

TMF Group's global reach makes it a strong partner for aircraft lessors

Aside from providing SPV establishment and management services to aircraft investors and lessors globally, and with offices in over 75 countries, TMF Group also helps companies expand internationally, and provides back-office services directly to aircraft lessors, including some start-ups in Ireland. These services include operational assistance with lease management, cash management, compliance, payroll, reporting and other corporate services. The global head of aircraft leasing services, KIERAN DESMOND, talks to *Aviation Finance* about the role of the corporate services provider in Ireland and why Dublin is the perfect base for this role.



Global reach
Local knowledge

As global head of aircraft leasing services at TMF Group, Kieran Desmond talks about the role of the corporate services provider in Ireland and why being based in Dublin is the perfect location for the role.

What are the typical services that TMF Group provides to the aviation industry in Ireland?

As a corporate services provider, we typically provide management, corporate secretarial, accounting and tax compliance services to Special Purpose Vehicles (SPVs) that are incorporated in Ireland. Most SPVs are incorporated by aircraft leasing companies in order to either lease in / lease out an aircraft or to be used as financing vehicles for aircraft. Some companies are incorporated by airlines themselves as part of ECA-backed financing deals.

Are there different types of structures that you have to deal with for aircraft lessors?

Yes, some SPVs are wholly-owned by the lessor parent and some are orphan SPVs. If the financing of aircraft is to be provided by the lessor through their own funds, a wholly-owned SPV is generally used. If financing is through a lender or is ECA-backed, then typically an orphan SPV is used. In recent years, changes to section 110 tax legislation have led to an increasing number of Section 110 SPVs being used in aircraft finance transactions. The most popular use of Irish SPVs is for lease in/ lease out transactions. Ireland's extensive double taxation treaty network, competitive

corporate tax rate, and a strong industry cluster have generated enormous success in this sector and, not surprisingly, we manage more aircraft leases here than in any other country.



Kieran Desmond: 'TMF Group has experienced, capable teams around the world that have an in-depth understanding of the aircraft leasing market and our in-house directors are senior legal and accounting professionals that work with these transactions on a daily basis.'

How would TMF Group differentiate itself from the myriad of other service providers in the market?

TMF Group provides services to aircraft leasing SPVs globally - we operate in over 75 countries across the Americas, Asia Pacific, Europe and the Middle East. This means our clients benefit from using one high-quality service provider in multiple countries through a single point of contact. For example, clients often use TMF Group in Norway for leasing into Japan, TMF

Group in France for leasing to Indonesia, or TMF Group in the Netherlands for leasing to Brazil. We also have offices in popular off-shore leasing jurisdictions such as the Cayman Islands and Bermuda. TMF Group helps companies to expand internationally by providing back-office services directly to aircraft lessors that are opening offices in new countries and may need operational assistance with lease management, cash management, compliance, payroll and financial reporting services. We also put global client service agreements in place for ease of service delivery. The firm is not affiliated with any financial institution, law, tax or accounting firm, making it a truly independent services provider. As a result, we do not have any conflicts of interest and can work with any bank or advisory firm. Furthermore, our independence guarantees that we always put the interests of investors and other secured parties first.

Comprehensive services coverage:

- Independent directorship services
- Share trustee services
- Process agent services
- Lease administration
- Accounting
- Tax filing and regulatory compliance services
- Consolidations
- Reporting
- Company secretarial services
- Office accommodation
- Cash management

What is the key driver to being successful in your specialist service area?

The wide geographic reach of our expertise and experience in managing aircraft leasing structures is a clear differentiator. TMF Group has experienced, capable teams around the world that have an in-depth understanding of the aircraft leasing market and our in-house directors are senior legal and accounting professionals that work with these transactions on a daily basis. Unlike other international service providers, we have a fully integrated global team. This is important where we see aircraft being leased to more turbulent jurisdictions. We pro-actively engage with our global network of offices to present the comparative advantages of establishing leasing operations in Ireland. We also put the power of our global network at the disposal of clients.

