

Ireland – A Key
Location for
Russian
Structured
Finance Deals

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□ INTRODUCTION

In recent years Ireland has emerged as a key jurisdiction for the establishment of special purpose vehicles (SPVs) for a variety of Russian structured finance transactions.

□ Why Ireland – Key Reasons

We have set out below the key reasons for selecting Ireland as a location for establishing an SPV for Russian deals.

- *Taxation* - Favourable tax laws allow the structures to be tax neutral. While the SPV itself is liable to corporation tax at 25%, the tax is applied on the SPV's taxable profits, which is generally maintained at a nominal level as there is no minimum profit required for tax purposes. This is achieved by having the SPV's tax deductible expenditure essentially equal to its income, typically through the use of profit participating loans/notes. A combination of Irish domestic provisions together with an advantageous treaty with Russia permits the SPV to get a deduction for the interest payments at the SPV level while at the same time permitting the interest payments on loans/notes between Irish SPVs and Russian counterparties to be paid gross. We have structured numerous transactions to date whereby the interest payable on the PPNs/PPLs to the Russian entities matches the interest received by the SPV on the its underlying assets (e.g. Loan Participating Notes). Furthermore, Ireland has a large double tax treaty network having signed comprehensive double taxation agreements with 59 countries, of which 48 are in effect (including a very favourable tax treaty with Russia) and the terms of the appropriate treaty can often result in the income in respect of the underlying assets acquired by the SPV being paid to the SPV without any withholding or other taxes.

- *Onshore* - Ireland is increasingly being used as an alternative to traditional offshore jurisdictions for the very reason that is not offshore. For certain groups, offshore may have negative connotations. Investors in some jurisdictions may want to purchase debt issued by EU/OECD issuers only, and the failure to access those investors if the SPV is located elsewhere may affect the pricing of a transaction. Ireland with its favourable SPV tax legislation and membership of the EU and OECD offers an attractive alternative and particularly now where there is an international trend away from investing in so-called tax havens.

- ▣ *Legal System* - Ireland is a common law jurisdiction and its legal concepts will be recognised by most investors, originators, etc. Ireland recognises the concept of a trust and the laws in this regard are very similar to the laws of England. In addition, the laws relating to the concepts of legal and equitable title are similar to those in the UK.
- ▣ *Listing* - A number of years ago, the Irish Stock Exchange introduced rules regarding the listing of specialist debt securities. These rules, which were updated following the implementation of the Prospectus Directive, have provided a relatively inexpensive and timely listing process and have proved very popular for many arrangers since their introduction (not just for Irish domiciled SPVs but also non-Irish domiciled SPVs). The Irish Stock Exchange has a turnaround time of maximum of 3 working days on the initial draft followed by a 2 day turnaround on subsequent drafts.
- ▣ *Protected Cell Arrangements* - While Ireland does not have a statutory basis for protected (segregated) cell arrangements within SPVs it is possible to establish programmes in Ireland whereby the obligations of the Irish SPV under each series of issued notes are contractually ring-fenced to that particular series.
- ▣ *Timing* – Private limited companies can be, and typically are, used for most structured finance deals. It usually takes no more than five working days for a private company to be registered with the Companies Registration Office and therefore ready to enter into a transaction and the minimum issued share capital (capitalisation costs) is euro 1.
- ▣ *Other* - In addition to the above primary advantages, Ireland also offers an excellent legal and accounting/tax infrastructure and, is an English speaking country with a stable political and economic environment and good flight access and general infrastructure. All these factors (together with its favourable SPV tax environment) make Ireland a genuine player in the choice of SPV domicile for Russian deals.

For a more in-depth analysis of the legal and taxation regime applicable to Irish SPVs please see our brochure entitled “Ireland as a Domicile for SPVs”.

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