

---

STATUTORY INSTRUMENTS

---

**2006 No. 3296**

**The Taxation of Securitisation Companies Regulations 2006**

*Meaning of “securitisation company” and related expressions*

**Meaning of “securitisation company”**

4.—(1) For the purposes of these Regulations a “securitisation company” means a company that meets conditions A and B.

(2) Condition A is that the company is—

- (a) a note-issuing company (see regulation 5),
- (b) an asset-holding company (see regulation 6),
- (c) an intermediate borrowing company (see regulation 7),
- (d) a warehouse company (see regulation 8), or
- (e) a commercial paper funded company (see regulation 9).

(3) Condition B is that the company has a retained profit (see regulation 10).

**Meaning of “note-issuing company”**

5.—(1) For the purposes of these Regulations a “note-issuing company” means a company that meets conditions A to D.

(2) Condition A is that the company is within section 84(2)(a) of the Finance Act 2005.

(3) Condition B is that the securities that represent the capital market investment referred to in section 84(2)(a)(ii) of that Act are issued wholly or mainly to independent persons.

(4) Condition C is that the total value of the capital market investments made under the capital market arrangement referred to in section 84(2)(a)(iii) of that Act is at least £10 million.

(5) Condition D is that the company’s only business apart from the activity mentioned in section 84(2)(a)(i) of that Act (being party as debtor to a capital market investment), and apart from any incidental activities, consists in one or both of the following activities—

- (a) acquiring, holding and managing financial assets forming the whole or part of the security for the capital market arrangement; or
- (b) acting as guarantor in respect of loan relationships, derivative contracts, finance leases or other liabilities of other companies where the whole, or substantially the whole, of the company’s rights in respect of the guarantee (including any right of subrogation) form the whole or part of the security for the capital market arrangement.

**Meaning of “asset-holding company”**

6.—(1) For the purposes of these Regulations an “asset-holding company” means a company that meets conditions A and B.

(2) Condition A is that the company’s business, apart from any incidental activities, consists in acquiring, holding and managing financial assets forming the whole or part of the security for a capital market arrangement entered into by a note-issuing company.

(3) Condition B is that the company’s liabilities representing debtor relationships are owed wholly or mainly to a note-issuing company or intermediate borrowing company.

**Meaning of “intermediate borrowing company”**

7.—(1) For the purposes of these Regulations an “intermediate borrowing company” means a company that meets conditions A and B.

(2) Condition A is that the company’s only business, apart from any incidental activities, is to enter into and be a party to creditor relationships with—

- (a) an asset-holding company,
- (b) a company that would be an asset-holding company if the assets forming the security for the capital market arrangement were financial assets,
- (c) a partnership that would be an asset-holding company if it were a company and the assets forming the security for the capital market arrangement were financial assets, or
- (d) another intermediate borrowing company.

(3) Condition B is that the company’s liabilities representing debtor relationships are owed wholly or mainly to a note-issuing company or another intermediate borrowing company.

**Meaning of “warehouse company”**

8. For the purposes of these Regulations a “warehouse company” means a company whose business, apart from any incidental activities, consists in acquiring and holding financial assets for the purpose—

- (a) of transferring them to a company (whether or not yet in existence) that at the time of the transfer is, or as a result of the transfer will become, an asset-holding or note-issuing company, or
- (b) of itself becoming an asset-holding or note-issuing company.

**Meaning of “commercial paper funded company”**

9. For the purposes of these Regulations a “commercial paper funded company” means—

- (a) a company that was an asset-holding company but whose obligations under debtor relationships to a note-issuing company or intermediate borrowing company—
  - (i) have been transferred to, or
  - (ii) have been replaced by obligations under debtor relationships to, one or more companies carrying on a business of banking, or
- (b) a company that was an intermediate borrowing company but whose obligations under debtor relationships to a note-issuing company—
  - (i) have been transferred to, or
  - (ii) have been replaced by obligations under debtor relationships to, one or more companies carrying on a business of banking.

### **Meaning of “retained profit”**

**10.**—(1) For the purposes of these Regulations the “retained profit” of a securitisation company for an accounting period is the amount required by the capital market arrangement or a related transaction to be retained, made available to be retained, or designated as profits of the securitisation company (however described).

(2) If retained profit relates to two or more accounting periods, it shall be apportioned on a just and reasonable basis between them.

(3) If in an accounting period the securitisation company has insufficient funds available to meet the retained profit required by the capital market arrangement or a related transaction—

- (a) the amount of the retained profit for the purposes of these Regulations is the amount actually retained as profit for that accounting period, and
- (b) in a later accounting period the amount of the retained profit may be increased by up to the amount of the shortfall in the earlier period.