

## Media Release

# Rating On Class B Notes Of Standard Bank CBO 2007-1 Lowered To 'Dp (sf)'; Rating Then Withdrawn

December 18, 2019

## Overview

- On Dec. 16, 2019, we received notification from the trustee, Land Bank Of Taiwan, that the transaction is not able to fully redeem the Class B notes upon the legal maturity date.
- The primary reason for aforementioned missed principal payment for the Class B notes is that the trustee has been unsuccessful in obtaining the refund of a withheld interest income tax from the Taiwan tax authorities.
- We have therefore lowered the rating on the Class B notes to 'Dp (sf)' from 'twCCCp (sf)', and then withdrew the rating.

## Rating Action

Taiwan Ratings Corp. today lowered its rating on the Class B notes issued by **Standard Bank Cash Flow CBO 2007-1 Special Purpose Trust** (Standard Bank CBO 2007-1) to 'Dp (sf)' from 'twCCCp (sf)'. We subsequently withdrew the rating.

## Rationale

The downgrade reflects the failure of the transaction to make its full principal payment on the Class B notes by its final maturity date of Dec. 16, 2019. The primary reason for aforementioned missed principal payment for the Class B notes is that the trustee has been unsuccessful in obtaining the refund of a withholding tax relating to an underlying bond that matured in late 2017. The withholding tax is the only remaining principal payment source for the notes and the trustee initiated the tax refund process in early 2018.

The failure to obtain the refund occurred despite an independent tax analysis at the closing of the transaction based on a tax explanation from Taiwan's tax authorities. The independent tax analysis supported a full refund of the withholding tax to prevent double taxing of the trust income. The defaulted principal represents about 2.43% of the initial outstanding balance of the Class B notes.

The quantitative loss assumptions and the respective sensitivity test are not applicable in this transaction because the downgrade on the Class B notes is primarily driven by the inability of the transaction to make its full principal payment on the Class B notes before its final maturity date.

An agreed-upon procedure is adopted for the independent data check by an independent accountant. We believe the information provided to us for ratings analyses has been reviewed according to this procedure. As a rating agency, we do not conduct separate due diligence checks on the data or information received.

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# Related Criteria & Research

## Related Criteria

- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Understanding Taiwan Ratings' Rating Definitions, www.taiwanratings.com, June 26, 2018
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, December 19, 2014
- 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: Methodology: Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings, Oct. 25, 2013

## Related Research

- Assessing Credit Quality By The Weakest Link, February 13, 2012

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

## Ratings List

### Downgraded

	To	From
<b>Standard Bank Cash Flow CBO 2007-1 Special Purpose Trust</b>		
Class B	Dp (sf)	twCCCp (sf)

### Rating Withdrawn

	To	From
<b>Standard Bank Cash Flow CBO 2007-1 Special Purpose Trust</b>		
Class B	NR	Dp (sf)

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.

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