

SECURITIZATION AND INTELLECTUAL PROPERTY

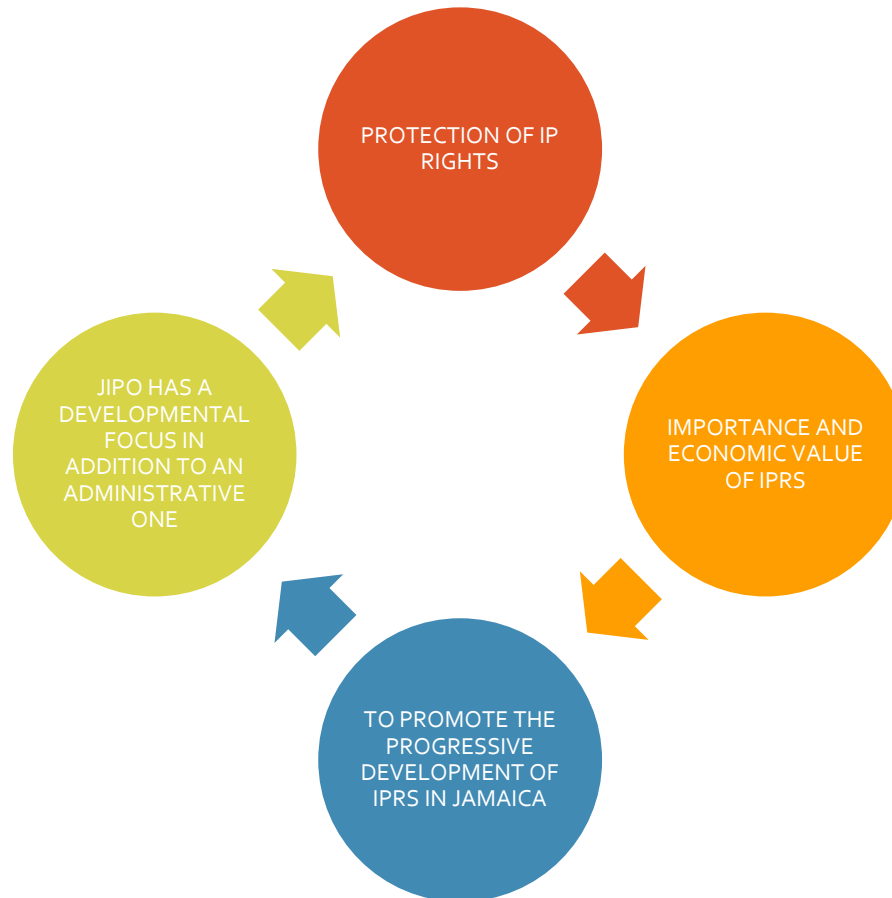
Intellectual Property Based Financing for Promoting Innovation and
Growth in Jamaica



Fred Aarons, Ph.D.

