on secondary conditions. Caelli suggests: “Investors are generally longer-term holders so liquidity is not the key driver of investment decisions.”

Intermediaries also express a degree of confidence that the Australian secondary market could be ready to take a step forward. With more paper and more investors in the market, secondary exits should become more reliably available.

AUSTRALIAN OUTLOOK

So far, international investors have responded largely positively to Australia’s housing-market challenges. Market participants say they are watching closely for any signs of change on this score, but add that moves made by local regulators and lenders in an effort to engineer a soft landing are showing signs of working.

According to research published by the OECD, Australia joins the UK, Canada and New Zealand as markets in which houses appear to be overvalued and yet prices are still rising. A June 2017 OECD report cautions: “Economies in this category are most vulnerable to the risk of a price correction – especially if borrowing costs were to rise or income growth were to slow.”

Investors like Francisco Paez, New Jersey-based director and head of ABS and CMBS credit at MetLife, are alert to this. He tells ASJ: “Our focus is on continued rises in house prices, primarily in Sydney and Melbourne, and the corresponding rise in household leverage. It would be good to see wage growth in the economy to get housing prices more in line with income levels.”

Kanaris is cautiously optimistic that measures taken by the Australian Prudential Regulation Authority to constrain high loan-to-value lending and investor loans are having the desired effect. “Macarprudential rules show the regulators are actively trying to cool the market down. This prudential supervision oversight bodes well for the future,” he says.

Caelli adds: “The market is in for a period of consolidation, including lower credit and asset-price growth. This is exactly the situation the regulators are trying to engineer – the orderly cooling of the market.”

Most important of all, Australian market participants stand by the quality of RMBS product they offer and, in particular, its resilience to cyclical changes in the housing market. “Investors are conscious of the fact that Australian RMBS is the world leader in arrears performance,” Ti tells ASJ.

DEMAND CONDITIONS

Meanwhile, changes are also on the horizon in global investor markets. The combined fiscal and interest-rate effects of QE and the direct asset-buying programmes put into effect by major central banks the world over are now more enjoined into the financial world’s relative values than ever before.

But no-one expects QE to go on forever. At some point, central banks must walk the tightrope of a diminution of asset buying as economies grow, but gradual enough not to shock financial markets. How this plays out will inevitably affect the scale and nature of investor demand for a raft of global product – and Australia will feel the ripple effect. “Central banks in Europe and the US may tighten rates in the near term,” Kanaris notes. “Relative-value dynamics may change as a result, and outright-yield investors will be affected the most.”

Exactly what the impact will be remains to be seen, though Paez cautions not to make too many assumptions. “Markets are very interconnected and nothing typically remains too cheap or too expensive for long,” he comments.

Whether the almost universally positive issuance conditions – on the supply and demand side – can remain in place is still an open question, though. Koe says: “We anticipate positive market conditions will continue, absent any external market shocks. However, we anticipate issuance volume potentially to be lower than 2017 – as a result of subdued credit growth and reflecting that a number of bank issuers have actively issued in 2017 and are relatively long on liquidity.”

The biggest unanswered question relating to demand for Australian issuance relative to 2017 is likely the fate of the BOE’s term-funding scheme and the ECB’s targeted longer-term refinancing operations. By sucking up local asset issuance, these have significantly constrained the supply of European securitisation into the private market.

The sheer size of the QE overhang, though, will require an organised wind-down of asset purchases and ultra-low-rate financing. Markets will keep an earnest eye on every move the central banks telegraph. In this context, it is no surprise that market participants widely expect central banks to open an organised wind-down of asset purchases and ultra-low-rate financing. Markets will keep an earnest eye on every move the central banks telegraph. In this context, it is no surprise that market participants widely expect central banks to open discussion months, if not years, before finalising plans.

Until then, it may well be a case of making hay while the sun shines. Issuers universally say they simultaneously value the highly conducive nature of securitisation markets at the present time, closely monitor conditions for any signs of deterioration and highly value funding diversity.

“We anticipate positive market conditions will continue, absent any external market shocks. However, we anticipate issuance volume potentially to be lower than 2017 – as a result of subdued credit growth and reflecting that a number of bank issuers have actively issued in 2017.”

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Australia’s securitisation market has recovered over recent years with increasing momentum. By the end of the third quarter, 2017 looked set to be the best year for a decade. What there has not been, however, is a flood of new issuers to the market. True debuts have come steadily but never in droves – indeed, Macquarie data show no more than four new names printing their first deals in any year over the past decade (see chart on this page).

Where things get interesting at present is the potential confluence of supply and demand conditions. Macquarie has identified three areas that appear to be relatively fertile ground from which new issuers could spring.

Perhaps more important still, the nature of securitisation demand is such that new issuers stand a good chance of being better received than might previously have been the case – even relatively early in their business journeys, and for smaller or more bespoke securitisation transactions than might have worked historically in the Australian market.

**FERTILE GROUND FOR NEW ISSUERS**

It is a potentially exciting time for diversity in Australian securitisation issuance, says the team at Macquarie Bank (Macquarie). While new names have been relatively few and far between in recent years, the combination of conducive market conditions and the emergence of lenders that are likely to see securitisation as a natural funding method means the flow of debuts could be set to pick up.

Australia’s securitisation market has recovered over recent years with increasing momentum. By the end of the third quarter, 2017 looked set to be the best year for a decade. What there has not been, however, is a flood of new issuers to the market. True debuts have come steadily but never in droves – indeed, Macquarie data show no more than four new names printing their first deals in any year over the past decade (see chart on this page).

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**NEW ISSUERS IN THE AUSTRALIAN SECURITISATION MARKET**

The signs are there in the public market for established issuers’ deals. Demand for mezzanine tranches is broader and deeper than it has been at any point since the financial crisis, with a consistent bid coming from investors in Australia and offshore.

This is as clear a signal as any that there is ample cash looking for higher-yielding opportunities, and with more flexible risk appetite than has tended to be the case in the Australian market. In particular, investors are increasingly willing to sacrifice some liquidity in return for enhanced yield in the protracted lower-for-longer rate environment.

At least some of the investors that are engaged with mezzanine debt from established issuers are also willing to look at emerging names. In fact, once a fund manager has taken the steps necessary to conduct credit work on and allocate funds to less-liquid mezzanine tranches, it is a relatively small additional step to add nonbenchmark transactions to the investment menu.

Over the past 12-18 months there has been notable growth in the volume of funds available for off-the-run deals in Australia. It is this pool that has the potential to fill a funding gap for relatively young businesses in a phase of funding transition and for those looking at bespoke funding solutions. It is this liquidity pool that therefore could be the catalyst for a pickup in debut securitisers.

This marks a notable change for Australian securitisation. There is a relatively well-established set of expectations new issuers have to meet to satisfy the broadest span of Australian market investors – a buyer base that might be required for a benchmark-sized public securitisation, for instance. Particularly relevant for new issuers is the buy-side desire to see a number of years of asset-performance history.

This expectation is similar to what rating agencies demand for their own modelling, and historically it was a barrier to new issuers coming to market until they had achieved significant scale and longevity.

However, there are a couple of newly available options that might make particular sense to businesses that are still establishing a track record of asset performance.

One is third-party investment in warehouse facilities. Traditionally the realm of bank balance sheets alone, the hunt for yield on the institutional-investor side is combining with regulatory changes that have reduced the cost-effectiveness of warehouse provision to banks to create a new funding opportunity. In fact, the market for mezzanine debt in public securitisations has been so hot in recent months that some investors say they are seeking to allocate to borrowers at the warehouse phase to secure access to assets they simply cannot reliably source in the public market.

At the same time, the evolution of demand means there is a pool of liquidity in Australia that is prepared to look at privately placed, unrated securitisations.
Whether it’s financing, debt structuring, arrangement or placement, Macquarie can help. Our deep industry knowledge and more than 20 years experience working in all market conditions enables us to provide highly tailored solutions for clients looking to access private and public capital markets.

Crafting capital solutions to help our clients grow

Discover the Macquarie difference:
Alan Cameron, Executive Director
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Kevin Lee, Division Director
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macquarie.com
The new-issuer checklist

Securitisation is a complex process requiring significant investment by sponsors in resourcing, time and data analysis – so it makes most sense for programmatic use rather than as a one-off transaction. Establishing the ongoing value of the asset class for new issuers is therefore critical.

