

**EFFICIENTLY OBTAINING AND MANAGING
ASSET BACKED LOANS AND OPERATING
LEASES THRU'**

ASSET BACKED FINANCING

12 - 13 AUGUST 2009
GRAND MILLENNIUM,
KUALA LUMPUR

9 - 10 AUGUST 2009
CROWNE PLAZA DUBAI

THIS MASTERCLASS IS DESIGNED FOR..

- ❖ *Financial institutions, leasing companies, banks engaged in asset based funding*
- ❖ *Manufacturers and technology companies which have taken or propose to take assets on lease*
- ❖ *Financial consultants, accounting firms, solicitors advising clients on operating lease transactions*
- ❖ *Technology companies focusing on developing IT solutions for operating lease transactions*
- ❖ *Financial regulators*

Researched & Developed By:



“The Commercial Finance Association revealed that asset based financing industry is closing in on \$500 billion...continuing its evolution as a mainstream lending option. The Global Leasing Report 2009 reported that despite the economic gloom and a third quarter downturn, the leasing industry globally continues to grow strongly, just a shade under 20%.”

As countries across the world grapple with the catatonic effects of a global financial crisis, businesses are struggling to obtain credit to fund current business operations and expanding capital expenditures. Even companies with strong underlying businesses and cash flow find it challenging to obtain funding opportunities.

Yet... There is one area of commercial finance where credit remains available:

ASSET BACKED FINANCING

Asset Backed Financing and securitisation have revolutionised finance. While the simplest form of Asset Backed Financing is a secured loan, there are numerous variants - leasing, installment sale, hire purchase, conditional sale, mortgages etc. Understanding of the asset and ensuring that the lender has predominant legal control and access over the asset are crucial in all forms of asset backed financing.

Taking a different approach from other conventional funding, Asset Backed Financing provides an increasingly flexible, efficient and low cost methods of raising capital to provide greater opportunities for businesses worldwide to acquire/develop product **TO ENHANCE LIQUIDITY - TO GENERATE INCOME - TO OPTIMISE CAPITAL USAGE.**

“ASSET BACKED FINANCING HAS BEEN ON A SIGNIFICANT AND STEADY RISE OVER THE PAST FIVE YEARS. ECONOMIC CONCERNS, COUPLED WITH THE CURRENT CREDIT MARKET, WILL CONTINUE THE GROWTH OF ASSET-BASED FINANCING AS A MAINSTREAM - IF NOT PREFERRED - FINANCING OPTION.”

- ANDREJ SUSKAVCEVIC, CHIEF EXECUTIVE OFFICER, COMMERCIAL FINANCE ASSOCIATION, MAY 2008

Leasing is reviving internationally. Volumes have shown sharp growth in many developed market. World-over, lease transactions provide an efficient alternative for asset acquisition. In growing economies, the potential for leasing is immense. One of the popular methods of asset backed, off-balance sheet financing is operating lease. Operating leases are a new phenomenon and leasing is finding resurrection in the form of operating leases. Flexibility and effective collateral rights make leasing a prime method of asset backed financing. Properly structured lease transactions may provide tax efficient, and quite often, off balance sheet funding means.

Stressing on high-level understanding, including numerous worked examples and technical issues, this workshop draws upon Vinod Kothari's 25 years of extensive market experience and research expertise to provide unparalleled practical insights into the effectiveness and efficiency of alternative methods and models for ***Asset Backed Financing and Operating Leases***. This workshop will focus on the distinctive advantages of Operating Leases, covering critical issues on regulations, standards and rules that define and affect the structure of operating leases.

“THE GLOBAL MARKET (FOR LEASING INDUSTRY) IS GROWING DRAMATICALLY...

THERE IS LIQUIDITY..THERE IS DEMAND...”

- ROBERT GENISE, CHIEF EXECUTIVE OFFICER, DUBAI AEROSPACE ENTERPRISE (DAE)

THIS TASK-ORIENTED ACTION LEARNING MASTERCLASS WILL ENABLE YOU TO...

