

ARC publishes updated Global Asset Backed Commercial Paper (ABCP) Criteria

London, 26 February 2018 - ARC Ratings has published its updated Global Asset Backed Commercial Paper (ABCP) Criteria. This is an update to the methodology previously published on 23 February 2017. There are no material changes and as such no rating impact. This methodology can be accessed at www.arcratings.com.

ARC Ratings' ("ARC") Global Asset Backed Commercial Paper (ABCP) Criteria (the "Criteria") lays down the fundamental considerations for any ABCP transaction rated by ARC. There are a number of different types of ABCP programme structures and support mechanisms, which are detailed in this report. ABCP is rated by analysing (i) the conduit and transaction structure, (ii) capabilities of the sponsor and administrator as well as an analysis of the sponsor's investment guidelines, (iii) support mechanisms and (iv) an analysis of the underlying collateral. ABCP programmes are accorded a short-term rating, which reflects the short-term exposure to default of the rated entity and its capacity to meet its financial obligations within a 12-month period. ABCP is short term debt, issued on a discount or interest-bearing basis, with a maturity not exceeding 364 days. ABCP ratings accorded by ARC are in respect of full and timely repayment of both principal and interest. ARC's analysis addresses the principal risks to ABCP investors (cash flow timing mismatches, the credit risk of the underlying collateral and seller or servicer risks) and the mitigation of these risks through credit enhancement, liquidity facilities, investment guidelines, issuance tests and triggers. ARC's analysis for fully supported ABCP programmes is focused on the programme structure, support mechanisms and support providers since timely and full repayment of the ABCP is assured by liquidity / credit support that provides full protection against credit losses on the underlying portfolio. For partially supported ABCP programmes, an analysis of the underlying portfolio and transaction, as well as the programme structure and support mechanism, is carried out to ensure the underlying collateral is commensurate with the rating of the CP issued.

An ABCP programme is typically structured as a bankruptcy-remote SPV that issues commercial paper ("CP"). The proceeds of such issuance are used to finance interests in various assets / securities via a traditional asset purchase or a secured loan. ABCP programmes, in general, issue short term liabilities to fund long term assets with structural mechanics to cover potential repayment shortfalls caused by timing mismatches. Typically, the pools of assets are revolving, with no scheduled amortisation. An ABCP programme typically funds multiple and varied asset types creating a diversified portfolio.

The Criteria applies globally, however, specific transactions may give cause to additional observations or deviations which will be disclosed in the transaction rating reports.

This should be read in conjunction with ARC's Global Structured Finance Criteria.

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