The good news is the Australian market is supportive of issuers that are more periodic than regular. Data on issuers returning after an absence of at least a year (see chart on this page) suggest re-accessing the market is relatively straightforward.

It is therefore fair to say that programme-establishment costs are rarely wasted and the market does not appear to look unfavourably on extended absences. This is a very supportive funding paradigm for new issuers that might not immediately expect to be printing every year.

Even so, new issuers should be prepared to make a commitment to the securitisation asset class. For one thing, scale is still required – despite the demand developments around nonbenchmark issuance that may have attracted the potential new issuer in the first place. Critical mass for issuance is not likely to fall much below A$100 million (US$78.5 million) minimum, with warehousing still a vital intermediate step.

As a programmatic funding solution, issuers will also need to assign staff to establish their programmes, to engage and deal with a variety of counterparties and to administer ongoing management functions. These include regular reporting on programme performance to investors and investor marketing of future transactions.

Securitisation is a highly detailed, asset-focused funding technique, meaning issuers have to be prepared for significant due diligence and potentially the need to make changes to business processes, systems and even products if issues are uncovered that would make securitisation difficult or less efficient.

This is especially true for collateral types that are less familiar in the Australian market, for which even more intensive due diligence can be expected from counterparties – and therefore, in all likelihood, longer lead times to market.

There are also specific considerations relevant to different types of potential new issuer. For fintech-type securitisers, for instance, there may be considerations around whether the underlying product offers fractionalised interests or whole loans to investors. Securitisation typically packages whole loans so the special-purpose vehicle holding the collateral does not share ownership.

The presence of a peer-to-peer funding platform alongside self-originated lending can also create complexity for wholesale securitisation programmes.

In the case of businesses that have gone through ownership transition, it is important for treasury teams to be aware of securitisation investors’ desire to understand how well the transition process has occurred and whether there have been any material disruptions to business processes.

There will be particular interest if there are plans to take the business in a different direction in such a way that historical performance data may be less relevant for funding the future business.

The use of securitisation to refinance acquisition funding will also come under scrutiny, especially the extent of flexibility around timing and volume. For example, a requirement to undertake a single, very large debut securitisation issue can add execution risk.

For established businesses contemplating a securitisation debut, investor interest will likely focus on how securitisation will fit in with existing funding arrangements.

Growth projections are also relevant, especially if growth plans entail substantially changing products, pricing or procedures to achieve this. Again, significant changes may make historical performance data less relevant for analysing securitisation of future originated assets.

The central point is that securitisation markets, even as they evolve to be more flexible to new issuers and off-the-run transactions, still favour demonstrably predictable business outcomes and asset performance. As a debut issuer, the scrutiny on this aspect will always be at maximum intensity.
Both these options should be of interest to transition-phase borrowers. Warehouse developments facilitate funding diversity much earlier in an issuer’s lifecycle than would traditionally have been the case – when it would likely have been exclusively reliant on bank funding between the venture-capital phase and establishing sufficient scale and track record to enter the benchmark public market.

The potential to issue private placements adds a further transition step – one further down the road than adding institutional funds to warehouse facilities but not as far along as a full public transaction.

NEW ISSUER SOURCES

The two most high-profile areas from where new names in the securitisation market could potentially come are startup lenders – especially those operating in the fintech space – and lending books that have been bought out by private capital.

The opportunity set in the fintech arena lies in the fact that there is a group of lenders in Australia that are now at the stage of building scale and performance track record. The typical profile of such a borrower is one that came into being as a startup somewhere between two and five years ago, most likely with venture-capital funding and with an eye on finding alternative sources of debt when scale and cost demanded.

The collateral these potential issuers are originating also tends to be a point of difference for an Australian securitisation market that has always been dominated by residential mortgage-backed securities. Startup lenders in Australia cover a variety of sectors but tend to be focused on the consumer and SME markets. It is this type of niche collateral that market participants can expect to see emerging in the capital markets over the next couple of years.

Latitude Finance Australia (Latitude), unarguably the Australian market’s most prominent debutant of 2017, is a prime example of the new ownership category. Formerly the Australian consumer-lending business of GE Capital, Latitude made the transition to a securitisation-funded platform from the corporate bond market having been acquired by a private-equity consortium at the back end of 2016. Latitude has already issued A$1.5 billion in a brace of credit-card backed deals and announced a personal-loan backed deal in October.

The Latitude experience demonstrates that the securitisation market can be open in size for new names and is accepting of transition risk around change of ownership. The point is not that there is a bevy of such potential issuers waiting in the wings so much as the demonstration that borrowers in this situation can have reasonable expectations of good outcomes for their capital-markets deals.

In addition, Macquarie has identified a third category of potential new securitisers – established companies with growth plans that are looking at asset-backed funding as one of a range of viable options that could add diversity to their books.

While this type of borrower is likely to have longer-established and better-resourced treasury operations than a relatively recent startup in the fintech realm, it may have as little or even less familiarity with the technicalities of securitisation. Establishing the value of securitisation and working with the potential issuer to make it ‘securitisation ready’ is a key part of the process (see box on facing page).

There is probably not a cavalcade of potential issuers in the latter stages of planning securitisation debuts as we approach the end of 2017. In fact, the main driver is demand – the consistent depth and increasing breadth of the market is making some established companies that might not previously have considered the securitisation option sit up and take notice. Interest tends to come from companies exploring ways of monetising long-term cash-flows into the future.

What can be said is that the drivers of demand have created an environment that looks historically conducive to issuers coming to market earlier or with less mainstream assets or structures than has typically been the case in Australia.

“The nature of securitisation demand is such that new issuers stand a good chance of being better received than might previously have been the case – even relatively early in their business journeys, and for smaller or more bespoke securitisation transactions.”

“For any enquiries, please contact:

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Over the past 12-18 months there has been notable growth in the volume of funds available for off-the-run deals in Australia. It is this pool that has the potential to fill a funding gap for relatively young businesses in a phase of funding transition and those looking at bespoke funding solutions.”
THE UNIQUE IMPACT OF LIBOR’S UNCERTAIN FUTURE ON AUSTRALIAN RMBS TRANSACTIONS

In recent years, the London interbank offered rate (Libor) has faced increased scrutiny by market participants as well as regulatory authorities in the international financial markets. Leading US law firm Mayer Brown shares vital insights into how the future of Libor could affect Australian securitisers.

Regulators and law-enforcement agencies in a number of jurisdictions have conducted civil and criminal investigations into potential manipulation or attempted manipulation of Libor submissions to the British Bankers’ Association (BBA). In light of these investigations, the BBA was replaced by ICE Benchmark Administration (IBA) as Libor administrator as of 1 February 2014.

Most recently, and perhaps more significantly, in a speech on 27 July 2017, Andrew Bailey, chief executive of the UK’s Financial Conduct Authority (FCA), announced the regulator’s expectation that Libor will no longer be sustained in its current form, beginning 31 December 2021 at the latest. The FCA has statutory powers to require panel banks to contribute to Libor where necessary and has decided not to ask, nor to require, that panel banks continue to submit contributions to Libor beyond the end of 2021.

Less than a week after Bailey’s announcement, J Christopher Giancarlo, chairman of the US Commodity Futures Trading Commission, and Jerome Powell, a governor of the US Federal Reserve, similarly voiced support for phasing out Libor. Although European markets have only recently begun to question the sustainability of Libor, regulators in the US have, almost from the beginning of the investigations into Libor manipulation, signaled the need to replace the benchmark.

The Financial Stability Oversight Council (FSOC), a US government organisation created by the Dodd-Frank Wall Street Reform and Consumer Protection Act, pointed out in its 2013 annual report that there has been a continued decline in banks funding themselves with unsecured short-term funding – the funding market that is the source of Libor quotations.

Since this time, and in response to recommendations made by the FSOC, the Federal Reserve Bank and the Federal Reserve Bank of New York have convened an Alternative Reference Rates Committee (ARRC) to discuss and identify alternatives to Libor.

While alternatives have been discussed that are intended to be “more robust and resistant to manipulation”1, a replacement has not yet been determined. The ARRC has stated, however, that one of its high-level priorities for 2017 would be to finalise its selection of a single alternative overnight reference rate to recommend to the market.2 But the ARRC has also said that choosing the right rate is important and that it will not be rushed into making a decision.

