



David Matthews Explains Which Securitizations are Exempt From CTA Reporting for *Asset Securitization Report*

December 6, 2023

On the cusp of new reporting requirements implemented under the Corporate Transparency Act (CTA), Structured Finance and Securitization partner David Matthews spoke with *Asset Securitization Report* on what securitizations are exempt. David noted, "The expectation is that most plain vanilla securitizations will be exempt from CTA reporting requirements, as long as the issuer's equity is not sold to third parties. If the issuer is a CTA reporting company, the securitization sponsor must report beneficial ownership information for all natural persons who own at least 25 percent of the equity and who exert substantial control over the reporting company."

An important consideration is determining if selling part of the securitization equity will result in losing the subsidiary exemption from reporting. David explained that exemption applies to securitization entities if all their equity is owned, directly or indirectly, by other companies that are already exempted from CTA requirements. Those entities can include banks, Securities and Exchange Commission (SEC) reporting companies and large operating companies.

However, to avail itself of that exemption after selling equity to third parties, a securitization entity must determine that every purchaser of the equity is also exempt from reporting. That could be a significant challenge for securitizations sold anonymously through the Depository Trust Company (DTC). "When you need to find out who owns your securities that are held through the DTC, you're going to run into a brick wall pretty quickly."

["Prep now for CTA requirements that become effective at 2024 start,"](#) *Asset Securitization Report*, December 4, 2023

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