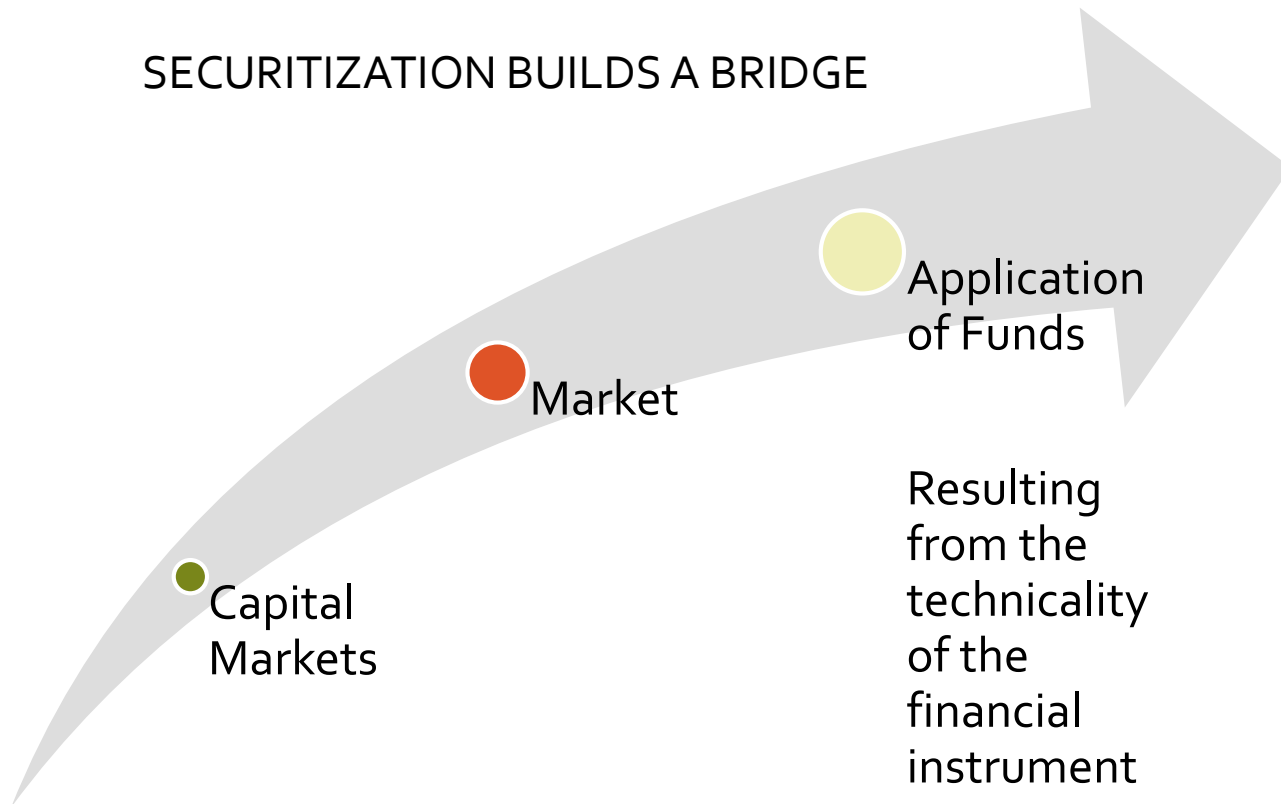
March 20th, 2018

JAMAICA INTELLECTUAL PROPERTY OFFICE AND ECONOMIC DEVELOPMENT



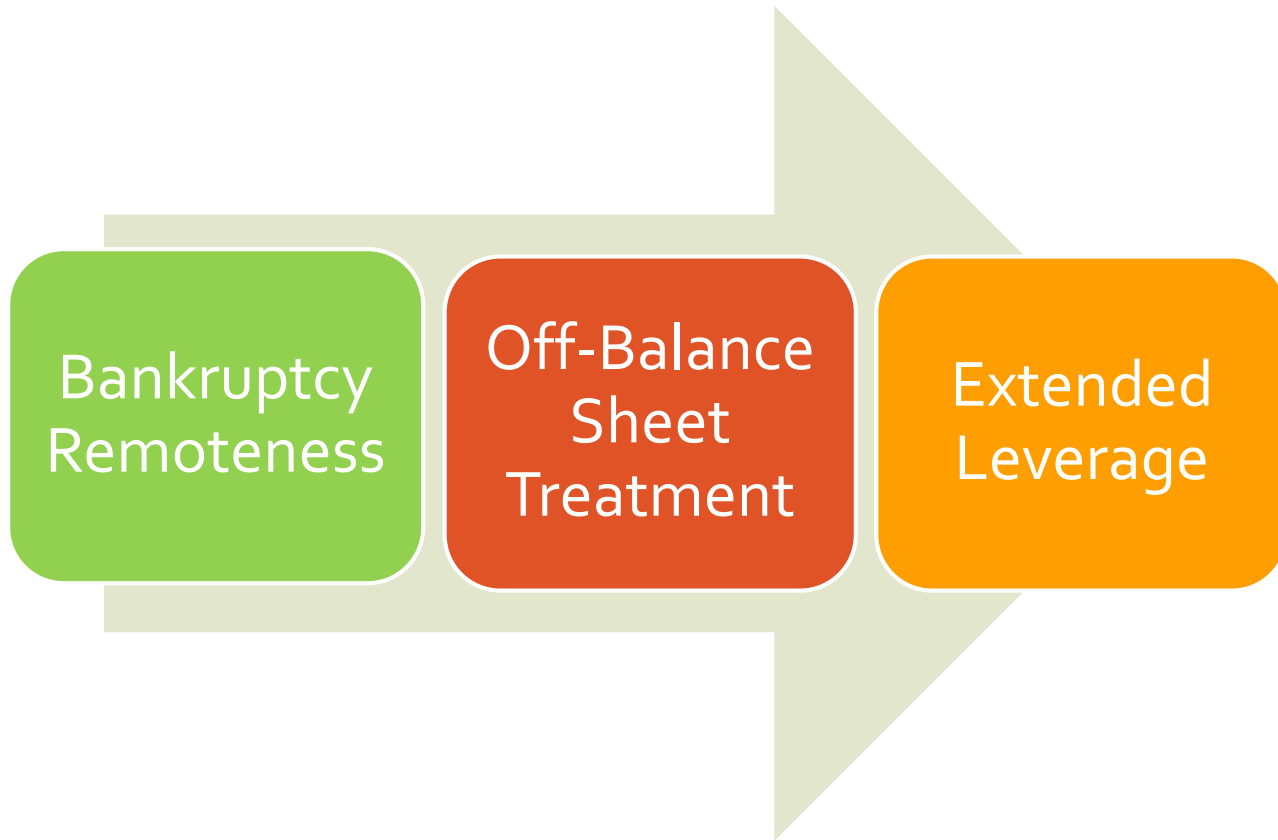
SECURITIZATION

SECURITIZATION BUILDS A BRIDGE



SECURITIZATION

is a preferred form of funding

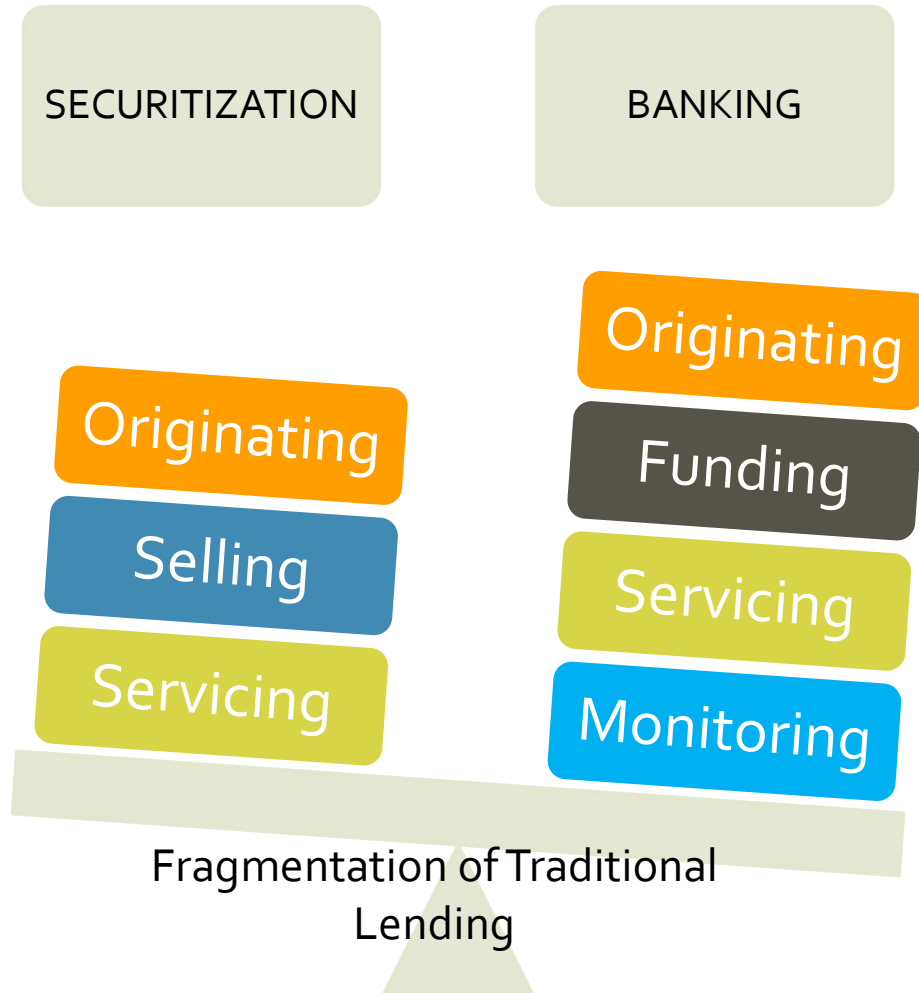


SECURITIZATION AND CAPITAL MARKETS

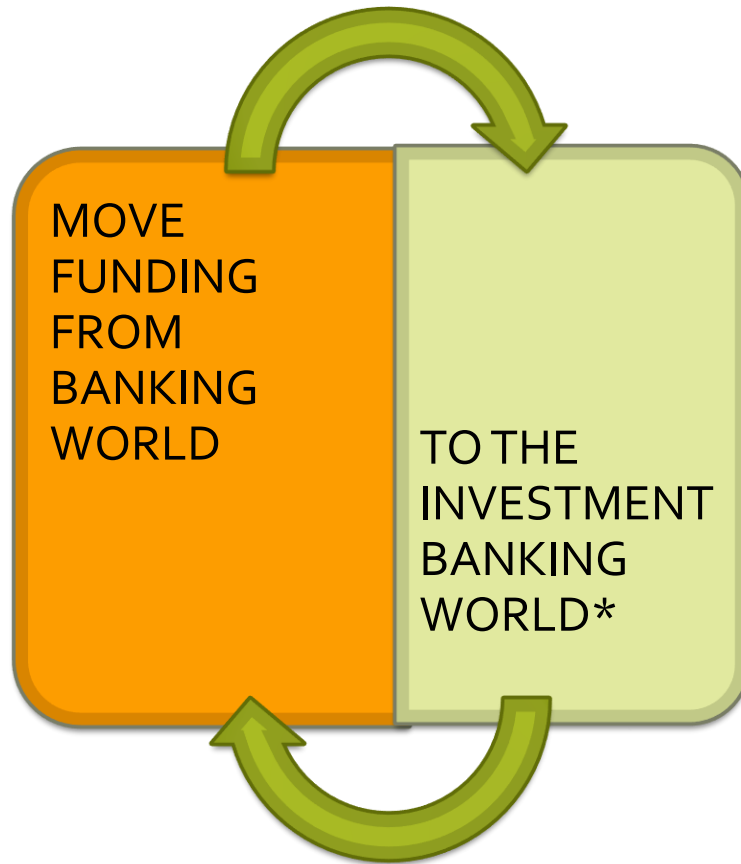


As the substitution of more efficient public capital markets for less efficient, higher cost, financial intermediaries in the funding of debt instruments

