





THE 2001 CATE TOWN CONVENTION  
ON INTERNATIONAL INTERESTS IN MOBILE EQUIPMENT

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## The different finance options


- Examining the different types of finance from the operator perspective
  - Equity
  - State loans and grants
  - Aid
  - Private finance:
- Debt (secured or unsecured)
- leasing (operating or finance)
- PPP structures



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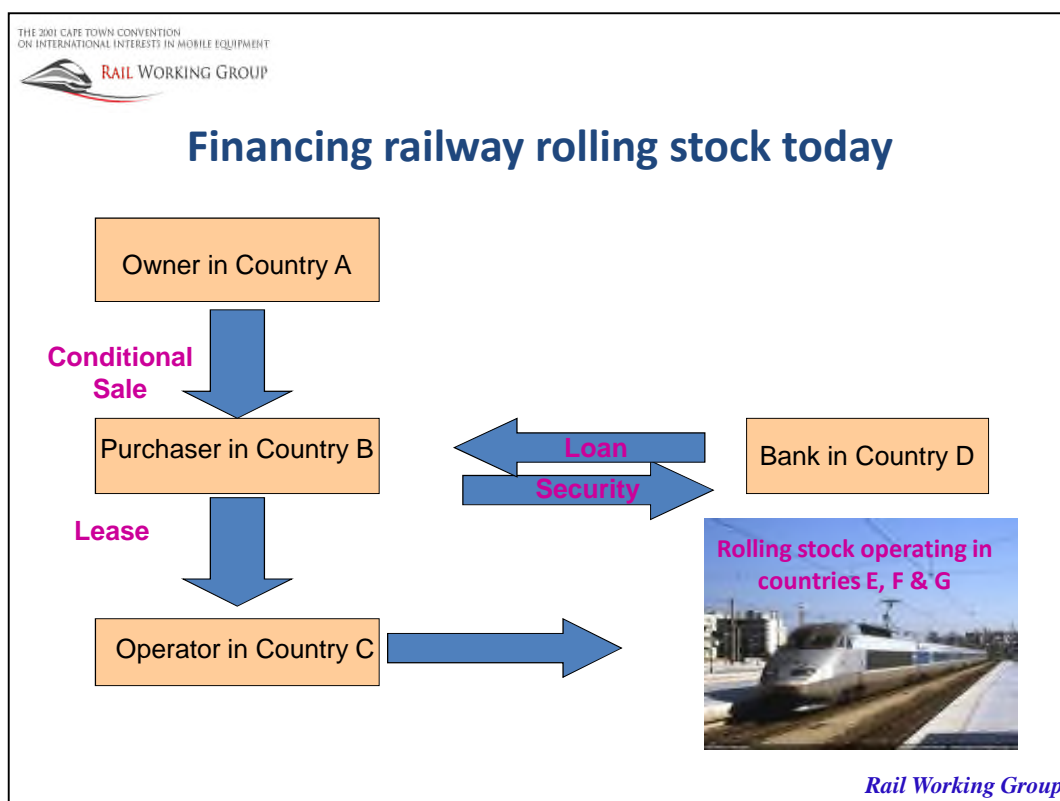
## The different finance options

- Sources of private funding:
  - Private equity
  - Manufacturer credit/conditional sales
  - Banks
  - Lessors
  - Institutions
- What are the current strains on private finance capacity?
  - Lack of liquidity
  - Funder security/collateral
  - Political uncertainty
  - Transactional risks .....




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### Creditor Transactional Risks

- Lack of legal infrastructure domestically and internationally
- No national title or security registry
- Identifiers unstable
- No clear legal position on repossession for creditors on debtor default or insolvency
- Public Policy and Public Interest
- Cross border risks




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## Risk = Cost

- Repossession risks on default
- Legal uncertainties and mitigating structures
- Bank's capital requirements and Basel II and III
- Limited tracking of assets
- Maximum tenor of debt
- How the Luxembourg Rail Protocol helps



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## Cape Town October/November 2001

participants from 58 States and 11 international organisations at the Diplomatic Conference

- adopted the Cape Town Convention on International Interests in Mobile Equipment
- and the Aviation Protocol thereto




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## What does the Luxembourg Rail Protocol do?

- A new strategic tool for the public and private sector
- Providing a new pragmatic global regulatory framework which will
  - ✓ facilitate more and cheaper private sector investment in the railways
  - ✓ lower barriers to entry to private operators
  - ✓ stimulate a more competitive and dynamic industry



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## What does the Luxembourg Rail Protocol do?

The Protocol creates

- ✓ a new type of global security interest for railway rolling stock, internationally recognised with established priorities
- ✓ Registrable and searchable in a public registry, 24/7
- ✓ new uniform system for unique and permanent identification of assets (URVIS)



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## What does the Luxembourg Rail Protocol do?

The Protocol applies:

- ✓ To all rolling stock (broadly defined)
- ✓ To secured financing
- ✓ By reference to debtor/lessee location



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## What does the Luxembourg Rail Protocol do?

The Protocol :

- ✓ Creates a new legal framework, even for financing of domestic rail transactions
- ✓ Eliminates complex documentation and structures
- ✓ Resolves cross border security and conflict of laws issues
- ✓ Facilitates operating and finance leasing and other private sector finance



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## What does the Luxembourg Rail Protocol do?

Financial Benefits of the Protocol:

- ✓ More financiers (so more supply of debt, therefore cheaper and longer term debt) ↑
- ✓ Lower capital requirements; risk margin ↓
- ✓ Documentation and legal costs ↓
- ✓ (Probably) ECA charges ↓
- ✓ operating leasing ↑
- ✓ Multiplier effect ↑




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## The Status of the Luxembourg Protocol

- Adopted 2007
- Signed by EU and some States (not yet in force)
- Ratifications needed
- Appointment of Registrar December 2014



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