

Two day Course outline on Asset backed financing and operating leasing course

Day 1

Session 1: Basic modes of asset backed financing and differences between the same:

- Leasing
- Hire purchase
- Secured lending
- Conditional sale, instalment sale etc

Session 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

Session 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

Session 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

Session 5: 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

Day 2

Session 1: 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

Session 2: 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

Session 3: Indirect taxes on operating lease transaction

- goods and services taxes
- how economics of lease transactions affected by indirect taxes
- different international tax regimes

Session 4: Securitisation

- 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

Session 5: Open house with the participants