AUSTRALIAN IMPACT

While the successor to Libor has yet to be decided upon, Libor’s demise appears to be inevitable. Whatever Libor replacement is adopted, Australian residential mortgage-backed securities (RMBS) issued globally will face a direct impact.

These RMBS transactions typically use Libor as a benchmark for floating-rate securities issued in US dollars. The currency swap is used to hedge basis risk between the index on the swapped interest rate on the underlying Australian housing loans, usually the Australian bank bill swap rate, and the Libor-based interest rate on the securities.

“The existence of a currency swap further complicates the solution for how to handle uncertainty about Libor’s replacement for transactions that were closed prior to the establishment of any replacement benchmark, but where it is relatively certain that the replacement will be established during the active life of the deal.”

In recent years, the London interbank offered rate (Libor) has faced increased scrutiny by market participants as well as regulatory authorities in the international financial markets. Leading US law firm Mayer Brown shares vital insights into how the future of Libor could affect Australian securitisers.

that the replacement will be established during the active life of the deal.

In Australian RMBS, the participants not only need to account for the risk associated with Libor’s uncertainty but also need to ensure the currency swap and interest rate on the bonds have the same fallback provision in order to avoid any basis risk.

Potential solutions to alleviate these concerns include:

1. Linking the interest rate on the Libor notes to the rate under the currency swap so the fallback provisions for Libor under the International Swaps and Derivatives Association agreement will apply to both.

2. Including permissive amendment standards in the documents so that Libor, as it applies to both the Libor notes and the currency swap, can be easily amended once a successor is in place.

3. Structuring the transaction so that the issuer of the securities, or an affiliate, is the calculation agent for the purposes of Libor and will thus determine what successor substitute rate to use, subject to certain reasonableness standards.

4. Requiring the trustee to determine whether to use a substitute or successor rate comparable to Libor – bearing in mind any industry-accepted successor rate.

5. Any reasonable combination of the above approaches.

While we can expect to see the above approaches taken on future transactions, it is likely market participants will develop other strategies as well – some of which may first be tested in the US domestic securitisation market.

Also affected, of course, are already-closed transactions that issued Libor-indexed securities. To the extent that the life of any transaction extends beyond the phaseout of Libor, the transaction parties will need to take a pragmatic approach in determining a new index for the securities while at the same time calibrating the currency swap to provide the hedge necessary to make the transaction work.

Given a close relationship between deal parties in Australian RMBS transactions, we expect the market to develop a collective approach towards addressing this potential challenge that resembles some of the options presented above for deals currently under construction. For these reasons, coupled with the uncertainty of timing for Libor’s replacement and the need for all parties to agree upon Libor’s successor, it is likely that Australian RMBS transactions – both issued and to be issued – will be grappling with this unique issue for the foreseeable future.

**WIDER RAMIFICATIONS**

The Libor issue illustrates a larger point that has emerged in securitisations since the global credit crisis. No matter how careful drafters are to take into account future contingency events, it is impossible perfectly to predict the course of history. For securitisation transactions, which are designed to be completely closed systems, unanticipated events almost always cause interpretive issues for transaction parties, who are not always aligned as to the solution.

A recent example of unanticipated events was the possibility of negative interest rates in several jurisdictions throughout the world. Securitisations were generally constructed to pay out cash flows, but a negative interest rate might have the effect of requiring a payment back to the transaction from securityholders, particularly if a swap was embedded in the transaction that would have permitted negative interest rates and therefore caused a reverse payment flow from the deal to the swap counterparty.

This problem was solved in new transactions by preventing interest-rate indices from dropping below zero. But the issue remains for deals that did not provide a zero interest-rate floor and made no provision for reverse payments.

A similar issue emerged in US residential-mortgage transactions as a result of the unique rules governing the servicing of defaulted loans, which emerged after the global credit crisis and after many US RMBS transactions were constructed. In this case, the US Treasury issued guidance on how its programme should be implemented in outstanding transactions, in effect overriding contractual provisions with US Treasury mandates.

As the world evolves and economies change, similar issues will arise in securitisation transactions – including Australian RMBS transactions – that will demand pragmatic and common-sense decisions. To date, the solutions that have emerged in response to these challenges have caused minimal market disruption. We have no reason to believe that the accommodation of changes to Libor, even with respect to already-issued transactions that did not contemplate Libor’s disappearance, will be any different.

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+1 312 701 7373
### AMP Bank

**AUSTRALIAN ADI**: Yes  
**SECURITISATION PROGRAMME NAME**: Progress  

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**SECURITISATION PROGRAMME NAME**: Progress  

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* Excluding internal securitisations. Reported values are based on initial amounts securitised at the time of each securitisation.  
** As at 25 September 2017.

### ANZ Banking Group

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**SECURITISATION PROGRAMME NAME**: Kingfisher  

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**SECURITISATION PROGRAMME NAME**: AFG  

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#### Australian Finance Group

Formed in 1849, AMP Group is Australia and New Zealand’s leading independent wealth-management company, with an expanding international investment-management business and a growing retail-banking business in Australia.

AMP Bank is an Australian retail bank offering residential mortgages, deposits, transaction banking and self-managed superannuation-fund products, with around 100,000 customers. It also has a small portfolio of practice-finance loans. AMP Bank distributes through brokers, AMP advisers and direct to retail customers via phone and internet banking.

NZ Banking Group (ANZ) is one of the four major banking groups headquartered in Australia. ANZ provides a broad range of banking and financial products and services to retail, small business, corporate and institutional clients in Australia, New Zealand and the Asia-Pacific region.

The bank began its Australian operations in 1835, its New Zealand operations in 1840 and has been active in Asia since the 1960s.

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www.anz.com
**Auswide Bank**

Auswide Bank became Australia’s 10th, and Queensland’s third, Australian-owned bank to be listed and trading on the Australian Securities Exchange, in 2015. Auswide Bank operates 23 branches from Cairns in north Queensland to Brisbane in the south east. Auswide Bank has extensive operations across Australia via third-party arrangements.

Auswide Bank has Australian credit and financial-services licences issued by the Australian Securities and Investments Commission, and is an authorised deposit-taking institution supervised by the Australian Prudential Regulation Authority.

The bank offers a range of personal and business-banking products and services issued directly or in partnership with leading service providers via branches, strategic relationships and online and digital channels.

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**B of Queensland (BOQ)**

Bank of Queensland (BOQ) is a public company incorporated with limited liability under the laws of Australia. BOQ is domiciled in Australia, is listed on the Australian Securities Exchange and is regulated by the Australian Prudential Regulation Authority as an authorised deposit-taking institution.

The bank had total assets under management of A$51 billion as at 31 August 2017.

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Treasurer  
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**Bluestone Group**

Bluestone Group (Bluestone) is a dynamic financial-services business with more than 270 employees and operations in Asia Pacific, the UK and Europe. The business is backed by Macquarie Bank and LDC, the UK’s largest mid-market private-equity house.

In 2000, Bluestone began originating mortgages in the Australian market. After a hiatus, the company recommenced mortgage origination in 2013 and has issued five Australian RMBS transactions since this time. With vast experience in the nonconforming mortgage space, Bluestone has cemented its place in the sector, ranking number-one specialist lender in the Momentum Intelligence 2017 third-party lending report. Bluestone will continue its issuance of term RMBS. Bluestone engaged with investors around a potential new deal in November 2017.

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Columbus Capital was established in 2006 as a nonbank wholesale funder. In 2012, it acquired Origin Mortgage Management Services, its third-party wholesale lending business, from ANZ Banking Group.

Columbus Capital has Australian credit and financial-services licences issued by the Australian Securities and Investments Commission.

The company offers an extensive range of white-label home-loan products via strategic relationships and also via its online channel focused solely in the prime mortgage space. Columbus Capital also offers third-party servicing capabilities covering home loans, consumer-finance, lease and commercial ABS products.

Commonwealth Bank of Australia is Australia’s leading provider of integrated financial services including retail, premium, business and institutional banking, funds-management, superannuation, insurance, investment and share-brokering products and services.

The bank’s approach to wholesale funding is to remain diversified across markets and to maintain a degree of flexibility around transaction timing. Wholesale funding is complemented by securitisation issues through the Medallion programme.

Credit Union Australia (CUA) has a long and proud history of providing banking and financial services to Australians. CUA is Australia’s largest customer-owned financial institution with nationwide representation through branches in Queensland, New South Wales, Victoria and Western Australia.

