

The Flattening World of Corporate Lending: Our clients have long been seeking to tap creative financing options that leverage their assets and cash flows domiciled outside the United States. Historically, this has meant multiple lenders with discrete collateral pools, complex repatriation agreements, and a drawn out closing process. With the globalization of private credit and cross-border consolidation among commercial banks, more efficient, one-stop solutions are gaining prevalence. Many feature asset based loans, which can increase borrowing power for companies with less predictable cash flows. While the US relies on the Uniform Commercial Code ("UCC") to standardize rules across state borders, each international jurisdiction has its own nuances around collateral treatment, lien perfection, and capital recovery that must be carefully considered – both by lenders and borrowers.

Cross-Border Asset Based Lending: What You Need to Know

Canada

- Each province has adopted the Personal Property Security Act (the "PPSA") based on the principles of the UCC
- Under the PPSA, perfection is not obtained via control over deposit accounts, but rather by registering a financing statement against the debtor
- Like the UCC, the PPSA allows for repossession upon default, but provides a much broader definition of default

Latin America

- In Mexico, security over receivables can be taken through either a pledge of the receivables or a guarantee trust, while the UCC requires attachment and perfection
- In Brazil, each property, asset or right given as a security must be fully identified at the time the lien is perfected whereas in the US, a company may grant security over future assets and obligations

Europe

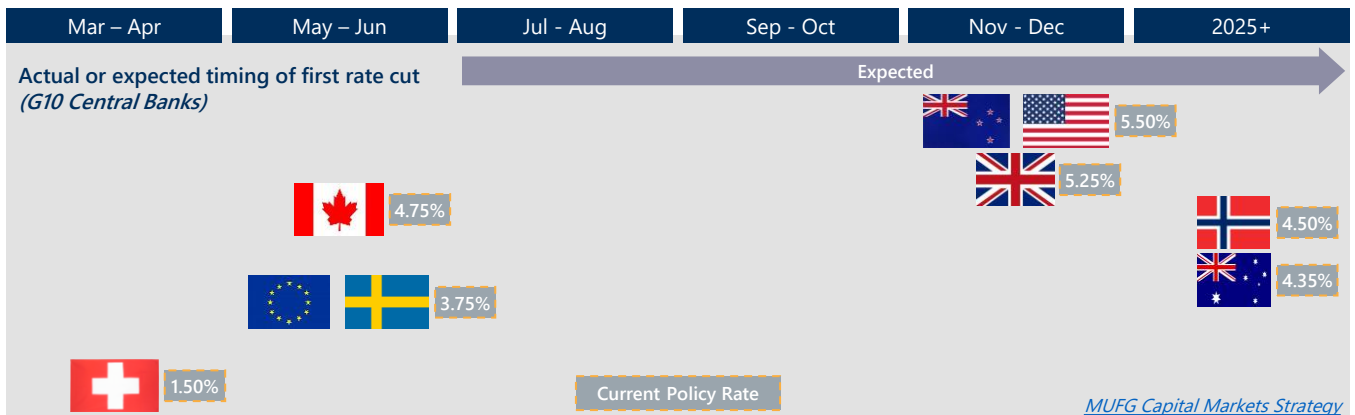
- In the UK, a common law jurisdiction, establishing a lien and perfection against a third party requires the secured lender to take physical control of the goods
- In France and Germany, both civil law countries, collateral must be described at length in filing forms with much greater specificity than what's required by the UCC (*i.e.* descriptions that include serial numbers)

Asia

- In Japan, general security agreements, such as blanket liens or floating charges on current assets, are not available
- In China, loan documents cannot state ownership of the pledged property will be transferred to the pledgee, implicating that a properly attached and perfected security may not sufficiently allow lenders to foreclose

Proprietary Insights from Our Colleagues at MUFG

*"Historically, the Fed leads the global financial cycle, typically leading the pivot to new policy regimes. With the US economy outperforming its G10 peer group even after 525 bps of tightening, the **policy sequencing is different this time**. With 8 of the G10 central banks meeting in June, more clarity on relative policy pivots will be forthcoming. For global markets, the implications will be formidable across rates, currencies, capital flows, and portfolio allocations."*



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