

## LEASING FINANCE IN BANKING

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Leasing finance is involved in big projects, we could say, may not have been achieved or even started without involvement of leasing. They involve, oil and gas sector in refineries, rigs and platforms. Utilities sector including water and electricity, desalination plants, waste water treatment, power stations, turbines and generators. Also, in transportation including airports, ports, aircraft, ships, railways, roads and bridges. Moreover, involved in education facilities, sports, entertainment outlets and health care projects.

The benefits of leasing to the parties, including the lessee and the lessor, are numerous such as availability of cash flow, income tax issues, availability of technology and know-how, reporting and other financial advantages including full service opportunities. Regulation of leasing is of paramount importance to keep things in order to benefit the community and parties involved in leasing. It is, important to issue laws to streamline this activity. The legislation, shall outline the legal obligations and duties of the lessee and the lessor. Shall give clear- cut definition of leasing and what do we mean by a lease. This is needed to avoid misconceptions or misunderstandings between leasing and other activities as consumer loans or hire-purchase. The core relation between the contracting parties shall be identified including an effective and expedient repossession and recovery of the concerned items. The duties and obligations of the parties shall, also, be identified and earmarked properly in a clear way to enable each party to perform his duties effectively.

Leasing activity is undertaken, by banks or non-banking entities. The legislation shall highlight some of the differences between banking and similar financial institutions on one hand and non-banking entities on the other hand. In this respect it would be appropriate to provide for mild regulations for non-bank lessors because it would be unfair to treat them on equal level with licensed banking institutions. The legislation shall provide for proper implementation and follow-up of the international accounting standards because this preserves the interests of all parties. This issue is very important particularly with

reference to big leasing projects wherein many multinational parties are involved in the leasing transaction.

There are other points related to taxation issues such as tax depreciation and the amounts to be claimed by the lessor and the associated benefits to the lessee. The application of tax related issues, which are complicated in most cases, require qualified manpower and technical know-how which is presumed to be available among parties entering such transaction. There are other points such as securities or collaterals needed and the ways and means to apply them with reference to each lease activity. The procedural steps and or guidelines to be followed by concerned parties ...etc.

Leasing, as a banking instrument, has grown vastly to be an excellent delivery mechanism for all types of businesses and institutions including government entities. This investment banking activity, however, should be regarded and taken with utmost care due to the legal and financial implications associated. Failure to examine the lease activity or the lease proposal or failure to ascertain the exact parameters of a proposed leasing transaction can have profound financial and legal consequences. Repercussions due to lack of awareness in these respective fields have and always continue to cost business a lot of loses. In many places it is not clear who should be responsible to decide on leasing, to examine the cost reduction and bottom line profits as it relates to equipment leasing or project financing? Is it the responsibility of accounts, the procurement or should it be that of all personnel involved within the leasing process. This point should be studied and decided upon so as to give the responsibility to specific persons or dept. While in the process of leasing it is, also, essential to know that each funder has different rates, different policies, different terms and conditions, different billing procedures and documentation. It is also imperative to note that in large funding applications with long-term requirements, securitization of funds with one or more lenders may become part of the leasing contract. Therefore, the person responsible for signing a lease or other financial contract should be fully prepared to understand every aspect of the agreement.