

# Corporate Australasian Securitisation Transactions Pty Ltd.

## Rating

A\$1,000,000,000 Commercial Paper Program ..... F1+

Conduit Inception: December 1997.

## Analysts

Suzanne L. Michaud  
00111 212 908 0604  
smichaud@fitchibca.com

Kevin Stephenson  
02 9375 2171  
kstephenson@fitchibca.com

Ben McCarthy  
02 9375 2300  
bmccarthy@fitchibca.com

## Operating Agent

Citicorp Capital Markets Australia Ltd.  
Drew Riethmuller  
02 9239 9969  
drew.riethmuller@citicorp.com

Chris Van Homrigh  
02 9239 9118  
chris.vanhomrigh@citicorp.com

## Commercial Paper Dealers

Citisecurities Ltd.  
Commonwealth Bank of Australia  
Westpac Banking Corp.

## ■ Summary

Corporate Australasian Securitisation Transactions Pty Ltd.'s (CAST) A\$1 billion commercial paper program is rated 'F1+'. The rating is based on the high quality of receivables and other assets purchased by Corporate Receivables Securitisation Pty Ltd. (CRS), the required reserves dedicated to each receivables pool, a 10% fungible layer of credit enhancement, the liquidity support provided by Citibank, N.A. (Citibank) and other highly rated financial institutions, a sound legal structure, and Citicorp Capital Markets Australia Ltd.'s (CCMAL) strong servicing capabilities.

CAST is a special purpose, bankruptcy-remote entity established for the sole purpose of issuing commercial paper notes with maturities of up to 364 days. Net proceeds of the sale of commercial paper will be used to make loans to CRS. In turn, CRS, a special purpose, bankruptcy-remote entity incorporated in New South Wales (NSW), will use these proceeds to purchase pools of receivables from approved sellers or purchase highly rated asset-backed securities.

CRS will invest in high-quality receivables from a diversified group of Australasian sellers. Transactions will be structured to an investment-grade level. Primary targets will be drawn from Citibank Australia's existing customer base. Sellers rated below investment grade (or deemed below investment grade) may be eligible, as long as the purchased asset pools will have no adverse effect on CAST's ratings.

Substantial credit enhancement and liquidity support provide protection from losses and ensure timely payment of the commercial paper notes. The first layer of credit enhancement is a minimum loss reserve (generally in the form of overcollateralisation) of 5%, though certain exceptions are made that enable loss reserves to be lower. Currently, the minimum loss reserve for asset pools is 10%. In addition to the reserves, there is a fungible 10% layer of loss protection. This layer consists of an irrevocable guaranty currently provided by Union Bank of Switzerland (UBS). UBS is rated 'AAA/F1+' for structured transactions by Fitch IBCA. This layer of enhancement can also be provided by other appropriately rated financial institutions.

Committed liquidity coverage will be maintained at a minimum of 100% in the form of revolving credit facilities. Third-party liquidity sources must be rated 'F1+'. Currently, Citibank (70%) and UBS (30%) serve as liquidity banks.

As operating agent, CCMAL evaluates and structures all asset purchases and monitors asset performance to ensure compliance with CRS's credit and investment policy. CCMAL's capable staff provides in-depth credit expertise, solid structuring capabilities, and experience in identifying and minimising asset deterioration.

### ■ **Structural Overview**

CRS is an independently owned, bankruptcy-remote special purpose entity. It was first incorporated in NSW in 1989, and was designed to look very much like Citicorp's other multi-seller conduits. CRS's strategy is to assemble and maintain a high-quality, well diversified portfolio of Australasian receivables pools. The majority of sellers identified for the conduit have been drawn from Citibank Australia's existing customer base. Similar to other Citibank conduits, CRS has been gradually restructured over the past nine years to broaden its capabilities. For example, it can now purchase longer term receivables, non-investment-grade sellers are allowed, and receivables denominated in investment-grade foreign currencies may be included.

Because the program and the conduit are established entities, Fitch IBCA will treat CRS like a specialised finance company and will review transactions on a post-closing basis (through monthly rating agency reports), as long as a transaction adheres to the credit and investment policy.

Historically, CRS only had the ability to fund its purchases in the US commercial paper market through its wholly owned subsidiary, Corporate Asset Securitization Australia Ltd. Inc. (CASAL), incorporated in Delaware. CAST (incorporated in NSW) will enable CRS to fund in the Australian market. This funding flexibility will enable CRS to offer the most advantageous pricing to its customers while providing them with greater market diversification. The sellers will sell receivables to CRS, which will then be used as collateral for intercom-

pany loans from either CAST for Australian dollars or CASAL for US dollars.

The operating agent, CCMAL, is a specialised group within Citicorp's corporate finance area whose function is to administer receivables securitisation companies pursuant to their related credit and investment policies. Its activities concerning CRS are governed by operating and technical services agreements. Price Waterhouse will conduct all conduit audits and serve as accountant for CRS.

