

## INTERNATIONAL SHIPPING FINANCE IN IRELAND

**Ocorian has extensive experience providing fiduciary, administrative and outsourcing services to the global asset finance industry and has a track record as a service provider to shipping finance transactions.**

**"Ireland has a treaty network spanning 72+ countries including the major shipping powers in Europe and Asia. This makes Ireland attractive to the traditional shipping investor base."**

Ireland is a leading international hub for aircraft leasing and it is no surprise that it is now becoming a location of choice for shipping finance. Many of the features which make Ireland attractive for aircraft leasing are available to shipping companies and ship financiers. This includes a large pool of professionals with expertise in international asset finance as well as a fiscal framework which is conducive to cross-border asset finance. Plans are already at an advanced stage to establish an international shipping finance centre in the Dublin Docklands which will underpin the resourcing, technical and regulatory framework necessary to support a global hub.

### GLOBAL TRENDS IN SHIPPING FINANCE

In recent years, banks have reduced exposure to the shipping sector as they prepare to comply with Basel III capital and liquidity requirements. This has led to an increased focus on debt capital markets transactions as a source of funding for the sector. Shipping groups can (i) issue structured bonds guaranteed by the group and secured over its ship assets; or (ii) securitise ship leases by issuing bonds to investors secured over ships and lease rentals. Shipping lenders can also issue bonds secured by shipping loans. In each case, the bonds can be issued through qualifying Irish special purpose companies and transaction templates are very similar to existing Irish aircraft leasing structures.

### IRISH ASSET FINANCE FRAMEWORK

A qualifying Irish special purpose company can hold ship assets or shipping loans and leases in a tax neutral manner and issue

bonds to investors. If the bonds are listed on the Irish Stock Exchange, interest can be paid free of withholding tax. If the bonds are not listed, interest can generally be paid free of withholding tax to investors in the EU or in any country which has a double taxation treaty with Ireland. Ireland has a treaty network spanning 72+ countries including the major shipping powers in Europe and Asia. This makes Ireland attractive to the traditional shipping investor base.

In addition, the leasing of most ships with gross tonnage in excess of 15 tonnes is zero-rated for VAT purposes and there are a number of exemptions relating to transfers of ships, ship leases and loans. Shipping companies managed from Ireland can avail of taxation based on tonnage rather than profit and a ship lessor can avail of a 12.5% tax rate and generous tax depreciation allowances.

### USING IRISH S110 COMPANIES

S110 companies are Irish companies that meet certain conditions as set out in S110 of the Irish tax legislation and are used in securitisation, capital markets, aircraft and shipping structures in Ireland.

The S110 company is used where a company does not meet the criteria to be treated as a trading company to be taxed at 12.5%, but instead is taxable akin to a trading company but at 25%.

The main advantage of using a S110 company is that all interest accrued or paid on a profit participating loan/note is an allowable expense for taxation purposes and not treated

as a distribution/dividend payment. Also any gain at the end of the lease on the sale of the asset is taxed at 25% rather than at the 33% capital gains tax rate. The S110 company also mitigates tax risk in relation to foreign currencies by not treating foreign exchange movements as capital gains but similar to a trading company treatment.

#### WHY CHOOSE OCORIAN

Ocorian has a highly qualified team with extensive experience in complex asset finance transactions. We operate a proactive client driven model whether the service provided involves fiduciary and administrative components or a full outsourcing service incorporating front, middle and back office activities. Each client relationship has a dedicated director and manager. We have built strong relationships over many years with our clients, intermediaries and regulators.

#### SERVICES

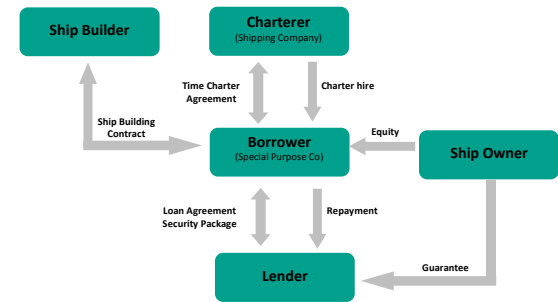
- Company Formation
- Irish Resident Directors
- Registered Office
- Share Trustee
- Nominee Shareholders
- Preparation of SPV Management Accounts
- Preparation of SPV Financial Statements
- Invoicing and Credit Control
- Payroll Services
- Company Secretary
- Cash Management
- Process Agent
- Administration of Tax Filings
- Filing of Regulatory Returns
- Liquidations

#### SOME RECENT TRANSACTIONS

- Funding, acquisition and operating lease of North Sea maintenance support vessel.
- Funding and acquisition of six MR class tanker vessels and onward operating leases.
- Funding and acquisition of two 38,000 DWT tanker vessels and onward operating leases.

#### TYPICAL STRUCTURE USING IRISH SPV

An example of transaction structure (Time Charter)



#### TYPICAL SECURITY PACKAGE USING IRISH SPV

- First priority mortgage over the vessel
- Assignment of charter contract / earnings
- Assignment of insurance
- SPV share charge
- Assignment of shipbuilding contract
- Refundment bank guarantee
- Corporate guarantee
- Bank account charge

## KEY CONTACTS

---

### DUBLIN



**NIGEL WOODS**  
**Executive Director**  
 T +353 (1)633 6032  
 E nigel.woods@ocorian.com



**DAVID GUEST**  
**Client Director**  
 T +353 (1)633 6043  
 E david.guest@ocorian.com



**CHRISTOPHER MORRISSEY**  
**Client Director**  
 T +353 (1)633 6042  
 E christopher.morrissey@ocorian.com

### DISCLAIMER AND REGULATORY

The content of this document (including any opinion expressed) is intended for general information purposes only and it does not constitute and should not be interpreted as an offer, an invitation to contract or legal or any other form of professional advice and nor should it be used or relied upon as such. Unless expressly stated otherwise, information is not intended to be comprehensive and is only current at the time of initial publication or, if this document is dated, as at that date and Ocorian gives no warranty as to the adequacy, accuracy or completeness of any information. Should you require legal or other professional advice, it is recommended that you contact a suitably-qualified lawyer or other relevant professional. Neither Ocorian Limited nor any of its subsidiaries or affiliates from time to time accepts any liability or responsibility whatsoever for any loss that may arise from the use by any person of this document or its content.

Ocorian Limited is regulated by the Jersey Financial Services Commission. Ocorian Fund Services (Jersey) Limited is regulated by the Jersey Financial Services Commission. Ocorian (Luxembourg) S.à r.l is authorised to conduct business by the Ministère des Classes moyennes. Ocorian (UK) Limited is authorised and regulated by the Financial Conduct Authority of the United Kingdom. Ocorian (Mauritius) Limited is regulated by the Financial Services Commission Mauritius. Singapore Trust Company Pte Ltd is regulated by the Monetary Authority of Singapore. Ocorian (Guernsey) Limited (registered Guernsey 45342) is licensed and registered by the Guernsey Financial Services Commission under the Regulation of Fiduciaries, Administration Business and Company Directors, etc. (Bailiwick of Guernsey) Law 2000. Ocorian (Ireland) Limited is an authorised trust or company service provider in accordance with Section 89(6) of the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 of Ireland.