SECURITIZATION AND BANKING



THE IDEA OF SECURITIZATION

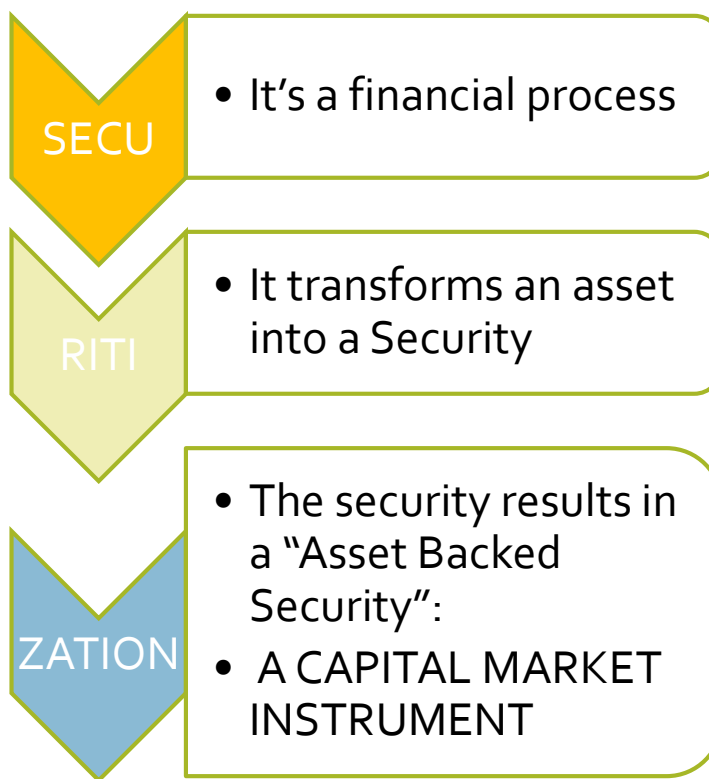


* It's riskier; therefore, it must be properly regulated

PURPOSE OF SECURITIZATION



Meaning of SECURITIZATION



ASSET BACKED SECURITY

It simply an exposure in an asset or a bunch of assets

- It is not a claim on an entity but an asset

Value added: Inter-creditor Arrangement

- Legal preference and Structural preference

ASSET BACKED SECURITY

LEGAL
PREFERENCE

- Investor has a claim over the assets, before anyone else by isolating the claimed asset

STRUCTURAL
PREFERENCE

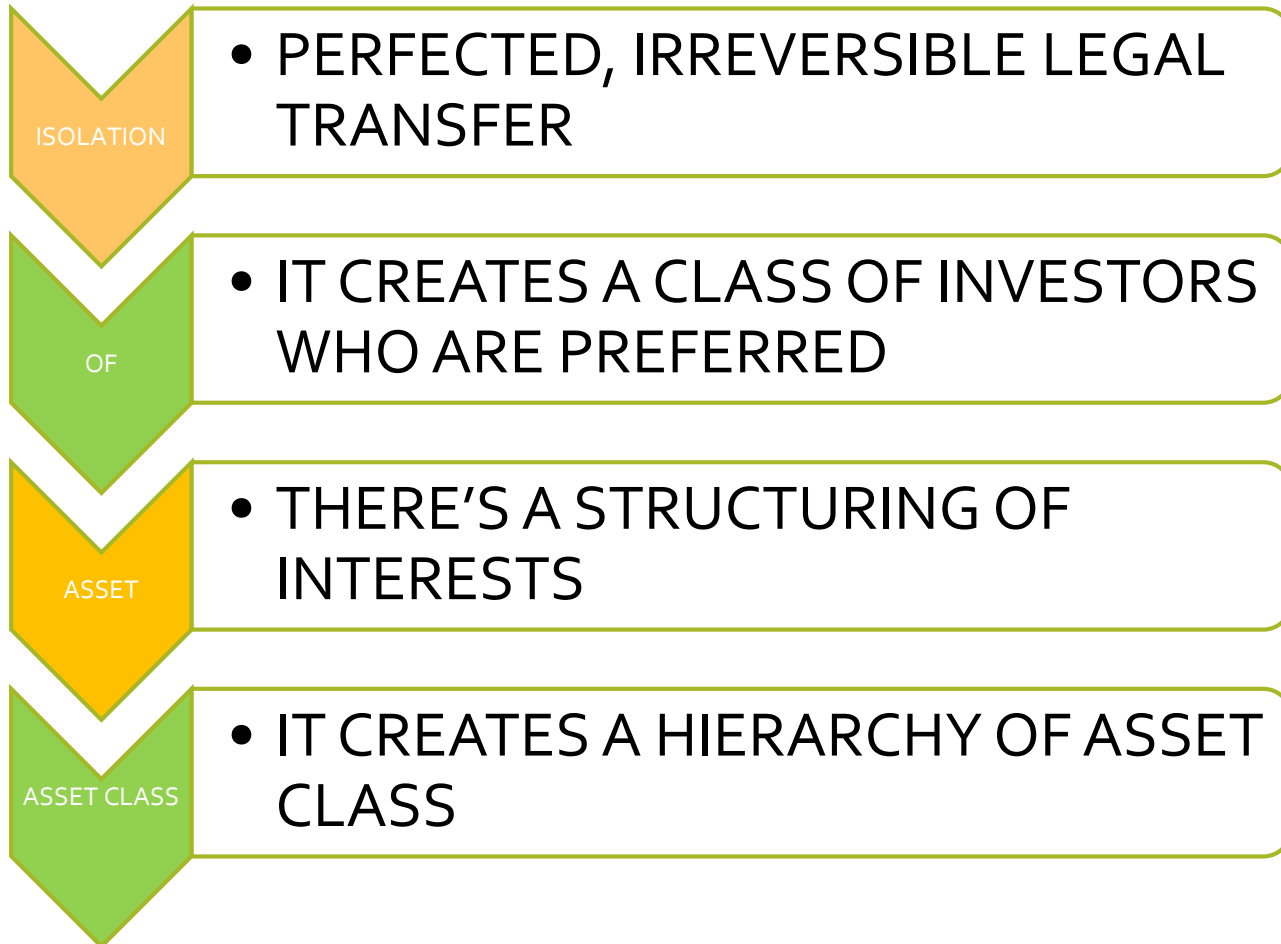
- It refers to the qualitative standards of the assets

KEY TO
SECURITIZATION

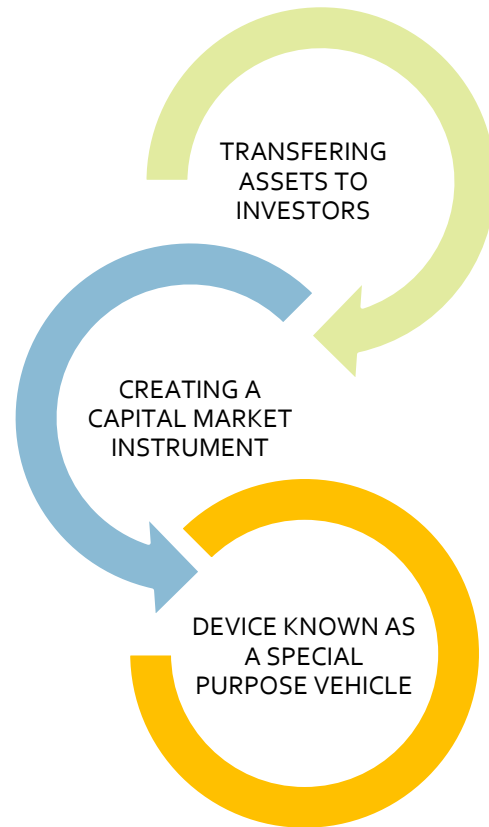


ASSETS ARE
GROUPED BUT NOT
"CHERRY-PICKED"