CUA is an authorised deposit-taking institution and is regulated by the Australian Prudential Regulation Authority.

**COLUMBUS CAPITAL**

**Commonwealth Bank of Australia**

**CREDIT UNION AUSTRALIA**

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<td>A$7.7BN</td>
</tr>
<tr>
<td>TOTAL DOMESTIC VS OFFSHORE ISSUANCE</td>
<td>100% DOMESTIC</td>
</tr>
<tr>
<td>OUTSTANDING VOLUME OF SECURITISED ISSUES</td>
<td>A$2.3BN</td>
</tr>
</tbody>
</table>

◆ PLEASE CONTACT:

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Firstmac is Australia’s leading online mortgage originator and one of the country’s largest nonbank prime mortgage lenders. It originates and services prime residential mortgages in Australia and has written more than 100,000 mortgages in the past 25 years.

Firstmac commenced as a mortgage-originator manager of bank-balance-sheet funded loans before establishing its own securitised home-loan funding programme.

The company’s distribution model has evolved from 100% third party to predominantly retail through its online platform, www.loans.com.au. Firstmac has also diversified its business to include auto and equipment financing and managed-funds investments.

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Flexigroup

An Australian Securities Exchange 200-listed Australian public company, Flexigroup is a diversified financial-services group providing point-of-sale interest-free, no-interest-ever, credit cards, leasing and vendor programmes to consumers and businesses. Flexigroup operates in Australia, New Zealand and Ireland.

Flexigroup operates under a number of brands including Flexirent, FlexiCommercial, Certegy, Once, Lombard and Q Card (New Zealand).

Flexigroup has been an annual issuer from its Certegy and Flexi Commercial brands since 2010, and from the Q Card Trust (a revolving, continuous issuance vehicle) since 2014.

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Heritage Bank

Heritage Bank (Heritage) is Australia’s largest mutual bank with approximately A$9.4 billion in total consolidated assets as at 30 June 2017. It is a public company, limited by shares and guarantee, which operates as a mutual organisation. The mutual business structure is an integral component of Heritage’s operating philosophy. Heritage is an authorised deposit-taking institution, regulated by the Australian Prudential Regulation Authority.

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Stuart Murray
Term Debt and Liquidity Manager
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Heritage Treasury
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Latitude Financial Services (Latitude) is a leading consumer-finance business in Australia and New Zealand, offering 2.6 million customers a broad range of financial products including personal loans, credit cards, insurance, and interest-free promotional and retail offers. The business employs more than 1,800 staff across Australia and New Zealand and services its customers through a network of retailer partners and brokers, and via telephone and internet.

Latitude offers a full suite of financing solutions for retail partners, managing credit applications, credit authorisation, billing, remittance and customer-service processing. Its products include Gem Visa, GO MasterCard and 28 Degrees Platinum MasterCard.
La Trobe Financial is a leading credit specialist, dedicated to providing financial solutions for borrowers and investors whose financial needs are under-served by traditional institutions. It specialises in originating, underwriting and managing granular assets, being both traditional residential and commercial mortgage loans.

Since 1952, La Trobe Financial has grown to be one of the largest Australian nonbank financial institutions. It manages A$4 billion and has more than 215 staff. La Trobe Financial has helped more than 130,000 individuals obtain mortgage finance.

Liberty Financial (Liberty) is a leading diversified-finance company. Its businesses include residential and commercial mortgages, motor-vehicle finance, personal loans and investments, in Australia and New Zealand. Liberty has raised more than A$20 billion in domestic and international capital markets across 47 transactions. Since 1997, Liberty has helped more than 270,000 customers achieve their financial goals.

Liberty is also Australia’s only investment-grade-rated nonbank issuer (BBB- with stable outlook by S&P Global Ratings). It is also one of only a few lenders with an unblemished capital-markets record, with no ratings downgrades or charge-offs ever experienced by its securitisation programme.

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◆ PLEASE CONTACT:

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priedel@liberty.com.au
www.liberty.com.au

Australian ADI: NO
Securitisation Programme Name: LA TROBE FINANCIAL CAPTIAL MARKETS

**USE OF SECURITISATION**

<table>
<thead>
<tr>
<th>Type of Securitisation Issued</th>
<th>RMBS</th>
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<tbody>
<tr>
<td>Proportion of Outstanding Wholesale Funding Sourced via Securitisation</td>
<td>&lt;30%</td>
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<tr>
<td>Number of Securitisations Issued</td>
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<tr>
<td>Total Volume Issued</td>
<td>A$1.4 BN</td>
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<tr>
<td>Total Domestic vs Offshore Issuance</td>
<td>63% Domestic 37% Offshore</td>
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<tr>
<td>Outstanding Volume of Securitised Issues</td>
<td>A$1.18N</td>
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Liberty Financial: NO
Securitisation Programme Name: LIBERTY

**USE OF SECURITISATION**

<table>
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<th>Type of Securitisation Issued</th>
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<tr>
<td>Proportion of Outstanding Wholesale Funding Sourced via Securitisation</td>
<td>69%</td>
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<tr>
<td>Number of Securitisations Issued</td>
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<tr>
<td>Total Volume Issued</td>
<td>A$20BN+</td>
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<tr>
<td>Total Domestic vs Offshore Issuance</td>
<td>88% Domestic 12% Offshore</td>
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<tr>
<td>Outstanding Volume of Securitised Issues</td>
<td>&gt;A$5.3BN</td>
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ASF EDUCATION

**SYDNEY COURSE DATES 2017-18**

**Securitisation Fundamentals**
22 FEBRUARY 2018

**Securitisation Professionals**
6-7 DECEMBER 2017
14-15 MARCH 2018
20-21 JUNE 2018

**Securitisation Applied**
11-12 APRIL 2018

**Securitisation Trust Management**
31 MAY 2018

Detailed course information and registration are available on the ASF's website:
www.securitisation.com.au
MACQUARIE GROUP

Macquarie Securitisation (manager of the PUMA RMBS programme) and Macquarie Securities Management (manager of the SMART auto- and equipment-lease programme) are wholly owned subsidiaries of Macquarie Bank, which is a regulated authorised deposit-taking institution and part of the Macquarie Group.

Macquarie Group is a global diversified financial group providing clients with asset management and finance, banking, advisory and risk and capital solutions across debt, equity and commodities.

Founded in 1969, Macquarie Group now employs more than 13,500 people in 27 countries around the globe. As at 30 June 2017, the group has total assets under management of A$462.5 billion.

Macquarie Group is listed in Australia and is regulated by the Australian Prudential Regulation Authority as the owner of Macquarie Bank.

ME

Me, which was rebranded from ME Bank in May 2015, was created 21 years ago to provide low-cost home loans and banking products to members of industry superannuation funds and unions.

ME is 100 per cent owned by 29 industry super funds, which created the bank to help all Australians get ahead.

Recently, ME opened its product offering to the broader Australian population. It is committed to providing straightforward products. ME has a philosophy of supporting, educating and empowering its customers to achieve their financial objectives. ME’s new brand represents a modern, strong, innovative and secure bank in the digital era.

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Sid Mamgain
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www.mebank.com.au

SMART PROGRAMME

<table>
<thead>
<tr>
<th>USE OF SECURITISATION</th>
<th>TYPE OF SECURITISATION ISSUED</th>
<th>ABS</th>
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<tbody>
<tr>
<td>NUMBER OF SECURITISATIONS ISSUED</td>
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<tr>
<td>TOTAL VOLUME ISSUED</td>
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<tr>
<td>CURRENCIES ON ISSUE</td>
<td>USD, AUD, EUR</td>
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<tr>
<td>OUTSTANDING VOLUME OF SECURITISED ISSUES</td>
<td>A$68N EQUIV.</td>
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PUMA PROGRAMME

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<th>USE OF SECURITISATION</th>
<th>TYPE OF SECURITISATION ISSUED</th>
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<td>TOTAL VOLUME ISSUED</td>
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<tr>
<td>CURRENCIES ON ISSUE</td>
<td>AUD</td>
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<td></td>
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</tbody>
</table>

◆ PLEASE CONTACT:

David Ziegler
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+61 2 8237 8069
david.ziegler@macquarie.com
www.macquarie.com

AUSTRALIAN ADI | YES
SECURITISATION PROGRAMME NAMES | SMART, PUMA

AUSTRALIAN ADI | YES
SECURITISATION PROGRAMME NAMES | MANIS, SMART

MACQUARIE GROUP

MACQUARIE

USE OF SECURITISATION

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<th>TYPE OF SECURITISATION</th>
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<td>ISSUED</td>
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<tr>
<td>TOTAL VOLUME ISSUED</td>
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<td>CURRENCIES ON ISSUE</td>
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<tr>
<td>OUTSTANDING VOLUME OF SECURITISED ISSUES</td>
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USE OF SECURITISATION

<table>
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<tr>
<th>TYPE OF SECURITISATION ISSUED</th>
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<tbody>
<tr>
<td>NUMBER OF SECURITISATIONS ISSUED*</td>
<td>47</td>
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<tr>
<td>TOTAL VOLUME ISSUED</td>
<td>A$458N</td>
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<tr>
<td>TOTAL DOMESTIC VS OFFSHORE ISSUANCE</td>
<td>A$298N</td>
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<td>CURRENCIES ON ISSUE</td>
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<td>CURRENCIES ON ISSUE</td>
<td>€2.2BN</td>
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</table>

*Combined Members Equity Bank Limited and historical mortgage-origination business.

