

Equipment Finance Facilities in Financial Restructuring

DATE EFFECTIVE: 12 March 2018

1. Purpose

This procedure establishes guidelines for the management of all types of equipment finance facilities in Financial Restructuring.

1.1 Prerequisites

This procedure applies to equipment finance facilities that are managed by Financial Restructuring. If a client has been transferred to Financial Restructuring, any equipment finance facilities provided to that client are to also be managed by the responsible Financial Restructuring Manager.

2. Task List

The following items apply to equipment finance leasing facilities in FR:

Task	Resp
Monitor expiry dates of EF security interests	FR Manager; SAS
Obtain and Review monthly EF reports for all FR managed clients	FR Manager
Determine whether leasing facility should be flagged as 'non-accrual' in Infolease	FR Manager
Obtain correct legal debt in relation to EF facilities at each review	FR Manager
Obtain correct payout figure when arranging a refinance/payout or when writing-off an EF debt	FR Manager

3. Monitor Expiry Dates of EF Security Interests

FR staff use this task to prevent the loss of priority of REFL security interests. This is achieved by ensuring REFL security interests recorded on the PPSR do not expire before FR action is finalised

Step	Action
1	<p>Where a REFL security interest is to expire soon (e.g. within 6 months) and the REFL contract will not clear within this time or there is some doubt as to if it will clear, the FR Manager:</p> <ul style="list-style-type: none"> ■ For Australia, submit a PPSR Request Form to SAS, or ■ For New Zealand, send an email request to the New Zealand functional mailbox (fm.nz.wellington.Credit) requesting SAS extend the expiry date for a further term (i.e. each term is 5 years) to preserve priority. The email must include the following details: <ul style="list-style-type: none"> ■ Debtor Name, and ■ Financing Statement Number. <p>Note: REFL security interests do not need to be renewed by the FR Manager if the REFL contract is scheduled to clear within 6 months and there is no doubt as to whether it will clear.</p>
2	Once SAS has extended the expiry date they will send a copy of the amended Verification Statement to FR.
3	FR Manager to retain a copy of the amended Verification Statement and record the extended expiry date in the client file.

4. Obtain and Review EF Reports for all FR Managed Clients

FR Managers obtain and review reports relating to FR managed equipment finance facilities.

Step	Action
1	<p>In Australia, Manager, FR distributes the following reports to the Rural branches and to the FR Team on a monthly basis:</p> <ul style="list-style-type: none"> ■ REFL Arrears ■ Expired REFL Contracts ■ Non-Accrual Infolease report <p>In New Zealand, Executive Manager, Rural Division and Equipment Finance champions (see Section 8.1.2 for a list of champions) will review the list of arrears and provide details to the relevant account managers. Where an account is managed by FR, these details will be forwarded to the FR Manager.</p>
2	FR Manager should review the report to ensure all details relating to the FR file are actioned appropriately. For correct steps in actioning facilities in arrears, refer to Manager, FR in Australia or EF Champions in New Zealand.

5. Determine whether Leasing Facility should be flagged as 'non-accrual' in Infolease

Where the FR Manager determines it is appropriate to do so, the account should be correctly flagged as non-accrual in Infolease.

Step	Action
1	<p>As part of the overall management of the equipment finance facilities, FR Manager should make a recommendation on whether to put a facility to 'non-accrual' status in Infolease. This would generally occur where the direct debit arrangement in place is being dishonoured and resulting in ongoing dishonour costs. The effect of the flag is to stop the direct debits (and thereby the repayments) from occurring.</p> <p>Note: The 'non-accrual' status does not impact on any accounting – it is simply a flag in the system.</p>
2	<p>When the FR Manager determines that it is appropriate to put the 'non-accrual' status on the account, an instruction should be sent to Leasing Admin requesting the account be flagged.</p> <p>This should also be advised to <i>Financial Control</i> via the Business Management Risk team.</p>
3	<p>Financial Control should add the client to the '<i>Provision and Impairments</i>' spreadsheet which is maintained for all impaired clients across the group.</p> <p>As Financial Control do not receive updated legal debt balances from Infolease on the non-accrual accounts, FR should not rely on the 'Provisions and Impairments' spreadsheet to determine the outstanding legal debt. Refer next task for how to determine correct legal debt position of the client.</p>

6. Obtain correct Legal Debt in relation to EF Facilities at each Review

FR Manager to ensure that correct legal debt is shown in all submissions to CC or under delegation.

Step	Action
1	<p>FR Manager obtains updated legal debt valuation on outstanding equipment finance leases. This should be obtained from the Infolease system.</p> <p>Note: If the facility has expired, this will need to be done through a specific request to Manager, FR (for Australia and New Zealand).</p>
2	<p>Report correct outstanding legal debt in next submission to CC or in next memo prepared under FR delegated authority.</p>

7. Obtain correct Payout Figure when arranging a Refinance/Payout or when Writing-off an EF Debt

Step	Action
1	FR Manager should obtain a full payout figure when the lease is to be refinanced/repaid or written-off.
2	This can be obtained through request to Manager, FR in Australia or EF Champion in New Zealand.

8. Supplementary Information

8.1 Related Documents

	Document Title	Type	Link
8.1.1	Equipment Finance Arrears & Collections	Credit Policy	Rural Banking
8.1.2	Equipment Finance Champions	Reference	Financial Restructuring NZ
8.1.3	PPSR Search, Amend and Discharge Request Form	Form	Settlements & Securities AU

8.2 Glossary of Terms

Term	Definition
CC	Credit Committee

8.3 Document Management

Owner:	Head of FR, Australia Head of FR, New Zealand	Author:	Risk Manager
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