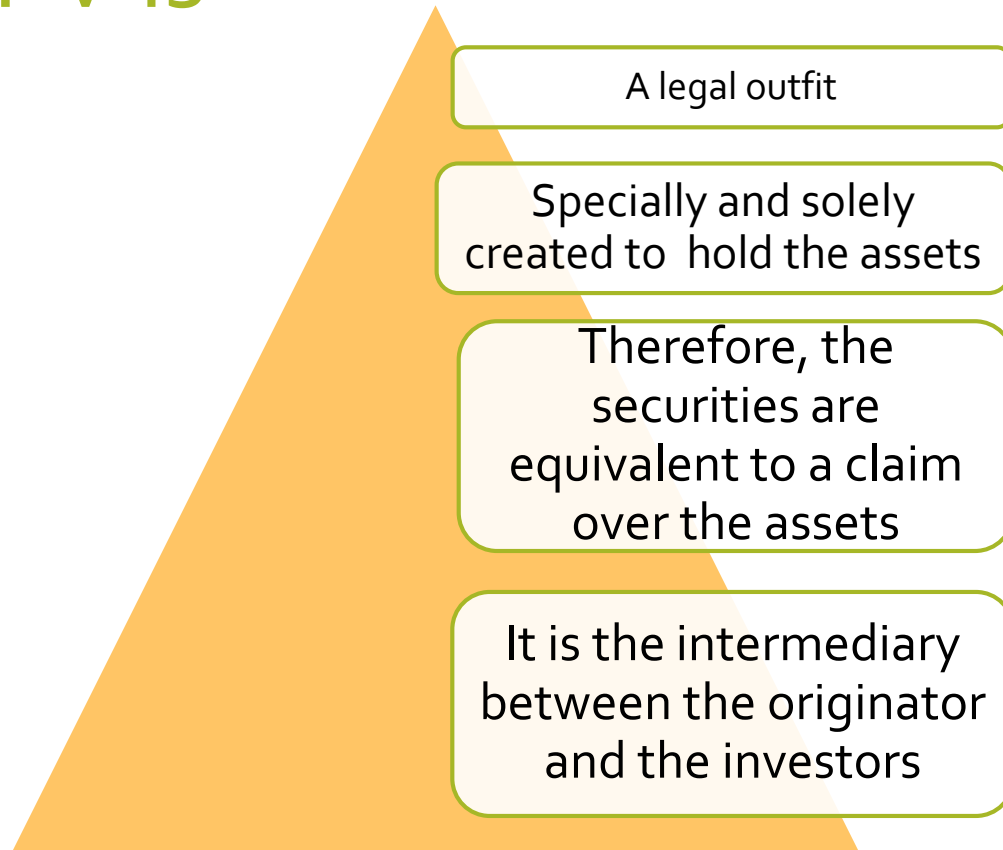
LEGAL PREFERENCE



USE OF SPECIAL PURPOSE VEHICLE

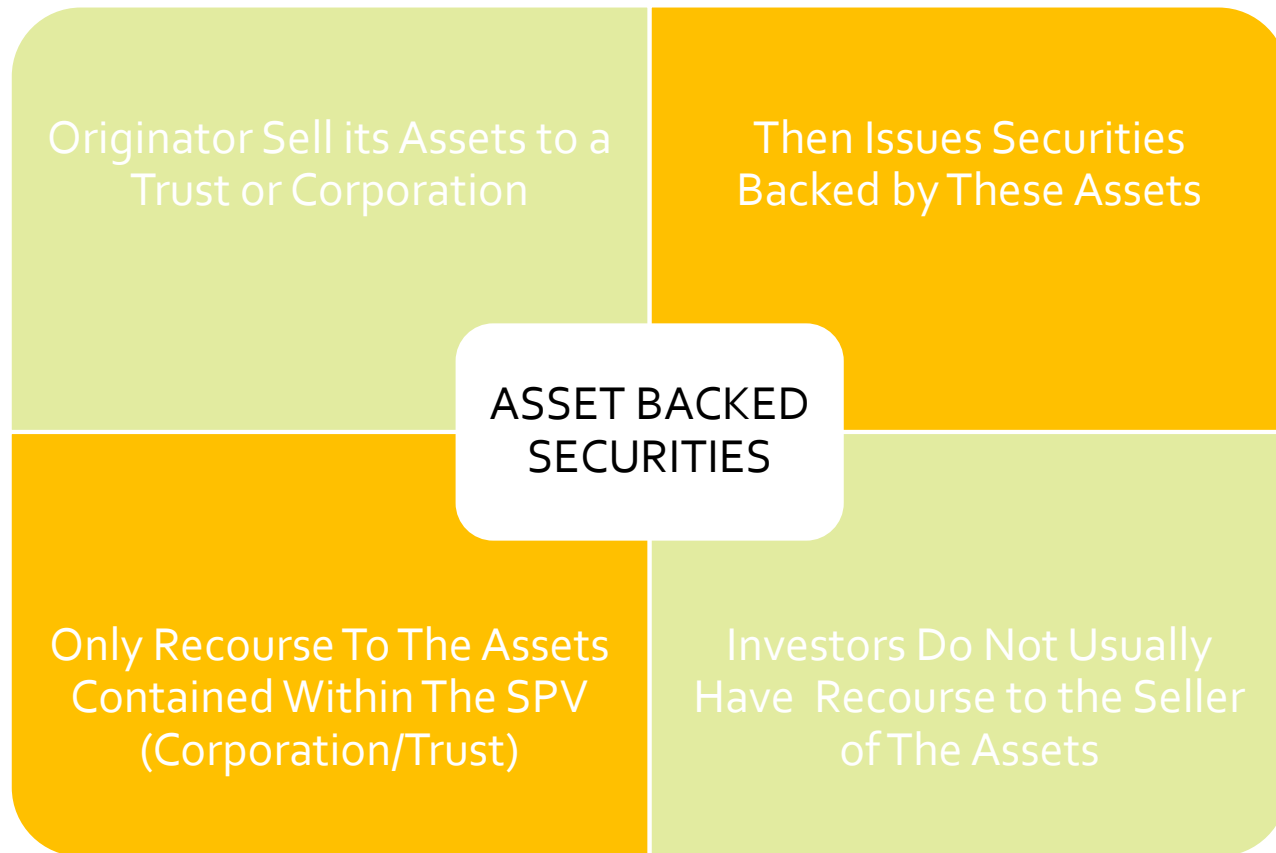


The SPV is

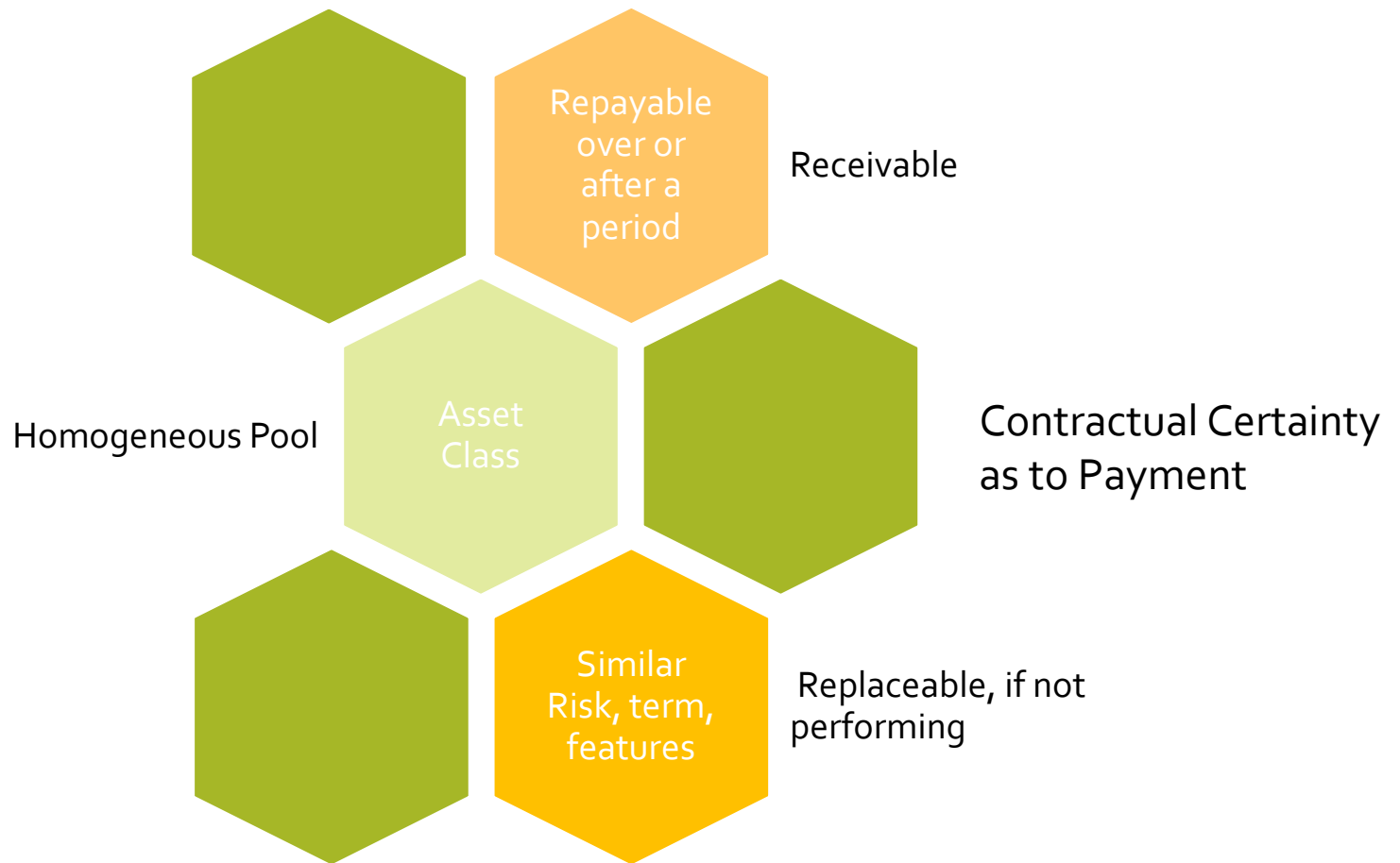


SECURITIZATION = ASSET- BACKED SECURITIES

SECURITIZED BONDS – STRUCTURED FINANCING



PACKAGING A SECURITY



ASSETS TRADITIONALLY USED IN SECURITIZATION