- ⊕ **EVALUATE** the factors involved, information used and methods employed in Asset Backed Financing and Operating Leases
- ⊕ **TRANSLATE** all theoretical and practical concepts into readily applicable techniques
- ⊕ **IMPART** intensive knowledge and skill set for Asset Backed Financing models
- ⊕ **IDENTIFY** the risks to look out for and pitfalls to avoid in structuring Asset Backed Financing and Operating Leases models
- ⊕ **COMPREHEND** the key characteristics of the assets
- ⊕ **NURTURE** the knowledge to optimise profit and generating capital in Asset Backed Financing
- ⊕ **ASCERTAIN** the methods of calculating credit risk capital
- ⊕ **EXPAND** capital allocation strategies and **MAXIMISE** return from risk management investments
- ⊕ **ENSURE** that the lender has predominant legal control and access over the assets
- ⊕ **INCULCATE** the knowledge on statistical methods available for predicting asset values and the uncertainty inherent
- ⊕ **FOCUS** on the distinctive advantages of operating leases for maximum capital value
- ⊕ **PROVIDE** multiple investment strategies to leverage business benefits
- ⊕ **UNDERSTAND** the risks, rewards and trends in securitisation market in maximising bottom-line profit
- ⊕ **STRUCTURE** proper lease transactions for a tax-efficient and off-balance sheet funding

"In the USA and Europe, leased physical assets account for about 35% and 30% respectively of all capital assets...."

- Robert Martin, Chief Executive Officer, BOC Aviation

THE AGENDA

DAY ONE

PRINCIPLES OF ASSET BACKED FINANCING AND LEASES

MODULE 1 BASIC MODES OF ASSET BACKED FINANCING AND DIFFERENCES WITH OTHER APPROACHES

- ⊕ Leasing
- ⊕ Hire Purchase
- ⊕ Secured Lending
- ⊕ Conditional Sale, Instalment Sale etc

MODULE 2 ESSENTIAL FEATURES OF A SECURED LOAN

- ⊕ Creation of Security Interest
- ⊕ Perfection of Security Interest
- ⊕ Enforcement of Security Interest in Different Situation
- ⊕ Determination of Settlement Amount
- ⊕ Cross Collateral Rights, etc

MODULE 3 ESSENTIAL LEGAL FEATURES OF LEASING AND HIRE PURCHASE

- ⊕ The Importance of the Asset
- ⊕ Commencement of Lease/Hire Purchase
- ⊕ Enforcement of Property Rights
- ⊕ Misuse of Leased/Hired Goods and Consequences

MODULE 4 MEANING OF OPERATING LEASE

- ⊕ Accounting Standards on Lease Accounting
- ⊕ Tests to Determine Whether a Financial Lease and Operating Lease
- ⊕ Practical Demonstration of Operating Leases
- ⊕ Residual Value Risk in Operating Leases
- ⊕ Accounting and Tax Implications of Operating Leases

MODULE 5 ISLAMIC IJARA TRANSACTIONS

- ⊕ The Rules of Islamic Leases versus Conventional Leases
- ⊕ Do's and Dont's for Islamic Leases
- ⊕ Shariah Standards on Ijaras
- ⊕ Accounting Standards Applicable to Ijaras

"The multilateral..is actively supporting securitisation structures for other assets such as leasing receivables, consumer credits and auto loans. Consumer finance institutions are growing at such a pace that they are not seeking capital relief but funding opportunities."