### ■ **Legal**

The following safeguards have been built into the program:

- All equity is held by an independent third party, Fecamp Holdings Pty Ltd. Fecamp is a limited liability company.
- Fecamp invested A\$200,000; Citibank has no equity interest in CRS.
- Three board members were appointed by Fecamp and are completely independent of Citibank.

Some transactions may be structured with an additional special purpose vehicle or trust, which will issue a security that CRS will purchase. The following opinions have been obtained at the CRS level:

- Bankruptcy-remote status of CRS.
- Nonconsolidation opinion.
- Tax opinion (nontaxability as a corporation).

Prior to each transaction closing, CRS will obtain all right, title, and interest in the underlying receivables and any related security, in accordance with the requirements of local law. It will also be granted first priority ownership (or security) interest, or irrevocable authority to perfect a first priority ownership or security interest, in accordance with the requirements of the local law in the country of the seller.

The liquidity banks, dealers, and CCMAL have agreed not to take action

to wind up CRS or take any other action that may result in CRS being placed under any form of insolvency administration until two years after the latest maturing note, thereby mitigating bankruptcy concerns.

### ■ **Issuing and Paying Agent**

Citisecurities Ltd. will act as the issuing and paying agent (IPA). Its role is to bring the commercial paper to market and ensure the prompt and accurate payment of principal and interest to noteholders. The IPA is also responsible for the management of the final redemption of notes and servicing noteholders claims for non-payment. It is intended that the commercial paper be lodged with Austraclear. Commercial paper will be issued for a maximum of 364 days.

### ■ **Sponsor History**

Citibank is rated 'AA/F1+'. Citibank was originally established in Australia in 1965 as a representative office. In 1985, Citibank Ltd. was granted a full banking license. In January 1996, Citibank was granted foreign banking authority to carry out banking business in Australia. Throughout Australia, Citibank Ltd. has a group of 20 client managers marketing to the top 200 domestic and multinational corporations.

Globally, Citibank has been active in securitisation since 1983, with eight conduits in the US, five in Europe, one in Japan, and now one in Australia. The bank's Australian securitisation business started in 1989, when CRS was originally set up. Technology was borrowed from the bank's CNAI group in New York to establish the administration and funding areas. Seven people are in the securitisation group — three vice presidents, two assistant vice presidents, and two analysts.

### ■ **Receivables Quality**

The program's high-quality assets consist of trade and term receivables, as well as asset-backed securities. Each

## Special Obligor Limits

(A\$ Mil.)

Obligor Rating*	Aggregate Net Amount Limit
'AA-'	A\$100 million plus one-half of the related pool loss reserve
'A'	One-half of the related pool loss reserve

\*Not below.

receivables purchase contains enhancement and structural features, such as overcollateralisation, direct recourse to sellers, guarantees, or other forms of loss protection, that would result in an investment-grade rating if each purchase stood on its own. All transactions will be fully hedged. CCMAL, as operating agent, is responsible for structuring and monitoring each asset purchase.

Each receivables pool purchase must meet CRS's credit and investment policy guidelines, which set criteria for seller ratings and obligor diversity. While the credit and policy guidelines set the minimum acceptable quality level, most pools exceed these standards.

### ■ Sellers

CRS can purchase receivables from companies with long-term debt rated 'BBB-' or 'F3' or from unrated companies, as long as the asset purchase is structured so that there is no adverse effect on CRS's rating. Sellers may be located outside Australia, as long as the country has a foreign currency rating of at least investment grade. Receivables can be purchased from unrated companies that are evaluated by CRS using Citicorp's debt rating model and deemed to be at least 'BBB-'. Fitch IBCA believes that the use of Citicorp's debt rating model ensures high-quality sellers.

CRS may also purchase 'AAA' rated bonds that are wrapped. Maximum investments in receivables pools shall be governed by the following limits:

- Pools acquired from sellers rated at least 'A-' — \$250 million
- Other — \$150 million

A larger pool may be permitted if the seller and transaction structure are acceptable to Fitch IBCA.

If an investment-grade seller is downgraded to below investment grade, CRS will typically cease purchasing assets from that seller, and each asset pool purchased from that seller will be placed in liquidation. Asset pools from such sellers will be divested if either: a) the seller's rating falls below 'BBB-' and the expected liquidation of the pool is greater than six months; or b) the seller's rating falls below 'BB-'.

In the case of asset pools whose initial acquisition was from below-investment-grade sellers, the pool would be divested if it falls below investment-grade quality as determined by the operating agent and the rating agencies.

### ■ Obligors

Based on a review of obligor distribution, and in conjunction with establishing loss reserves, CRS sets an obligor limit for each individual asset pool. Generally, each asset pool will have no fewer than 15 unaffiliated obligors. On an exception basis, higher obligor limits may be set for selected special obligors, which are subject to an annual credit analysis. Additionally, a monthly review of special obligor exposure is conducted on the individual asset pool level and on an aggregate, programwide level. At any time, an obligor may be removed from the special obligor list. Fitch IBCA believes that the credit quality of the special obligors is well diversified and should remain stable due to CRS's

stringent credit and investment policy and frequent monitoring.