Receivables

- Mortgage
- Car Rental
- Credit Card

Invoices

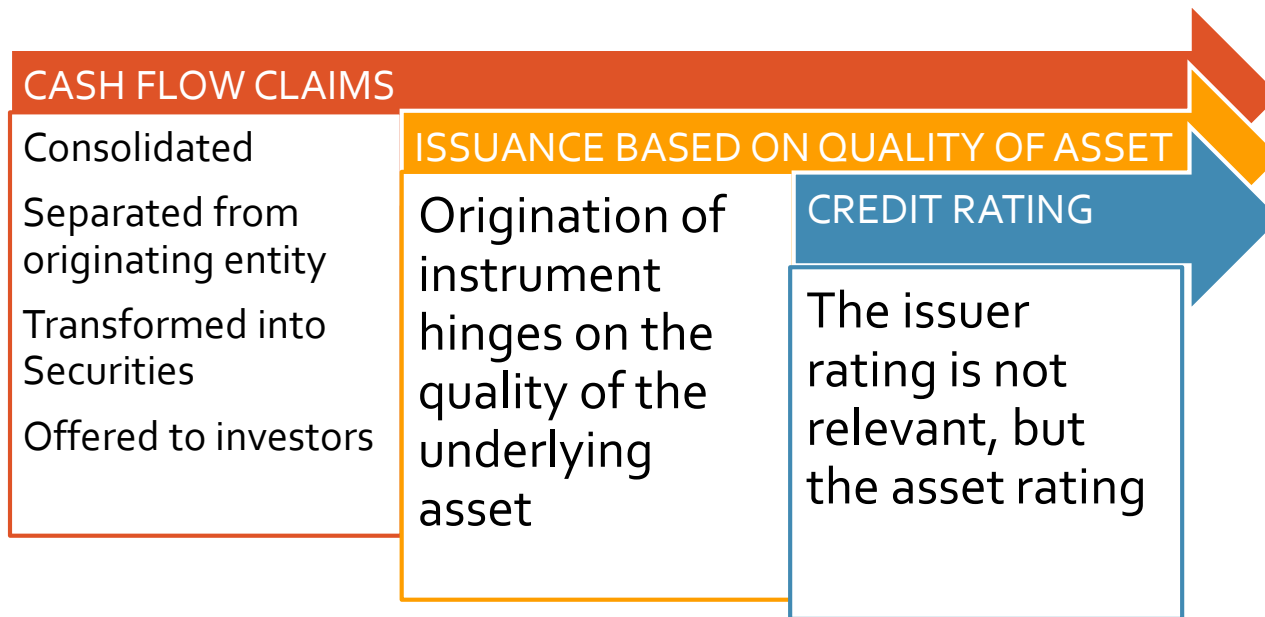
- Electricity
- Telephone
- Insurance

Arrangements

- Equipment Leasing
- A full array of Financial Claims

Common Requirement: Tangible Economic Value

PROCESS IN SECURITIZATION



THIS IS ASSET-BACKED FINANCE!