MACQUARIE GROUP

USE OF SECURITISATION

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<th>TYPE OF SECURITISATION ISSUED</th>
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<th>ISSUE</th>
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<td>RMBS</td>
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<tr>
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<tr>
<td>TOTAL VOLUME ISSUED</td>
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<tr>
<td>CURRENCIES ON ISSUE</td>
<td>AUD</td>
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<tr>
<td>OUTSTANDING VOLUME OF SECURITISED ISSUES</td>
<td>A$5.5BN EQUIV.</td>
<td></td>
</tr>
</tbody>
</table>
**MOTOR TRADE FINANCE**

Motor Trade Finance (MTF) was formed in 1970 to enable selected New Zealand dealers to finance sales of motor vehicles to the public. MTF is one of New Zealand’s largest motor vehicle financiers, operating in all major centres from Kaitaia to Invercargill.

MTF originators come from a network of more than 200 dealers that sell motor vehicles and motorcycles in conjunction with financial services, and 43 MTF franchises that only sell financial services. Each originator participates in the profit of the business in proportion to the volume of business written, providing a compelling financial interest in the quality of business originated and the ongoing success of MTF.

**MYSTATE BANK**

MyState Bank is a wholly owned subsidiary of MyState Limited – a national diversified financial-services group headquartered in Tasmania.

MyState Bank predominately operates in Tasmania with 10 branches servicing 109,000 customers. The Rock – a division of MyState Bank – predominately operates in central Queensland with five branches servicing 36,000 customers. Both brands also provide lending and deposit-taking services via online and indirect channels.

**NATIONAL AUSTRALIA BANK**

National Australia Bank is a major financial-services organisation in Australia and New Zealand with more than 35,000 people serving 10 million customers at more than 800 locations in Australia, New Zealand and around the world.

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australian Central Credit Union, trading as People’s Choice Credit Union (People’s Choice), is Australia’s second-largest credit union, with approximately A$9.7 billion of total assets under advice and management. People’s Choice has more than 357,000 members serviced through branches in South Australia, the Northern Territory, Victoria, Western Australia and the Australian Capital Territory.

People’s Choice is an authorised deposit-taking institution, is subject to prudential supervision under Australia’s Banking Act, and is regulated by the Australian Prudential Regulation Authority.

Established in 2001, Pepper Group (Pepper) is a leading Australian-headquartered financial-services group, with businesses in Australia, Asia and Europe. The businesses encompass lending, asset servicing and corporate real-estate advisory. Pepper has expanded from being a nonconforming residential-mortgage lender to also offer prime residential mortgages, auto and equipment leasing, and personal loans.

Pepper is a third-party servicer and asset manager across a range of asset classes. Pepper had more than A$53 billion in assets under management as at 30 June 2017.

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Established in 2001, Pepper Group (Pepper) is a leading Australian-headquartered financial-services group, with businesses in Australia, Asia and Europe. The businesses encompass lending, asset servicing and corporate real-estate advisory. Pepper has expanded from being a nonconforming residential-mortgage lender to also offer prime residential mortgages, auto and equipment leasing, and personal loans.

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Established in 2001, Pepper Group (Pepper) is a leading Australian-headquartered financial-services group, with businesses in Australia, Asia and Europe. The businesses encompass lending, asset servicing and corporate real-estate advisory. Pepper has expanded from being a nonconforming residential-mortgage lender to also offer prime residential mortgages, auto and equipment leasing, and personal loans.

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P&N Bank (P&N) is Western Australia’s largest locally owned and managed bank. Operating under a customer-owned model, P&N’s primary focus is its 90,000 plus members. P&N aims to provide a genuine banking alternative for people who value competitive and convenient banking products, outstanding customer service and community spirit.

With assets of A$4 billion, P&N was Australia’s seventh-largest mutual bank as at September 2017. P&N is an authorised deposit-taking institution regulated to the same high standards as the major banks by the Australian Prudential Regulation Authority, the Australian Securities and Investments Commission, the Australian Transaction Reports and Analysis Centre and the Australian Competition and Consumer Commission.
To register your interest in receiving a copy of the ASJ or to discuss sponsorship opportunities, please contact:

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**Resimac**

Resimac is a leading nonbank financial institution which commenced operations in 1985. The company has now offers a suite of prime and specialist-lending products tailored to the residential markets in Australia and New Zealand.

In October 2016, Resimac merged with Homeloans, an Australian Securities Exchange-listed nonbank lender with a nationwide presence.

Resimac’s capital-markets activities will continue under the various Resimac programmes, with securitisation core to its enterprise strategy. The group remains one of the most prolific Australian nonbank issuers.

**Suncorp**

Suncorp Group is a top-20 Australian Securities Exchange-listed company with A$97 billion in assets. The company has evolved into a unique franchise, delivering highly valued banking, wealth and insurance products and services across Australasia. The group employs approximately 13,400 employees in Australia and New Zealand and serves approximately nine million customers through its trusted brands.

Suncorp Bank is one of Australia’s largest regional banks with approximately a million individual, SME and agribusiness banking customers, primarily located in Queensland.

**USE OF SECURITISATION**

<table>
<thead>
<tr>
<th>TYPE OF SECURITISATION ISSUED</th>
<th>RMBS</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION</td>
<td>18%</td>
</tr>
<tr>
<td>NUMBER OF SECURITISATIONS ISSUED</td>
<td>22</td>
</tr>
<tr>
<td>TOTAL VOLUME ISSUED</td>
<td>A$2.28BN</td>
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<tr>
<td>TOTAL DOMESTIC VS OFFSHORE ISSUANCE</td>
<td>56% DOMESTIC 45% OFFSHORE</td>
</tr>
<tr>
<td>OUTSTANDING VOLUME OF SECURITISED ISSUES</td>
<td>A$2.48BN</td>
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**USE OF SECURITISATION**

<table>
<thead>
<tr>
<th>TYPE OF SECURITISATION ISSUED</th>
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<tbody>
<tr>
<td>PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION</td>
<td>81%</td>
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<tr>
<td>NUMBER OF SECURITISATIONS ISSUED</td>
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<tr>
<td>TOTAL VOLUME ISSUED</td>
<td>A$2.78BN</td>
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<td>TOTAL DOMESTIC VS OFFSHORE ISSUANCE</td>
<td>80% DOMESTIC 20% OFFSHORE</td>
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<tr>
<td>OUTSTANDING VOLUME OF SECURITISED ISSUES</td>
<td>A$365M</td>
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**USE OF SECURITISATION**

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<tr>
<td>PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION</td>
<td>40%</td>
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<td>TOTAL VOLUME ISSUED</td>
<td>A$780M</td>
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<tr>
<td>TOTAL DOMESTIC VS OFFSHORE ISSUANCE</td>
<td>80% DOMESTIC 20% OFFSHORE</td>
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<td>OUTSTANDING VOLUME OF SECURITISED ISSUES</td>
<td>A$341M</td>
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**USE OF SECURITISATION**

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<th>TYPE OF SECURITISATION ISSUED</th>
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<td>PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION</td>
<td>21%</td>
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<td>NUMBER OF SECURITISATIONS ISSUED</td>
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<td>TOTAL VOLUME ISSUED</td>
<td>A$1.9BN</td>
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<tr>
<td>TOTAL DOMESTIC VS OFFSHORE ISSUANCE</td>
<td>80% DOMESTIC 20% OFFSHORE</td>
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<tr>
<td>OUTSTANDING VOLUME OF SECURITISED ISSUES</td>
<td>A$433M</td>
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</table>
Westpac Banking Corporation (Westpac) is Australia’s second-largest banking organisation and one of the largest banking organisations in New Zealand. The bank provides a broad range of banking and financial services in these markets including retail, business and institutional banking, and wealth-management services.

