

Media Release

Chailease 2019 Securitization Special Purpose Trust Assigned Preliminary Ratings

November 8, 2019

Rating Action

Taiwan Ratings Corp. today assigned its 'twAAA (sf)' preliminary rating and 'twA (sf)' preliminary rating to the Class A notes and B notes, respectively, to be issued by Land Bank Of Taiwan as trustee of **Chailease 2019 Securitization Special Purpose Trust**. The transaction is backed by a portfolio of Taiwan-dollar-denominated lease, instalment, and collateralized lending receivables originated by Chailease Finance Co. Ltd.

The preliminary ratings are based on information as of Nov. 8, 2019. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings.

Rationale

The preliminary ratings assigned by Taiwan Ratings Corp. to the notes reflect the likelihood of the issuer to pay interest in full on time and to repay principal no later than the legal final maturity date, according to the terms and conditions of the notes. Our preliminary ratings reflect the following factors:

- The credit risk associated with the underlying collateral portfolio and the credit support available under the Class A notes and B notes are commensurate with our view of credit risk under 'twAAA' and 'twA' rating stress. Our assessment of credit risk also takes into account Chailease's (as the originator and servicer in this transaction) underwriting policy, foreclosure process, business strategy, recent historical performance of the underlying receivables, as well as transaction structure, including but not limited to, the amortization triggers, revolving period, and eligibility criteria of receivables that the SPT can invest in.
- The credit support for the Class A notes comprises the subordination of the Class B notes and the Class C notes, while credit support for the Class B notes includes the subordination of the Class C notes only. Any losses on the collateral pool will be absorbed by the Class C notes first, followed by the Class B notes, then the Class A notes. In addition, upon the occurrence of any trust enforcement event, like reaching transaction legal maturity, the transaction can use any balance remaining in the cash reserve amount to repay the notes, providing additional credit support for the transaction. We also consider the potential recovery from the margin principals provided by the underlying obligors.
- In our view, the transaction's cash flows can meet the timely payment of interest and ultimate payment of principal to the rated notes by the legal maturity date under stresses commensurate with the ratings assigned. Our rating stresses consider the scenarios including, but not limited to, the assumed default rate and recovery rate under the respective rating scenarios, stressed prepayment speed, stressed fees and expenses, as well as different default patterns.

PRIMARY CREDIT ANALYST

Caroline Shih
Taipei
+886-2-8722-5859
caroline.shih
@spglobal.com
caroline.shih
@taiwanratings.com.tw

SECONDARY CONTACT

Joe Lin
Taipei
+886-2-8722-5856
joe.lin
@spglobal.com
joe.lin
@taiwanratings.com.tw

- The timely payment of senior expenses/fees and the rated note coupon is first supported by the use of interest, and then if needed, principal collections from the underlying pool of receivables (i.e. principal draw), and lastly an initial cash reserve equal to 0.23% of the initial note issuance amount which will be amortized by factors like the rated note balance that may be gradually redeemed over the transaction life, based on the pre-determined formula stipulated in the transaction document. The timely payment of senior expenses/fees is also underpinned by the additional cash reserve that the transaction will also set aside from the underlying interest collection during the transaction life if the revolving period ceases.
- The transaction has counterparty exposure to Land Bank of Taiwan (twAA/Stable/twA-1+) as a bank account provider. The rating on the bank account provider, coupled with the replacement trigger of the bank account provider if the rating on it falls below a certain level, is consistent with our counterparty criteria to support the 'twAAA' rating on the notes. The rating requirement and replacement language of the eligible investment in transaction documents is akin to the risk as bank account provider, in our view and is also able to support the transaction.
- The operational risk of this transaction, particularly Chailease acting as the servicer, is consistent with our operational risk criteria to support a 'twAAA' rating. Our assessment is mainly underpinned by the transaction's documented provisions regarding servicer termination and replacement, as well as Chailease's franchise value, market position, and experience.
- The legal structure of the trust, established as an SPT under the Taiwan Financial Asset Securitization Act, and the transaction structure and terms, reflects our criteria for asset isolation and insolvency remoteness.

The full report "**Presale: Chailease 2019 Securitization Special Purpose Trust**" is available on Taiwan Ratings' website at: <http://rrs.taiwanratings.com.tw>

Related Criteria & Research

Related Criteria

- Criteria | Structured Finance | ABS: Global Equipment ABS Methodology And Assumptions, May 31, 2019
- Criteria - Structured Finance - General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Understanding Taiwan Ratings' Rating Definitions, www.taiwanratings.com –June 26, 2018
- Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- Methodology For Linking Long-Term And Short-Term Ratings, April 07, 2017
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria - Structured Finance - General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, October 9, 2014
- Criteria - Structured Finance - General: Global Framework For Cash Flow Analysis Of Structured Finance Securities, October 9, 2014
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010

Related Research

- Asia Pacific Quarterly: Confidence Is Shaken But Policy Is Stirred, October 1, 2019
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, December 16, 2016

(Unless otherwise stated, these articles are published on www.standardandpoors.com, access to which requires a registered account)

Ratings List

Preliminary Ratings Assigned

Chailease 2019 Securitization Special Purpose Trust

Class	Ratings	Amount (NT\$ mil)
Class A	twAAA (sf) (prelim)	3,965.0
Class B	twA (sf) (prelim)	465.0
Class C	N.R.	1,088.6

N.R.--Not Rated

REGULATORY DISCLOSURES

Please refer to the full report for any additional regulatory disclosures that may apply to a transaction.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.taiwanratings.com for further information. Complete ratings information is available to subscribers of Rating Research Service at rrs.taiwanratings.com.tw. All ratings affected by this rating action can be found on Taiwan Ratings' public website at www.taiwanratings.com.

Copyright © by Taiwan Ratings Corp. All rights reserved.

Copyright © 2019 by Taiwan Ratings Corporation (TRC). All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of TRC. The Content shall not be used for any unlawful or unauthorized purposes. TRC and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively TRC Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. TRC Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. TRC DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall TRC be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. TRC's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. TRC assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. TRC does not act as a fiduciary or an investment advisor except where registered as such. While TRC has obtained information from sources it believes to be reliable, TRC does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, TRC reserves the right to assign, withdraw or suspend such acknowledgement at any time and in its sole discretion. TRC disclaims any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

TRC keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of TRC may have information that is not available to other TRC business units. TRC has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

TRC receives compensation for its solicited ratings and certain analyses, normally from issuers, originators, arrangers, or underwriters of securities or from obligors. TRC reserves the right to disseminate its opinions and analyses. TRC's public ratings and analyses are made available on its Web sites, www.taiwanratings.com (free of charge), and rrs.taiwanratings.com.tw (subscription), and may be distributed through other means, including via TRC publications and third-party redistributors. Please click [here](#) for any other conflict of interests that may affect the credit rating as requested by the regulator.