

Asset-Backed Securities

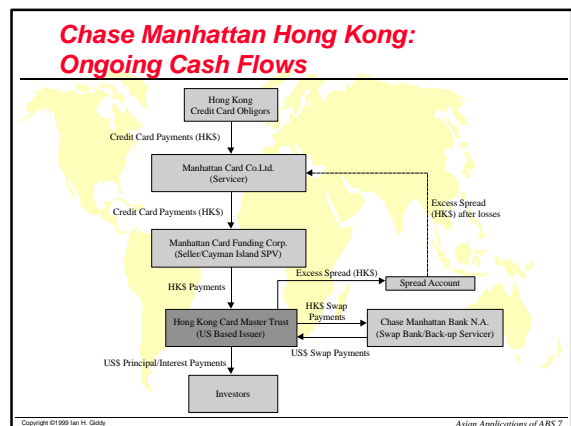
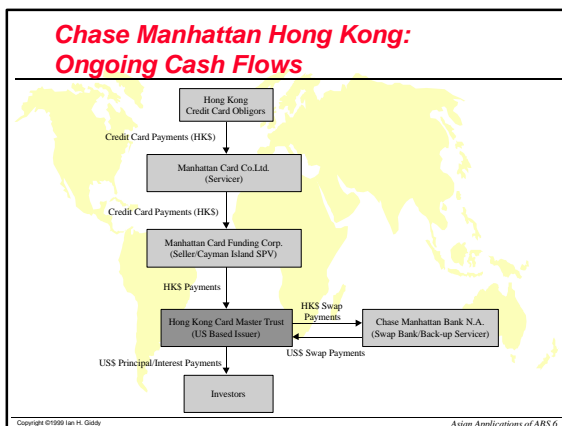
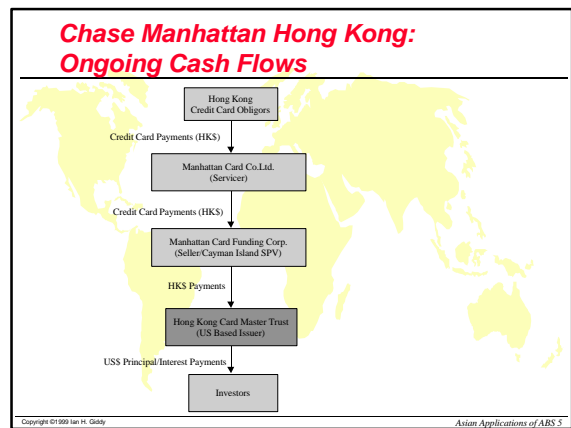
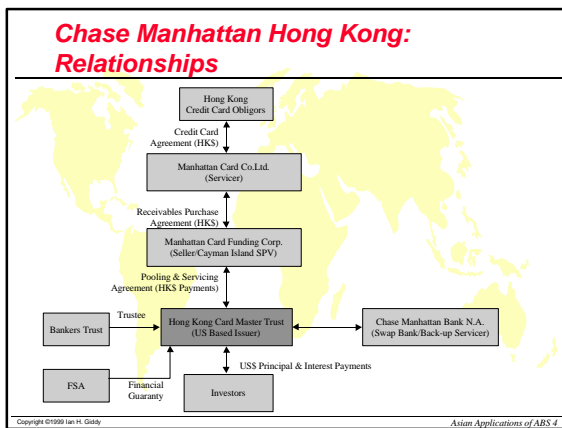
Case Study:
Hong Kong Card Master Trust

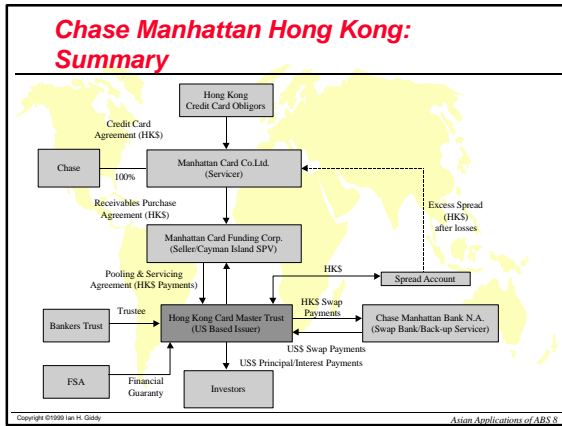
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Hong Kong Card Master Trust

- Using a diagram, show the relationships between the parties
- Define the terms of the deal
- What is the credit quality of the assets?
- What other risks must be reduced?
- How profitable is the ABS deal to the seller/servicer?

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Summary of Terms

Issuer	Hong Kong Card Master Trust
Amount	US\$200mm
Paydown	4-7 years
Calls	5% Clean-up
Rate	Libor+0.25%
Collateral	\$255mm HK credit card receivables pool
Rating	AAA/Aaa (FSA guarantee)

- ### The Assets: Credit Card Receivables
- What is the credit quality of the assets?
- Diversified: 281,352 accounts
 - Charge-offs (0.74%-2.70%)
 - Delinquencies (2.2%-4.0%)
 - Balance/Limit ratio 47%
 - Age: 43% over 3 years
 - Fraud: partial insurance from Visa/MC
 - 25% overcollateralization
 - Servicing: high quality

- ### Other Risks
- Currency risk
 - Interest rate risk
 - Sovereign risk
 - Legal risks
 - Payment timing risks
 - Swap counterparty risk
 - Guarantor risk

The Economics

Average revenue yield	HK\$ 25.25%
Less charge-offs (2xaverage)	HK\$ -1.50%
Less rate paid	US\$ -5.31% (Libor+0.25%)
Other costs (est.)	-2.50%
Net revenue (est.)	+/-16.00%

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