- Jonathan Woollett,

Director, European Bank for Reconstruction and Development

DAY TWO

PRICING AND STRUCTURING OF LEASES AND ASSET BACKED FINANCING

MODULE 6 STRUCTURING OF ASSET BACKED FINANCING TRANSACTIONS

- ⊕ Devising Pay Back Period
- ⊕ Devising Payment Structure
 - ❖ Step Up Payments
 - ❖ Step Down Payments
 - ❖ Level Payments
 - ❖ Holidays and Moratoriums, etc
- ⊕ Residual Value
- ⊕ Incorporating Interest Rate Variability in Asset Backed Financing Transactions

MODULE 7 UNDERSTANDING OF INCOME TAX IMPLICATIONS OF LEASING

- ⊕ Post-Tax Returns for the Lessor
- ⊕ Post-Tax Cost for the Lessee
- ⊕ Situations in Which a Lease is Beneficial

MODULE 8 ASSET RISK AND CREDIT RISK IN ASSET BACKED FINANCING

- ⊕ Understanding Credit Risk
 - ❖ Probability of Default
 - ❖ Various Statistical Models for Computation of Probability of Default
- ⊕ Understanding Asset Risk
 - ❖ Residual Value Estimation Techniques
 - ❖ Understanding of Loan to Value Ratio and Its Movement Over Time
 - ❖ Projecting Asset Risk
- ⊕ Pricing of Credit Risk
- ⊕ Pricing of Asset Risk

MODULE 9 INDIRECT TAXES ON OPERATING LEASE TRANSACTION

- ⊕ Goods and Services Taxes
- ⊕ How Economics of Lease Transactions Affected by Indirect Taxes
- ⊕ Different International Tax Regimes

MODULE 10 SECURITISATION OF ASSET BACKED FINANCING RECEIVABLES

- ⊕ Basic Securitisation Structures
- ⊕ Rating of a Securitisation Transaction and Considerations
- ⊕ Concept of Credit Enhancement
- ⊕ True Sale and the Relevant Law
- ⊕ Carrying Out Servicing Function in Case of Securitised Transactions

HOW THE WORKSHOP WOULD BE CONDUCTED ...

This dynamic and highly practical workshop will provide a comprehensive, clear and contemporary understanding on all nuances of Asset Backed Financing and Operating Leases. Vinod will delve into asset analysis and asset evaluation, legal and tax nuances inherent in different forms of Asset Backed Financing. He will provide an insight into the practical and theoretical aspects of asset backed funding methods and will help the delegates to evolve the applicable techniques. He will also impart his knowledge and expertise on pricing and structuring of lease transaction and differentiate between conventional leasing contracts and Ijara. This two-day workshop will guide the delegates thru' multiple MS-Excel examples on pricing, credit risk quantification, quantification of asset risk etc. Through data slides, facilitated group learning, expert feedback and commentary on group exercises, personal and group discussion, discovery learning and hands-on activities, Vinod will illustrate the approach that best practice corporations are implementing and the way this affects the bottom-line profits.

PRAGMATIC

PARTICIPATIVE

SOLUTION ORIENTED

"A WALKING LIBRARY! EXCELLENT KNOWLEDGE-BASE."

- MALAYSIA RATING CORPORATION -

THE EXPERT

The 'Guru' of the Leasing Industry... Vinod Kothari



Vinod Kothari is an internationally recognised author and expert in the area of securitisation, asset-based finance, structured finance, credit derivatives and derivatives accounting. He is unquestionably India's top leasing expert, where he is now the Director of Association of Leasing and Financial Services, a body of over 500 top leasing companies in India and the Editor for its Newsletter *Fin-n-lease*. As one of India's top expert on leasing, Vinod has been retained by most of the larger players in Asset Backed Financing. He was part of an Asian Development Bank consulting group, a group that is responsible in advising the Government of India on reforms in secured lending law. His other consulting assignments include consultation with an Indian rating agency for structured finance ratings and the Government of Jordan for suggesting and working on finding for a high-profile low-cost housing project.

