



# The Luxembourg Protocol to the Cape Town Convention

## Summary of financial benefits

1. Lower financing costs as banks reduce margins thanks to smaller risks through
  - A common legal system regulating creditor rights, particularly relating to repossession on debtor default or insolvency, making it easier and safer to finance even domestic transactions
  - Registration of creditor security interests in a public register
  - New global, permanent and unique identification system for all railway equipment
2. Margins also reduce because a more secure system encourages institutions/pension funds and private equity investors to enter the market, thereby increasing the supply of private capital
3. Lower capital allocation for banks against loans or leases under BIS risk-weighting models = reduced costs
4. Reduced legal, documentation and transaction structure costs
5. Export Credit Agencies will take the protocol into account in assessing their risk premiums or debt charges
6. Support for operating leasing with higher residual value assumptions from lessors (reducing initial rents) because of the ease of repossession and remarketing, in turn creating ...
7. ...Savings on equipment costs through manufacturing economies of scale as operating leasing encourages standardised products, which in turn underwrites residual values

The costs will be minimal - the benefits will be significant