

3 June 2021

Taxation of Securitisation Companies Consultation Team  
Financial Products and Services Team  
HM Revenue & Customs

Submitted by email: [Securitisations.Consultation@hmrc.gov.uk](mailto:Securitisations.Consultation@hmrc.gov.uk)

Dear HMRC

**Re: Reform of taxation of securitisation companies**

On behalf of the Association for Financial Markets in Europe ("AFME")<sup>1</sup> and its members, we welcome the opportunity to respond to the consultation paper (the "CP") on the reform of taxation of securitisation companies published by HM Revenue & Customs and HM Treasury (the "**Authorities**") on 23 March 2021.

AFME and its members are reassured to note the Authorities' stated intent in the CP "to ensure that the UK's tax code keeps pace with the evolving nature of the capital markets, and contributes to maintaining the UK's position as a leading financial services centre". The Authorities' longstanding commitment to ensuring that the UK remains a competitive and leading-edge financial services centre over the years has contributed significantly to its current enviable position.

AFME shares these goals, and understands that the Authorities are already taking detailed technical advice on these matters from expert tax advisors. In that context, we will limit ourselves to a few high-level comments as to general themes and defer to those experts as to the highly technical manner in which AFME's and the Authorities' shared goals are achieved.

The regime for taxation of securitisation companies has historically been a very important element of creating a large and vibrant securitisation market in the UK. Preserving that stable, well-understood environment is very important to the UK market, not only for transactions which would be regarded as 'securitisations' in the way in which the term was typically understood when the regime was introduced in 2006, but for the asset-backed securities market generally. Accordingly, it is

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<sup>1</sup> AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society.

AFME is the European member of the Global Financial Markets Association (GFMA) a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia. AFME is listed on the EU Register of Interest Representatives, registration number 6511006398676.

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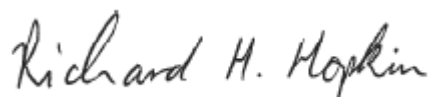
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important that any changes to the current regime are carefully thought through to avoid any disruption to the market, both in the context of existing transactions and to support the market going forward.

Further, AFME members acknowledge that this predictability and stability have been arrived at through an iterative process. The governing Regulations are relatively short form and have therefore necessarily been supplemented by well-settled market practice which has, in turn, been founded (directly or indirectly) upon positions which HMRC have taken on a variety of transactions over the years. The area of 'retained securitisations' discussed in part 2 of the CP is a case in point. This type of transaction initially evolved to deal with the aftermath of the 2008 financial crisis, but has since become a very important tool in the treasury management activities of banks and other financial companies. That retained transactions are permissible under the Regulations is now universally accepted in the market. Considerable comfort is drawn in this respect from clarification of various aspects of the legislation given by HMRC shortly after the 2008 financial crisis. The interpretation of provisions in the legislation agreed by HMRC in the context of 'retained transactions' has understandably been adopted in the interpretation of the Regulations in other contexts and any changes of law or practice in this area would potentially affect transactions other than those which are 'retained' as described in part 2 of the CP. It is important to the market, therefore, that knock-on effects of this nature also be taken into account if any changes are to be made.

In closing, we wish to emphasise that the engagement of the Authorities with technical experts and market participants on issues related to the securitisation tax regime is appreciated. We are grateful for the opportunity to comment on the CP and we would be happy to answer any further questions that you may have.

Yours faithfully

A handwritten signature in dark ink, reading "Richard H. Hopkin". The signature is written in a cursive, flowing style.

**Richard Hopkin, Managing Director  
Association for Financial Markets in Europe**