As at 31 March 2017, Westpac had total assets of A$840 billion. Westpac’s ordinary shares and certain other securities are quoted on the Australian Securities Exchange and, as at 31 March 2017, the bank’s market capitalisation was A$118 billion.

### RMBS Programme

**USE OF SECURITISATION**

<table>
<thead>
<tr>
<th>SECURITISATION PROGRAMME NAMES</th>
<th>WESTPAC SECURITISATION (WST), CRUSADE RMBS</th>
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<tbody>
<tr>
<td>TYPE OF SECURITISATION ISSUED</td>
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<tr>
<td>PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION¹</td>
<td>4.2%</td>
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<tr>
<td>NUMBER OF SECURITISATIONS ISSUED</td>
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<tr>
<td>TOTAL VOLUME ISSUED²</td>
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<td>TOTAL DOMESTIC VS OFFSHORE ISSUANCE³</td>
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<tr>
<td>OUTSTANDING VOLUMES OF SECURITISED ISSUES</td>
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¹ Includes RMBS and ABS. As at 31 March 2017. Residual maturity basis.
² 50% Crusade RMBS, 50% WST RMBS.
³ Based on issues currently outstanding.

### ABS Programme

**USE OF SECURITISATION**

<table>
<thead>
<tr>
<th>SECURITISATION PROGRAMME NAME</th>
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<tr>
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<tr>
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<td>4.2%</td>
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<td>NUMBER OF SECURITISATIONS ISSUED</td>
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<td>APPROX. A$8.6BN</td>
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<td>TOTAL DOMESTIC VS OFFSHORE ISSUANCE³</td>
<td>100% DOMESTIC</td>
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<tr>
<td>OUTSTANDING VOLUME OF SECURITISED ISSUES</td>
<td>APPROX A$3.7BN</td>
</tr>
</tbody>
</table>

¹ Includes RMBS and ABS. As at 31 March 2017. Residual maturity basis.
² 100% Crusade ABS.
³ Based on issues currently outstanding.

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**ASF Education**

**Melbourne and Auckland Course Dates 2017-18**

- **Securitisation Fundamentals**
  - 7 March 2018 (Auckland)
  - 17 May 2018 (Melbourne)

- **Securitisation Professionals**
  - 27-28 November 2017 (Melbourne)

Detailed course information and registration are available on the ASF’s website:
www.securitisation.com.au
ANZ

ANZ’s capital-markets team provides dynamic access to global pools of liquidity via a fully integrated, super-regional debt-capital-markets offering that encompasses bonds, loans and hybrid deals. The bank’s regional positioning, strong balance sheet and commitment to supporting clients’ transactions underpin its award-winning funding solutions.

Backed by ANZ’s double-A category credit rating and robust balance sheet, the team’s strength is in tailoring funding solutions – including syndicated loans, bonds and structured-debt deals – specifically for clients, that provide certainty of execution and satisfy key price, structure and distribution metrics.

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DEUTSCHE BANK

Deutsche Bank is Germany’s leading bank, with a strong position in Europe and a significant presence in the Americas and Asia Pacific. The global securitisation group combines an ability to commit capital with an integrated approach to the debt and equity needs of issuers and investors. The Australian team has been a market leader, providing innovative client solutions and service, for more than a decade.

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COMMONWEALTH BANK

Commonwealth Bank of Australia is Australia’s leading financial institution, with total assets of more than A$976 billion at 30 June 2017. The group is rated AA by S&P Global Ratings and is the 10th-largest bank in the world by market capitalisation. The bank is headquartered in Sydney and has a global presence throughout Asia, New Zealand, the UK and North America.

The institutional banking and markets division provides capital-raising, risk-management and transactional-banking solutions to the group’s institutional clients. The division’s approach is underpinned by rich analytics, insights from industry experts, innovative technology and a deep commitment to building long-lasting relationships.

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J.P. MORGAN

J.P. Morgan’s corporate and investment bank is a global leader across banking, markets and investor services. The world’s most important corporations, governments and institutions entrust the firm with their business in more than 100 countries.

J.P. Morgan is a global leader in credit distribution, balance-sheet solutions and securitised products across commercial and consumer asset classes.

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Macquarie Group (Macquarie) is a global diversified financial group. Founded in 1969, Macquarie employs more than 13,500 people in 27 countries. At the end of March 2017, Macquarie had assets under management of A$482 billion.

In fixed-income markets, Macquarie’s commodities and global markets group arranges and places primarily securitised debt for clients in the UK and Australia. It also provides secondary-market liquidity as well as interest-rate risk-management services via structured solutions and derivative-based products.

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National Australia Bank (NAB)’s operations in Asia, Australia, New Zealand, the US and the UK serve more than 11.5 million banking and wealth-management clients.

NAB’s team has cemented its position as a key arranger and lead manager of capital-markets and balance-sheet deals, through continued innovation and a deep understanding of the needs of its issuer and investor clients. This has placed NAB at the top of the securitisation league tables (KangaNews Q1-3 2017) and winner of the Australian Securitisation House of the Year award (KangaNews Awards 2012-16).

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Mitsubishi UFJ Financial Group (MUFG) is a global network with 2,200 offices in 50 countries. MUFG offers a range of services including commercial banking, trust banking, securities, credit cards, consumer finance, asset management and leasing. MUFG’s operating companies in Australia include The Bank of Tokyo-Mitsubishi UFJ and MUFG Securities, one of Japan’s largest securities firms.

Through close partnerships among its operating companies, MUFG aims to be the world’s most trusted financial group, flexibly responding to the financial needs of its customers, serving society and fostering shared and sustainable growth for a better world.

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Westpac Institutional Bank (Westpac) delivers a range of financial services to commercial, corporate, institutional and government customers with connections to Australia and New Zealand.

Westpac operates through dedicated industry-relationship and specialist-product teams with expert knowledge in transactional banking, financial and debt capital markets, specialised capital and alternative-investment solutions.

Customers are supported through branches and subsidiaries located in Australia, New Zealand, the US, the UK and Asia.

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AET

AET, as one of Australia’s most experienced trustee companies, Australian Executor Trustees (AET) has been providing professional-trustee services for more than 130 years. The firm is part of the IOOF group, a leading provider of wealth-management products and services in Australia.

AET’s corporate-trust business is a leading provider of corporate-trust services to the Australian financial-services industry. It provides a range of trustee and agency services in securitisation, debt financing and loan-portfolio management.

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ASHURST

The Ashurst securitisation team is one of the largest in Australia. The team has had market leading roles in 2017. These include the establishment of a number of new securitisation programmes as well as acting for the arranger on Bank of Queensland’s pass-through covered-bond programme, a first in Australia. Ashurst is the forefront of fintech securitisation, having advised on the OnDeck, Brighte, Afterpay, zipMoney, Prospa and Study Loans warehouses.

The Ashurst securitisation team is connected to a network of specialists in its offices in New York, London and continental Europe, and Asia – including Singapore, Hong Kong and China.

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Allens

Allens has led and been involved in many industry-leading securitisation and structured-finance transactions in Australia and Asia, and regularly advises on innovative transactions for a variety of different asset classes. The firm’s years of industry experience and international alliance with Linklaters mean it can anticipate the issues likely to arise in any transaction and deal with them commercially and efficiently.

Allens provides clear thinking in a changing regulatory landscape and dynamic market.

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BNY MELLON

Since establishing its Australian office in 1975, BNY Mellon has been a leading provider of corporate-trust services to the Australian debt capital markets. The services delivered in Australia are bolstered by a solid capital base and credit ratings, and the firm’s global footprint and expertise deliver a full range of issuer and related investor services.

At the end of June 2017, BNY Mellon Corporate Trust served either as a trustee, paying agent or both on more than 55,000 debt-related issues globally. The business administers a wide array of assets and types of programmes to a variety of clients in numerous industries.

