Auto Hire-Purchase Securitization: Thai Cars

- Tru-way and Tisco are Thai finance companies with car and truck HP receivables and leases.
- Thailand has code law system, with no provision for SPV.
- Thai Value-Added Tax on sale of assets and withholding tax on interest made conventional ABS difficult.
- Investors wanted dollars, not baht.

Thai Cars: How it Should Be

- How was the transfer of assets and funds structured?
- Where is the SPV, and what are its assets and liabilities?
- Show how the swaps worked.

Thai Cars: A “Secured Loan,” Not True Securitization

- The assets, the hire purchase loans and leases, remained in the possession of Tru Way and TISCO.
- These Thai baht assets were assigned to Tru Lease, another Thai company, which made a loan to Tru Way/TISCO.
- Tru Lease sold the rights to the cash receipts to Thai Cars Limited, a special-purpose Bermuda company.
- Thai Cars paid for these rights in Japanese yen, and issued floating-rate notes denominated in US dollars.

Thai Cars: Initial Exchanges

- US Investors
- Thai Cars Ltd Issuer (Bermuda)
- Tru Lease (Thailand)
- Tru Way TISCO
- Car Buyers/Lessors

Initial principal balance equal to yen equivalent of the initial principal balance of the notes.
Thai Cars: Ongoing Flows

- US$ Investors
- Thai Cars Ltd (Issuer (Bermuda))
- Yen
- Tru Lease (Thailand)
- Thai Cars Ltd
- Bankers Trust
- Tru Way
- TISCO
- Car Buyers
- Yen equivalent of the baht principal repayments

Thai Cars: Swap Initial Exchanges

- Swap US$/Yen
  - Bankers Trust
  - Thai Cars Ltd (Issuer)
  - Yen equivalent to the initial principal balance of the Yen Loan (Yen equivalent at spot of $250M)
  - Amount of Yen equivalent to the principal notes purchase price (equivalent of $250M)

- Swap Baht/Yen
  - Bankers Trust
  - Tru Lease
  - Amount in US$ equal to the principal and interest to be paid on the Yen Loan
  - Amount in Baht equal to the principal and interest on the Baht Notes/Loan (weekly payment date)

Thai Cars: Swap Ongoing Payments

- Swap US$/Yen
  - Bankers Trust
  - Thai Cars Ltd (Issuer)
  - Dollar principal and interest
  - Yen principal and interest

- Swap Baht/Yen
  - Bankers Trust
  - Tru Lease
  - Amount in US$ equal to the Yen equivalent of the Yen Loan

Swap Must Have Declining Balance

- Principal Balance on HP Loans
- Scheduled Principal Balance
- Principal Balance with Prepayments

New Thai Law Facilitates Securitization

- Special purpose vehicles authorized
- Bankruptcy remoteness
- Transfers of claims without notification
- Usury ceiling waived
- Securities and Exchange Commission to supervise
- Tax and accounting issues to be resolved

Ian H. Giddy
Stern School of Business
New York University
44 West 4th Street, New York, NY 10012, USA

Tel 212-998-0332; Fax 630-604-7413
ian.giddy@nyu.edu
http://giddy.org