He is the Executive Director of Asian Securitisation Forum, a website comprises comprehensive resources on securitisation in Asia and links to securitisation materials elsewhere. The website also was ranked as the most popular site on securitisation by an independent web-ranking professionals. Vinod, a Chartered Accountant and Company Secretary, is a former chairman of the Institute of Company Secretaries of India. Apart from that, he is a visiting faculty at Indian Institute of Management, Calcutta, where he teaches structured finance and at National University of Juridical Sciences, Calcutta, where he teaches bankruptcy laws. Amongst his clients are **State Bank of India, Canara Bank, IFCI, Grindlays Bank, HDFC, Kotak Mahindra Finance, Apple Finance, Tata Finance** and many more.

Vinod Kothari is the author of several renowned publications. His book on leasing, '*Lease Financing and Hire-Purchase*', now in its 4th edition, is considered as the most authentic text on leasing in Asia. It is widely recognised as the bible of leasing in the continent and has been the most popular text on the subject for the last 15 years. The book runs over 2000 pages and has elaborate contents on leasing, hire purchase and similar credit agreements. Other than that, he has authored '*Securitisation: The Financial Instrument of the Future*', '*Credit Derivatives and Synthetic Securitisation*', '*Credit Derivatives and Structured Credit Trading*' and '*Securitisation, Asset Reconstruction and Enforcement of Security Interests*'. He has also co-authored a book with Frank Fabozzi entitled '*Introduction to Securitisation*' which has been published in July 2008. His articles have appeared in numerous local and international journals such as *Euromoney's Securitisation Review*, *Euromoney's Leasing Yearbook*, *Duke Journal of Comparative & International Law*, *Journal of International Banking Law*, *Asset Finance*, *US Banker*, *El Exportrader (Spanish)*, *Monitordaily*, *LeasingLife*, *Equipment Finance Journal* and *Trade and Forfeiting Review*, to name a few.

Vinod is an accomplished trainer and has conducted courses to more than 10000 executives on leasing, asset-backed financing, securitisation, credit derivatives and structured finance in New York, Washington DC, London, Milan, Frankfurt, Luxembourg, Sydney, Singapore, Hong Kong, Kuala Lumpur, Johannesburg, Mumbai, Delhi, Kolkata, Shanghai, Shenzhen, Colombo, Colombia (South America), Dubai, Kuwait, Dhaka, Zambia, Jordan and Egypt. His clients admire his tenacity, practical insights, hands-on experience and structured approach to delivering value at every conceivable opportunity.

In 1987, a voluntary organisation in Calcutta chose him as the **Outstanding Young Person of Calcutta** in the field of Finance and Taxation. Vinod is currently based in Calcutta, India.

FROM THE SPEAKER'S DESK...



Dear Delegate (s),

The global credit crunch has made it extremely difficult for businesses to obtain credit to fund current business operations. Asset Backed Financing provides a different kind of approach - where asset become the primary basis for credit decision of the lender. Worldwide, lease transactions provide an efficient alternative for asset acquisition. In growing economies, the potential for leasing is immense as past leasing volumes during recessionary periods indicate that leasing is anti-recessionary. In this workshop, we will provide a comprehensive coverage on secured lending, operating leasing and financial leasing. This workshop will explore all nuances of Asset Backed Financing and statistical methods available for predicting asset values and the uncertainty inherent in asset analysis and asset evaluation. We will provide you an insight into the practical and theoretical aspects of Asset Backed Funding methods and we will assist you to evolve the applicable techniques.

I would not pretend to have the magical solution to quantify uncertainty, but we surely can move towards a methodical approach to understanding Asset Backed Financing and Operation Leases. Ultimately, my goal is that you are able to take away some useful tools and achieve ongoing benefits through subsequent implementation of the methods.

I look forward to seeing you in Kuala Lumpur!

Vinod Kothari

"The content can be connected to our actual work."

- RHB Bank, Malaysia

"He has mastery over the subject matter."

- SEC, Philippines

"Focus on practical methods.

Hands-on Excel work is good."

- Cagamas Berhad, Malaysia

"Vinod definitely knows his stuff!"

- Bank of Finland, Helsinki

"Good!"

- Bank Negara Malaysia