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Understand the needs of clients and responding to them quickly with consistent, knowledgeable advice and strategic ideas is the cornerstone of the client-service philosophy at Deloitte.

Deloitte’s market-leading securitisation practice has global reach and capabilities which allow it to leverage work performed in other jurisdictions and to access the most up-to-date market practices from around the world.

Deloitte’s designated Australian securitisation advisory team works closely with many industry participants on a range of projects including issuance, debt-advisory, due-diligence and system-advisory projects – including its proprietary specialist securitisation software, ABS Suite.

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Bloomberg

Bloomberg’s collateral-analytics, scenario and credit-analytics tools empower investors quickly to determine the profile of a portfolio and understand where the true risk in securitised mortgage investments lies. Bloomberg analytics power Bloomberg’s portfolio and position-keeping systems and can also be accessed programmatically to feed third-party applications.

Bloomberg has also partnered with price makers across Australia to aggregate pricing on a single platform. It also provides clients with independent pricing of Australian RMBS alongside topical research and indices on the Australian real-estate market.

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CLAYTON UTZ

Clayton Utz has a long history in the domestic and international securitisation markets, being there from the beginning and maintaining a leading reputation with a band-one ranking in Chambers Global. Clayton Utz’s leading practitioners have advised on many of the significant securitisation deals in recent years and have also played a key role in the development of Australia’s covered-bond market. The firm has a strong sponsor client base and significant experience acting for a range of participants across all asset classes.

The Clayton Utz team is an active participant in the work of the Australian Securitisation Forum, including sitting on the national committee, chairing subcommittees, lecturing and assisting responses to regulatory changes.

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EQUITY TRUSTEES

Equity Trustees was established in 1888 to provide independent and impartial trustee and executor services to help families in Australia protect their wealth. As Australia’s leading specialist trustee, it offers a diverse range of services to individuals, families and corporate clients.

The corporate trustee-services division is responsible for more than A$60 billion of funds under management. Equity Trustees provides responsible-entity and trustee services to more than 100 leading local and international investment managers and superannuation funds. It also provides a full range of structured-finance trustee services for international investment managers and sponsors.

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ETICORE

Eticore provides corporate-trustee, trust-management and associated services to meet our clients’ securitisation and structured-debt requirements. Its aim is to provide exceptional service, quality solutions and deep experience.

Eticore works with clients to create flexible and bespoke solutions, using a fresh approach and the most up-to-date technology, while playing a dependable fiduciary role that is without question or exception. The process is transparent from pricing to service levels, providing certainty for issuers and investors. Eticore understands all the pain points, which is why it designs a solution that is easier and more agile, designed specifically to meet clients’ needs.

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FITCH RATINGS

Fitch Ratings (Fitch) is a leading provider of credit ratings, commentary and research. Dedicated to providing value beyond the rating through independent and prospective credit opinions, Fitch offers global perspectives shaped by strong local-market experience and credit-market expertise.

The additional context, perspective and insights Fitch provides have helped investors fund a century of growth and make important credit judgements with confidence.

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GENWORTH

Genworth is a leading provider of lenders’ mortgage insurance (LMI) in Australia. LMI has been an important part of the Australian residential mortgage-lending market since it was introduced by the Australian government in 1965.

Genworth believes the provision of LMI to lenders has contributed to comparatively high levels of Australian home ownership and residential-mortgage accessibility, supporting the housing market in Australia.

Genworth has commercial relationships with more than 100 lenders across Australia. Many of these relationships have spanned decades.

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HERBERT SMITH FREEHILLS

Herbert Smith Freehills (HSF) is one of the world’s leading professional-services businesses, bringing together the best people across 26 offices around the globe. The firm helps realise opportunities while managing risk.

HSF’s securitisation and structured-finance team offers comprehensive multijurisdictional coverage on a broad spectrum of matters, including first-of-a-kind and innovative transactions. The team advises arrangers and lead managers, corporate issuers, originators, credit enhancers, trustees, rating agencies and other market participants.

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INTEX

Intex is the leading one-stop provider of cash-flow models and analytics for the global structured-finance industry. Intex has accurately modelled and maintains more than 30,000 CMBS, RMBS, ABS and CLO deals issued in the US, Europe, China, Australia, Japan and elsewhere, representing close to 100 per cent coverage across these asset sectors and regions.

Intex is relied upon by many hundreds of arrangers, investors, issuers and other major market participants that see an advantage in the completeness, accuracy and timeliness of Intex’s models and updates in support of trading, portfolio management and risk-management applications. Intex is an independent, objective and privately held company with offices in Massachusetts, London and Shanghai.

KING & WOOD MALLESONS

As the first and only global law firm to be headquartered in Asia, King & Wood Mallesons (KWM) is connecting Asia to the world and the world to Asia. Strategically positioned in the world’s growth markets and financial capitals, its securitisation team has acted on almost every landmark securitisation transaction in the Australian market and an increasing number in Asia.

KWM’s clients value its global network, legal expertise in key disciplines and strong relationships with regulators and market participants. Whether an arranger, lender, originator, trustee or rating agency, KWM can help anticipate and avoid execution, regulatory and compliance risks.

MINTERELLISON

MinterEllison

With its presence in Australasia, Hong Kong and London, MinterEllison’s capital-markets team is at the forefront of market trends in the Asia-Pacific region and globally. The team has been involved in some of the largest, most innovative and complex transactions.

The firm’s securitisation practice acts for major industry participants across a variety of asset classes, including RMBS and auto, lease and trade receivables.

MinterEllison has also been active in responding to recent regulatory developments that have an impact on the securitisation industry.

MOODY'S ANALYTICS

Moody’s Analytics helps capital-markets and risk-management professionals worldwide respond with confidence to an evolving marketplace.

The company offers unique tools and best practices for measuring and managing risk through expertise and experience in credit analysis, economic research and financial risk management. By providing leading-edge software, advisory services and research – including the proprietary analysis of Moody’s Investors Service – Moody’s Analytics integrates and customises its offerings to address specific business challenges.

Moody’s Analytics is a subsidiary of Moody’s Corporation.

INTEX

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www.intex.com

MINTERELLISON

CONTACT DETAILS

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MOODY'S ANALYTICS

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PERPETUAL CORPORATE TRUST

Perpetual

Perpetual Corporate Trust (Perpetual) is a leading provider of corporate fiduciary services to the Australian securitisation industry, administering more than A$658 billion on behalf of its clients as at 30 June 2017. Services include trustee, trust management, document custody, data services and standby servicing.

Having been involved in the Australian securitisation industry since its inception in the 1980s, Perpetual plays a leading role in growing the industry and managing regulatory and technological change. The firm’s extensive knowledge of financial markets, trustee heritage and the expertise and experience of its team ensures it is the trusted partner to its clients throughout the lifecycle of a securitisation programme.

S&P GLOBAL RATINGS

S&P Global Ratings (S&P) is the world’s leading provider of independent credit ratings. S&P has more than a million credit ratings outstanding on government, corporate, financial-sector and structured-finance entities and securities.

S&P offers an independent view of the market built on a unique combination of broad perspective and local insight. The agency provides opinions and research about relative credit risk and helps market participants gain independent information to help support the growth of transparent, liquid debt markets worldwide.

S&P Global Ratings is a division of S&P Global.

PWC AUSTRALIA

PwC Australia is a global professional-services network of firms in 157 countries with more than 223,000 people committed to delivering quality in assurance, advisory, legal and tax services. It has a specialist structured-finance team globally, including dedicated teams in the Asia-Pacific region. The team helps organisations solve business issues and identify and maximise opportunities. PwC’s industry specialisation allows the firm to help co-create solutions with clients for their sector of interest.

S &P Global Ratings (S&P) is the world’s leading provider of independent credit ratings. S&P has more than a million credit ratings outstanding on government, corporate, financial-sector and structured-finance entities and securities.

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S&P Global Ratings is a division of S&P Global.
In October 2017, the Australian Securitisation Forum (ASF) conducted a survey of Australian fixed-income investors with assistance from Perpetual. The goal was to improve understanding of buy-side perspectives on the securitisation asset class. The survey found domestic investors to be broadly engaged with securitisation, with secondary-market liquidity their biggest concern.