PLAYERS AND INSTRUMENTS

ORIGINATOR

- Responsible for originating the claims
- Transfers receivable

TRANSFEROR

- Original underwriter of the claim or the asset

RE-PACKAGER

- Who buys the assets from the market to securitising them

PLAYERS AND INSTRUMENTS

INVESTORS

- Who put money into the instrument, could change over time

ABS

- Security supported by specific assets and repayable from such assets (certificates)
- Name based on their risks or features

CLAIMS

- Either existing claims or expected claims over time
- Exclusive source of repayment (bankruptcy remoteness)

PLAYERS AND INSTRUMENTS

COLLATERAL

- Assets or receivables that back up the securities

ASSIGNMENT OF RECEIVABLES

- Equals to the transfer of receivables

SPV

- Intermediary or conduit for the benefit of the investors
- It becomes the issuer
- May be responsible of managing the cash flow (Trust)

SECURITIZATION AND SECURED CREDITS

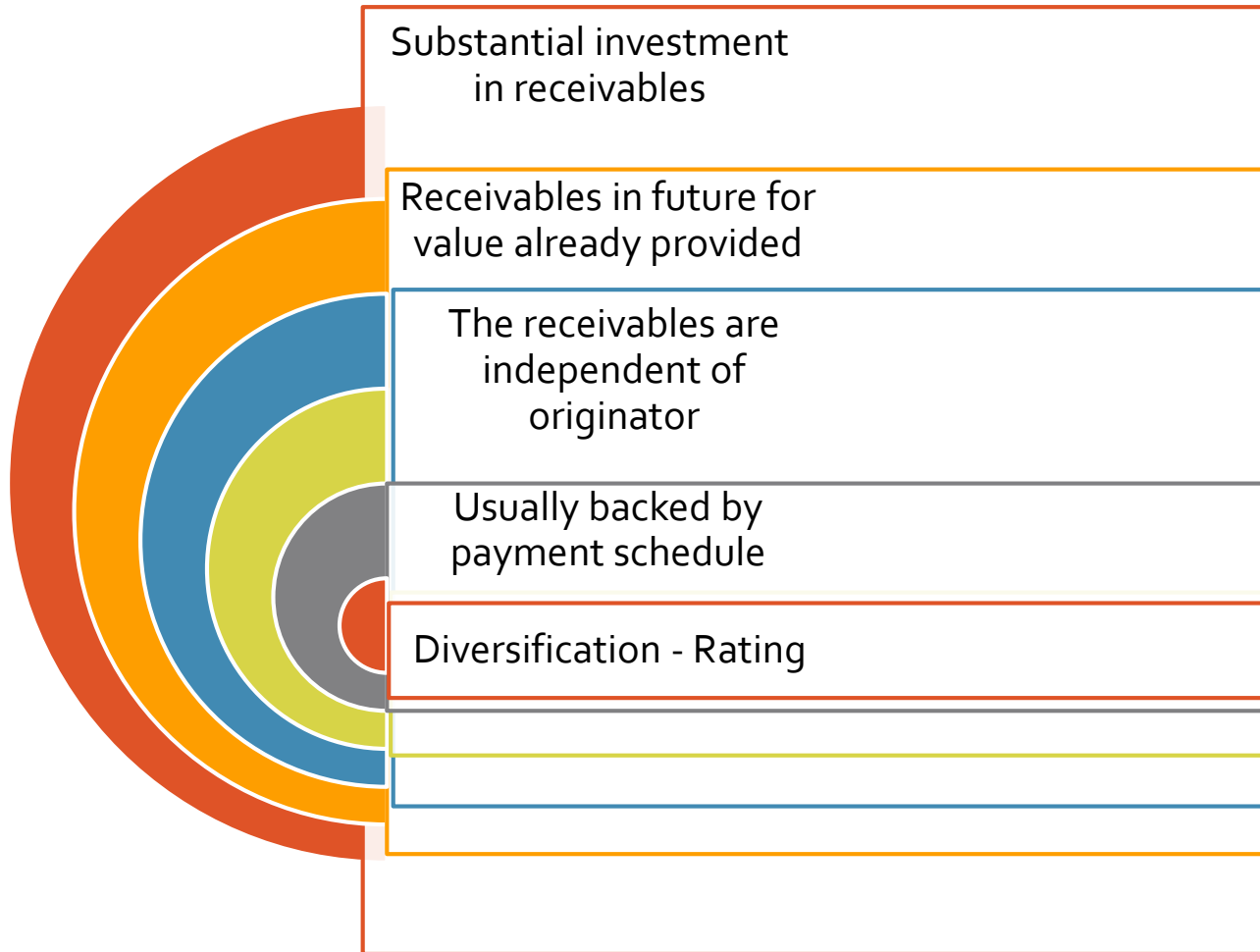
SECURED LOAN

- Secured mostly by tangible asset
- Right to dispose the asset to realize the amount due
- Subsidiary recourse to borrower

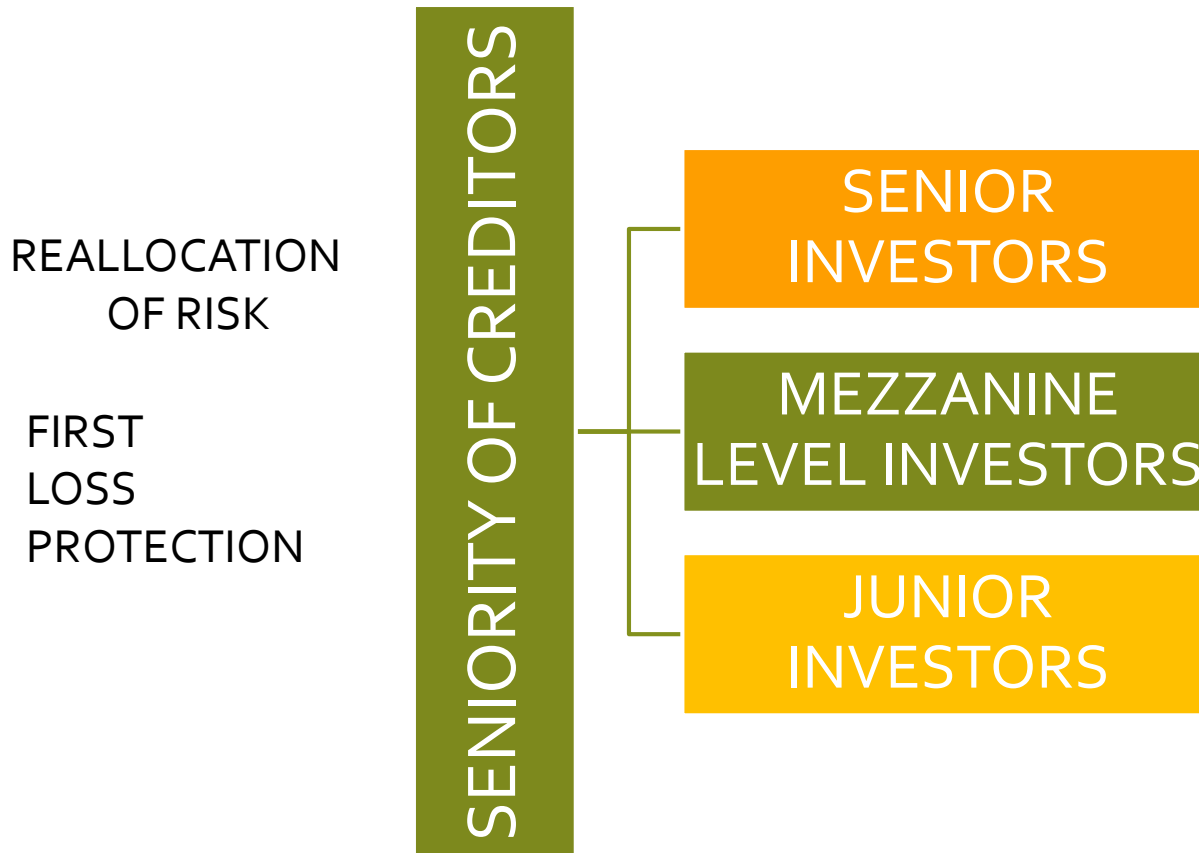
SECURITIZATION

- It's usually applied for funding of working capital or receivables
- Mutually exclusive AB finance
- Asset is exclusive recourse