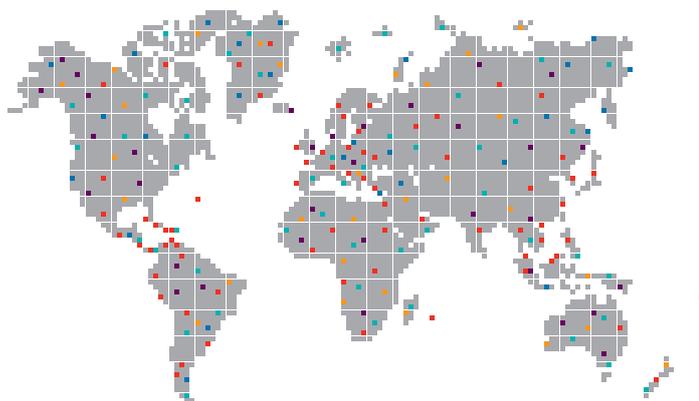
“TMF Group is also a specialist in managing securitisation structures and is well positioned to manage possible new securitisation SPVs that emerge from the industry. In Ireland, these securitisations will also make use of the section 110 tax legislation.”

Does being based in Dublin help or hinder your work which is global in nature?

Being based in Dublin is a definite plus for a job like mine. As most of the top aviation lessors have established offices in Dublin, it’s a perfect location to engage with them in person on their international requirements and plan for the future. We are proud to have supported a number of start-up leasing operations in Ireland. However, having said that, I do travel abroad extensively to meet with clients or attend conferences.

You mentioned changes to section 110 tax legislation as having an effect on the industry. What effect have you seen in an Irish context?

The 2011 Finance Act brought some changes to the types of assets which are allowed to be held by section 110



TMF Group’s global network covering Europe, the Americas, Asia, Middle East, Australasia and Africa, covers over 75 countries.

companies. One change was the inclusion of Plant and Machinery (including aircraft) as ‘qualifying assets’ which could be held by section 110 companies for the first time. In these entities the aircraft are typically financed through the issuance of Profit Participating Notes (PPNs) which facilitate the entity being tax neutral. Previously a reliance on capital allowances was vital to ensure this. We have seen many new SPVs take

advantage of the legislation and saw some existing SPVs convert to become section 110 companies shortly after the changes were introduced. TMF Group is also a specialist in managing securitisation structures and is well positioned to manage possible new securitisation SPVs that emerge from the industry. In Ireland, these securitisations will also make use of the section 110 tax legislation.

TMF Group Case Study: a global lessor

A leading global aircraft leasing company previously used several different service providers in onshore and offshore jurisdictions around the world, for SPV administration. In 2012 the company decided to consolidate this work with a single service provider that could provide a truly integrated global corporate services offering - TMF Group. Services include provision of directors, corporate secretarial, accounting and tax compliance and reporting services.

Management of the global contract is facilitated by a Global Framework Agreement. On each occasion when a new SPV is required for leasing purposes in a new jurisdiction, a simple Statement of Work is completed. This alleviates the need both for duplication of Know Your Client (KYC) procedures and protracted negotiations over terms and conditions.

The contract is managed through a centralised point of contact from TMF Group, who liaises with the client to co-ordinate day-to-day management of the outsourced operations and ensure clear communication for service delivery across multiple jurisdictions.

This is all part of the TMF Group philosophy to reduce risks, control costs and simplify operations.

Kieran Desmond is Global Head of Aircraft Leasing Services and Global Head of Structured Finance Services at TMF Group. Kieran joined TMF Group in 2007 as Managing Director of the Irish operation and was subsequently appointed Regional Director for the UK, Ireland and Channel Islands. Prior to joining TMF Group, Kieran held various financial and capital markets roles at the Central Bank of Ireland and at IIU, an Irish private equity firm. He obtained a BSc from Trinity College Dublin and an MBA from Dublin City University.