BY LAURENCE DAVISON

>>> While senior notes unsurprisingly attract the widest interest, nearly 70 per cent of investors responding to the survey have recent experience of buying mezzanine notes and nearly half have gone right down to junior level. Elsewhere, nearly all the investors responding to the survey report having invested in prime residential mortgage-backed securities (RMBS) in the past 12 months, with more than three-quarters recently active in auto-backed or nonconforming RMBS securities.

>>> A total of 26 investors responded to the survey. More than three-quarters come from the funds-and-investment-management sector, with around a fifth coming from banks and the remainder being insurance investors. The volume of securitisation allocations of those surveyed covers a wide range, from less than A$250 million (US$196.2 million) to, in one case, more than A$5 billion.

>>> When it comes to the reasons why investors support the securitisation market, two stand out. The resilience of Australian collateral and securitisation’s relative value to other asset classes are mentioned as market strengths in around three-quarters of survey responses, while no other individual factor scores more than 50 per cent of responses.
>> Most investors are willing to buy securitisation from a range of issuer types – at least 60 per cent have allocated to deals from each of the major, nonmajor and mutual bank, and nonbank sectors in the past year – but there is a clear preference. More than half of the investors surveyed say they find nonbank issuers the best to deal with in the securitisation space.

>> Having stock more freely available – in primary and secondary format – is the number-one desire of investors surveyed. This fact appears to bode well for demand. Otherwise, investors seem to suggest the main thing holding them back from further allocations is relative value.

>> However, to the extent that investors see challenges in the securitisation market they do not appear to rest with issuer actions. The limited nature of the Australian secondary market is viewed as the biggest challenge by some distance, with the outlook for the housing market also featuring relatively prominently.

>> Overall, survey responses suggest the secondary market is the single biggest impediment to further domestic investment in Australian securitisation. Other factors that have been subject to much discussion within the industry – like the potential for date-based calls and master trusts to improve issuance volume – appear to have made only a marginal impression on the buyer base and certainly are not expected to be cure-alls.
The Australian Securitisation Forum (ASF)’s Future Leaders and Young Professionals (FLYP) subcommittee comprises a diverse group of members in the securitisation industry with different skill sets, personalities and opinions. They are seeking to offer a fresh view to a longstanding industry.

What does the FLYP subcommittee aim to provide its members?
◆ **JOSH KNUCKEY** Chair, FLYP and Associate Director, Legal Counsel, MACQUARIE BANK The FLYP subcommittee provides newer and younger members of the securitisation industry the opportunity to become more involved with the industry body, to foster networking and leadership skills, champion emerging technology and innovation, and raise the profile of the securitisation industry.

What was the main objective in creating FLYP?
◆ **KNUCKEY** FLYP was created to provide a bridge between zero industry involvement and the senior industry involvement that was the status quo. Previously, there was no pathway for junior participants to get directly involved in the ASF. FLYP achieves this.

What does FLYP have to offer to market participants like you?
◆ **JORDAN BACHELOR** Associate Director, Structured Capital Markets ANZ FLYP offers an opportunity to broaden the industry appeal of securitisation beyond its traditional network. It can also help to reinvigorate the image of securitisation among graduates who so often only obtain exposure to securitisation via case studies relating to the financial crisis.
◆ **MADDY EBRILL** Associate, Securitisation MUFG SECURITIES FLYP provides a chance for younger professionals to be involved in industry initiatives in a less daunting setting. It is a great way to promote the industry as an appealing career path for graduates and those at the beginning of their careers.
◆ **SONIA GOUMENIS** ASF National Committee Representative, FLYP and Partner CLAYTON UTZ FLYP has lots to offer. Things like networking, development opportunities, an injection of fresh ideas, new ways of engaging with members, new spokespeople for our industry and outreach to universities. The list goes on.
◆ **KATRINA HUANG** Senior Associate ALLENS For me the main things are innovative ideas, youthful energy and a refreshing perspective.
◆ **LYNSEY THORRINGTON** Senior Securitisation Manager PERPETUAL As FLYP is a new initiative, it can be whatever the members want it to be. Initially we have focused on networking, increasing awareness of the industry and reaching out to universities. However, the possibilities are endless.
◆ **JADE CHONG** Director, Financial Services PwC A fun, exciting, innovative and safe platform for industry newcomers to learn from the experts and demonstrate their capabilities. FLYP is a collaborative group for emerging leaders to share their thoughts, disrupt conventional ways and think outside the box.

It seems that FLYP has lots to offer. What makes you excited about the group?
◆ **DEBBIE LONG** Director, Securitisation and Treasury RESIMAC The securitisation industry brings together a diverse range
of business specialisations, making for an interesting and dynamic job. A lot of people know very little about securitisation prior to joining the industry so FLYP provides the opportunity for early and greater exposure to experienced people and the industry itself.

◆ VIJAY SINGH Senior Securitisation Analyst, Treasury BANK OF QUEENSLAND Being based in Brisbane, FLYP enables me to better connect with the main hubs in Australia, to engage with my peers and to be involved in upcoming events and learning opportunities.

FLYP provides its members with access to streams they may not normally cover in their day-to-day operations and affords keen-minded individuals the opportunity to consider where they would like to go in the future.

◆ JENNY CHAMBERLAIN Senior Manager MACQUARIE LEASING FLYP offers the opportunity to work with senior members of the ASF. These people wouldn’t otherwise necessarily be available to people at my level and it offers me a great opportunity to learn everything I can from them. It also gives the chance to build stronger relationships across the whole ASF network.

◆ MONICA STEPHENS-SALIBA Manager, Group Funding COMMONWEALTH BANK OF AUSTRALIA Working with industry peers at similar stages in our careers and building the industry leaders of tomorrow.

◆ RAYMOND LAM Associate Director MACQUARIE BANK I am excited to meet other market participants at a similar stage in their careers, from a very diverse range of backgrounds and institutions. There is always something new happening in the industry and market participants are very innovative with product types and structures. FLYP provides the opportunity to be involved in this.

◆ DONG JIN Associate Director NATIONAL AUSTRALIA BANK Being able to attract talented young financial-services professionals to our industry by educating university students about what securitisation is and the numerous career opportunities it provides.

◆ YANNICK VAN DER ZEE Relationship Manager BLOOMBERG What gets me excited about FLYP is being part of a community, learning about innovation in securitisation from different market players, and teaming up with enthusiastic and like-minded people. Especially for myself, being relatively new to the Australian market, this is a fantastic way to get involved.

What about FLYP’s visibility? For instance, have you hosted any events so far?

◆ KNUCKEY Ashurst hosted FLYP’s inaugural networking event which had more than 80 attendees. We have also been engaging in outreach to universities. FLYP has presented to University of Technology Sydney and several Melbourne universities to demystify securitisation and promote it as a career path. We have also undertaken an ASF evening series event on digital conveyancing for financial institutions.

Our focus is really on providing support to other subcommittees and exposing junior members to senior leadership skills.

If you weren’t in banking where would you be?

◆ HUANG Teaching at high school or making ends meet as a struggling novelist.

◆ GOUMENIS Blogging and baking. FLYP is yet to benefit from my baking talent.

◆ VAN DER ZEE I would go back to my roots – which are architecture and engineering.

◆ JIN David Attenborough’s job would be awesome.

On what would you spend your last A$50?

◆ JORDAN Race nine at Randwick, although the rational part of me says nonperishable food and water.

◆ STEPHENS-SALIBA A bottle of Piper Heidsieck and a Kinder Egg for my five-year-old.

◆ LYNSEY A good bottle of red.

◆ CHONG Durian – the kind of stinking fruit.

◆ KNUCKEY A ski-lift ticket – or a fraction of one anyway!

What is on the horizon for FLYP for 2018?

◆ KNUCKEY Providing support to other committee members and exposing junior members to senior leadership skills. We plan to host networking events in Melbourne and Brisbane in 2017, with more events planned in 2018. Our aim is also to expand the university outreach programme across Australia as well as increasing our support to the various subcommittees within the ASF.

If you would like to sign up for FLYP communications, please contact Lynsey Jackson via ljackson@securitisation.com.au
Your competitors are members of the ASF. They are building their businesses and shaping the industry today. Make sure you are too.

Find out more about membership pricing, and download an application form from:


To discuss how membership can work for you, contact Chris Dalton. cdalton@securitisisation.com.au +61 403 584 600
Strength and expertise across local and global financial markets.