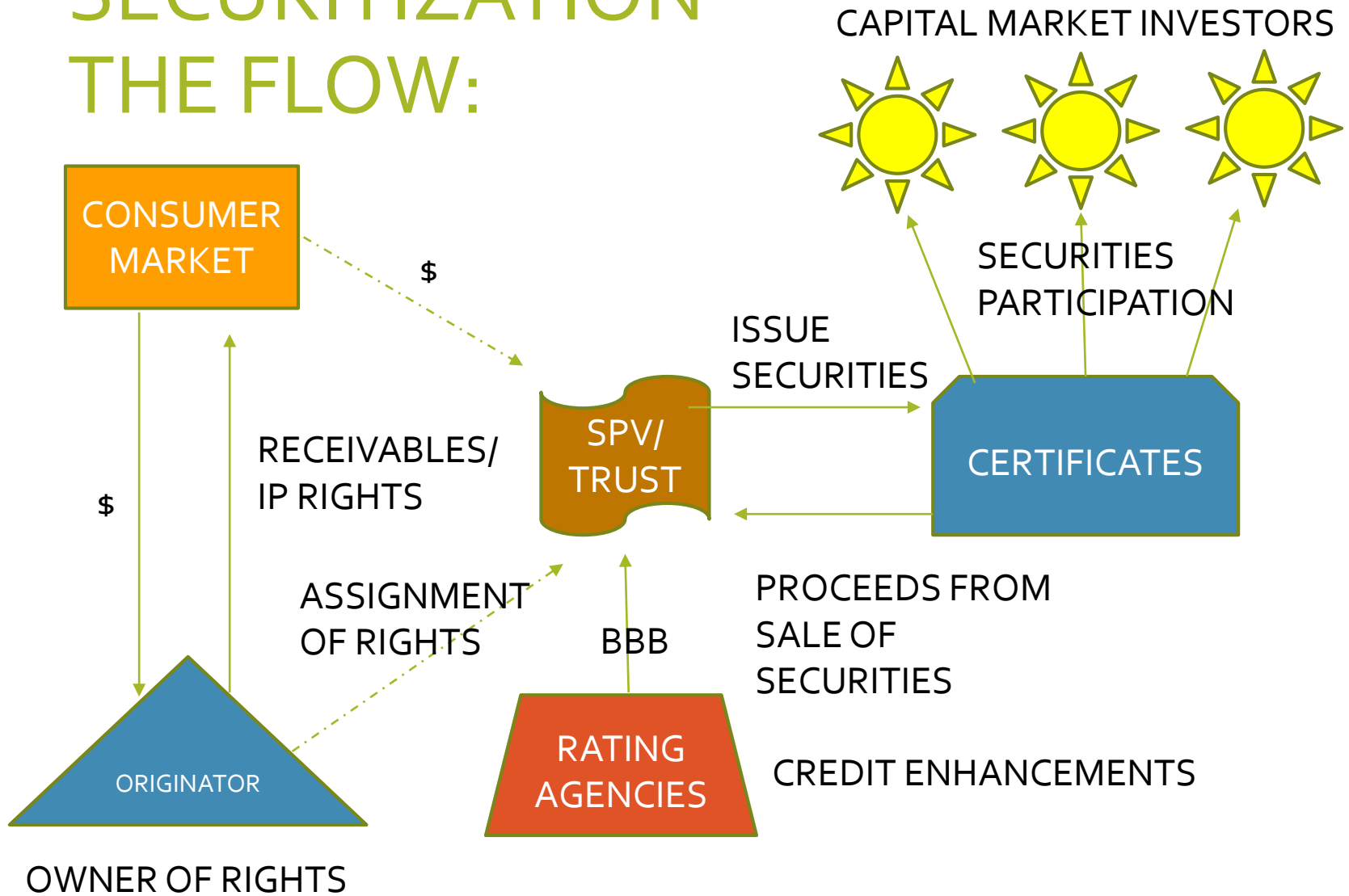
FEATURES OF SECURITIZATION



CREDIT ENHANCEMENTS IN SECURITIZATION



SECURITIZATION THE FLOW:



ECONOMIC IMPACT OF SECURITIZATION

FACILITATES CREATION OF MARKETS IN FINANCIAL CLAIMS

DISPERSES HOLDING OF FINANCIAL ASSETS

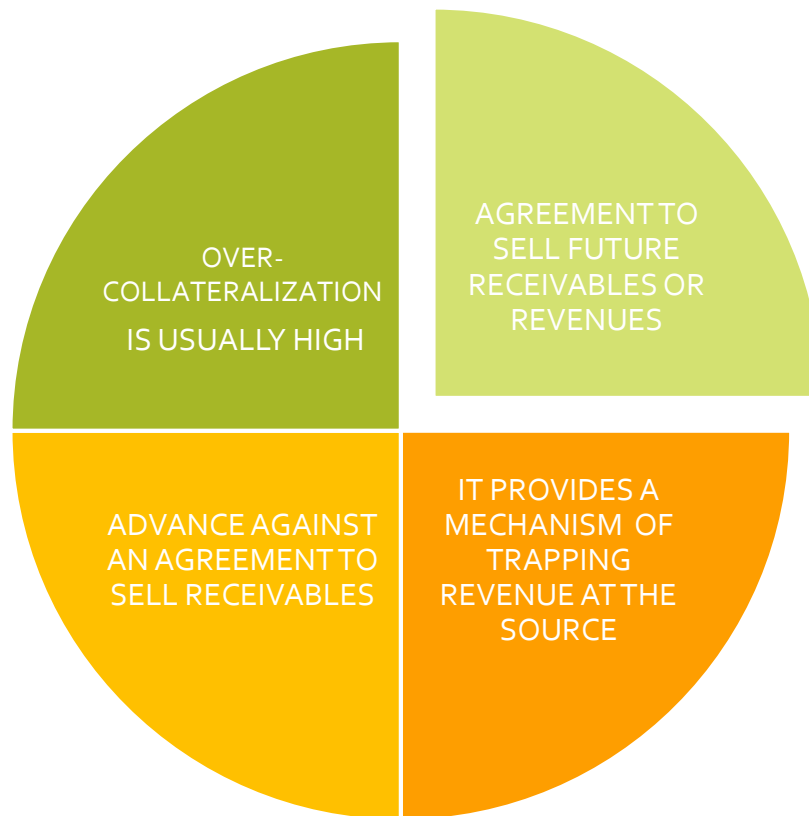
PROMOTES SAVINGS

REDUCES COSTS

DIVERSIFIES RISK

FOCUSES ON THE USE OF RESOURCES

ASSET BACKED AND FUTURE FLOWS SECURITIZATION



FUTURE FLOWS SECURITIZATION

INTELLECTUAL PROPERTY AS AN ASSET CLASS IN SECURITIZATION



INTANGIBLE PROPERTY AS AN ASSET CLASS

ROYALTIES AND OTHER IP OF MUSIC STARS, PERFORMERS, AUTHORS AND CINEMA PERSONALITIES

BOWIE BONDS AND OTHER RELEVANT IP SECURITIZATION

OTHER RELEVANT MUSIC IP SECURITIZATION

ASHFORD &
SIMPSON

SCORPION

JAMES
BROWN

ISLEY
BROTHERS

IRON LADY

IRON
MAIDEN

MOWTOWN

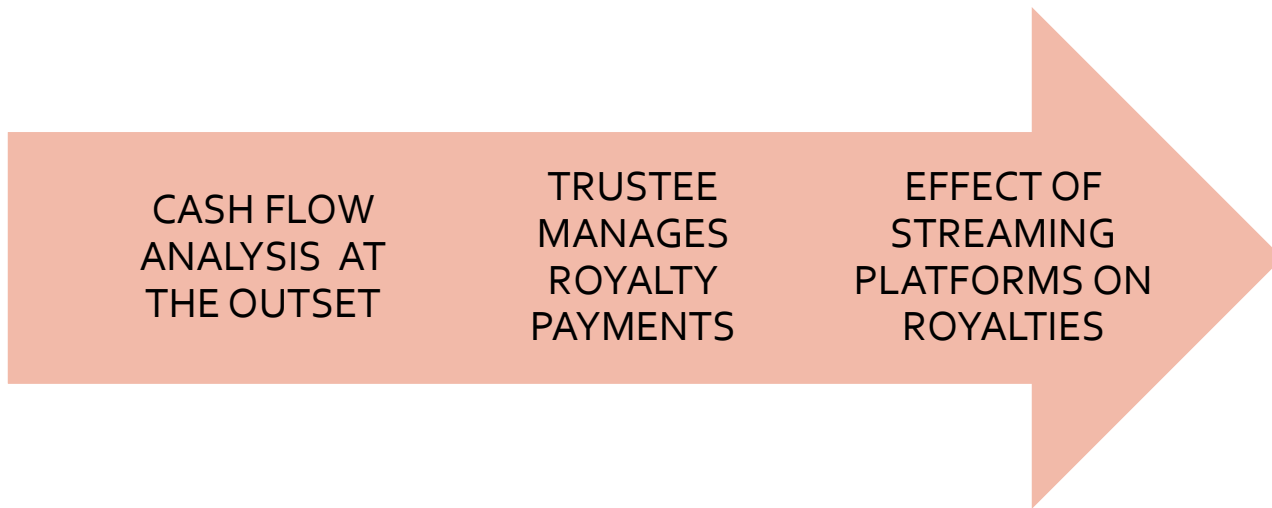
ROD
STEWART

FEATURES OF ROYALTY BASED SECURITIZATION



VALUING MUSIC ROYALTIES

IT MAY PROVE TRICKY!!!



DUE DILIGENCE ON MUSIC ROYALTIES

SECURITY INTEREST

CREATION, PERFECTION AND ENFORCEMENT OF
INTERESTS IN THE ASSET

ROYALTY RIGHTS

RATES AND VALUATION OF LICENSED IP

TRANSFER

APPROPRIATE LEGAL MECHANISM TO TRANSFER RIGHTS

DUE DILIGENCE ON MUSIC ROYALTIES

SECURITIES LAW

EITHER SOLD IN A PUBLIC OFFERING OR A
PRIVATE PLACEMENT

TAXES

APPROPRIATE TRATMENT FOR ALL THE
PARTIES

ACCOUNTING

APPROPRIATE TRATMENT FOR ALL THE
PARTIES



CASH FLOW AND MUSIC

REPAYMENT SOURCES

CASH FLOW GENERATED FROM THE COPYRIGHTS (ROYALTY INCOME)

- LIQUIDATION PROCEEDS FROM THE SALE OF THE COPYRIGHTS

CREDIT ENHANCEMENTS IN THE TRANSACTION

- RESERVE ACCOUNTS

ASSETS MUST DISPLAY SIGNIFICANT REVENUE GENERATING HISTORY!

DETAILS ABOUT SOURCES OF REVENUE

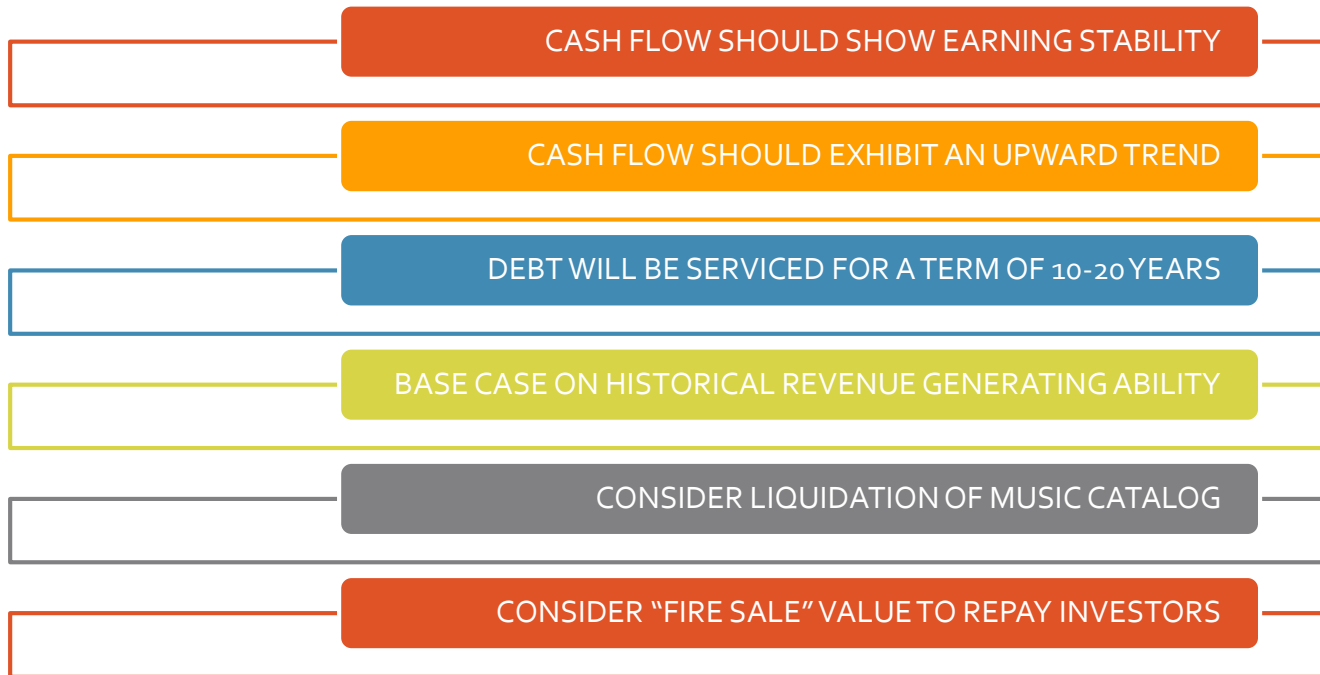
PUBLISHING ROYALTIES

MECHANICAL ROYALTIES

PERFORMANCE ROYALTIES

SYNCHRONIZATION ROYALTIES

ARTIST ROYALTIES



FINAL REMARKS

PROSPECTS OF IP ASSET BASED FINANCING IN JAMAICA

FOCUS ON
MOVABLE
COLLATERAL
TRANSACTIONS

IDENTIFY
POTENTIAL
SECURITIZATION
TARGETS

FOCUS ON
RELIABLE DUE
DILIGENCE TO
DETERMINE
ECONOMIC
VALUE OF
SUITABLE IP
RIGHTS

FOCUS ON
PROMOTING
CREDIT
MODELING

GET UP, STAND UP ...

“Passion is one great force that unleashes creativity, because if you're passionate about something, then you're more willing to take risks.”

Yo-Yo Ma