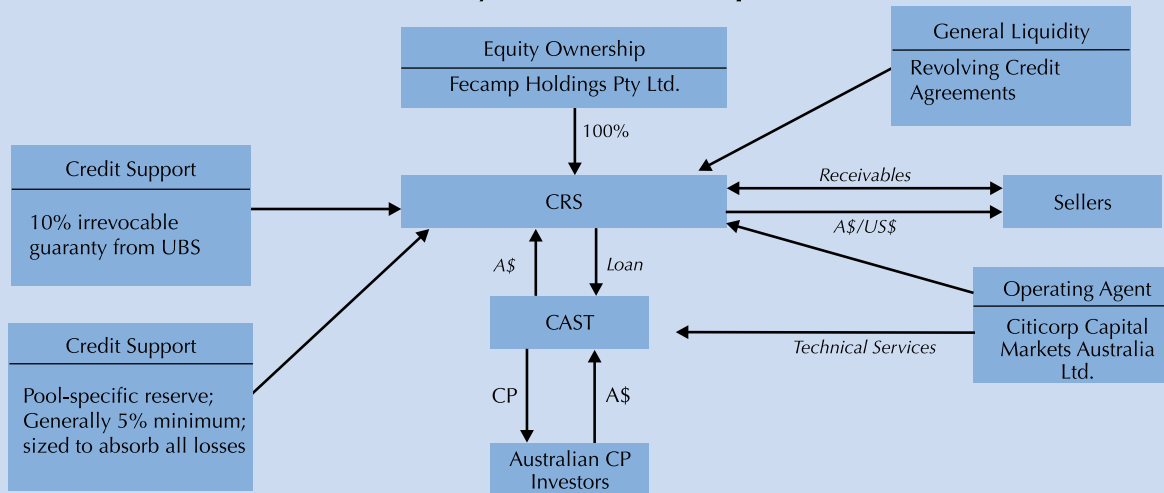
### ■ Credit and Investment Policy

Because of CCMAL's strong nine-year track record (and its support by CNAI in New York) for administering programs, Fitch IBCA views it like a specialised finance company, and reviews sellers each month on a post-closing basis. Potential receivables sellers are subject to a rigorous credit review by CCMAL and CRS. This includes a review of:

- Seller viability.
- Credit analysis on company and industry.
- Specific analysis of seller's credit policies, monitoring procedures, credit extension trends, collection policies, and management experience.
- Systems reporting capabilities, including aging of portfolio.
- Credit analysis of large obligors before approving special obligor concentrations.

In addition, CCMAL monitors receivables collection trends and losses to liquidations. Prior to a credit decision on a new receivables purchase by CRS, CCMAL will conduct an on-site audit of the prospective seller. The auditor analyses, among other things, credit and collection policies, dilutions to determine potential receivables deductions, and the seller's ability to comply with CRS's reporting requirements. CCMAL negotiates all agreements with sellers in accordance with CRS's policies, and certain safeguards are customary. CCMAL obtains several rights from sellers:

- CRS purchases receivables on an offering basis. As a result, if a receivables portfolio deteriorates or the seller's financial performance weakens, CRS has no obligation to continue purchasing receivables.
- CRS receives the right to take control of the asset collection process and notify obligors of such change.

**Corporate Receivables Securitisation Pty Ltd. (CRS) – Proposed Structure**

UBS – Union Bank of Switzerland. CAST – Corporate Australasian Securitisation Transactions Pty Ltd. CP – Commercial paper.

- CRS has power of attorney over seller bank accounts.
- CCMAL receives monthly reports from sellers with information on receivables performance and obligor exposure, including any special obligor limits.

### Other Citicorp Programs Rated by Fitch IBCA

Name	Size	Rating
CAFCO	US\$10 billion	'F1+'
CIESCO	US\$10 billion	'F1+'
CRC	US\$10 billion	'F1+'
WCP	US\$7 billion	'F1+'

### ■ Liability and Liquidity Management

CCMAL manages business so that the average maturity of commercial paper will approximate the average maturity of the receivables purchased by CRS. CCMAL will also attempt to stagger maturities; this will depend on the underlying assets that are purchased.

### ■ Loss Protection

CRS is managed to a conservative low loss level. Historically, losses within

pools have been very low. In the event of losses, two layers of credit enhancement are in place.

### Required Reserves

Pool-specific required reserves form the first layer of loss protection. Each reserve is set at a level designed to cover a significant level of losses that could be incurred by the pool in the event of its liquidation. The reserves are largely provided through overcollateralisation, though other forms of enhancement may be employed, including direct recourse, cash collateral, spread accounts, and third-party guarantees. Sellers providing recourse must be rated at least 'A-' or the equivalent. Generally, the loss reserve is at least equal to the greater of:

- 3.0 times (x) historical losses to liquidations.
- 3.0x the obligor concentration limit (special obligors are not subject to the 3.0x obligor concentration limit).
- 5% of the asset pool.

While the reserve is typically set according to this formula, exceptions may be made. If a transaction is structured so that there is no adverse effect on

CRS's rating due to the purchase of such a pool, the loss reserve may be lower than the formula listed above.

### Programwide Credit Enhancement

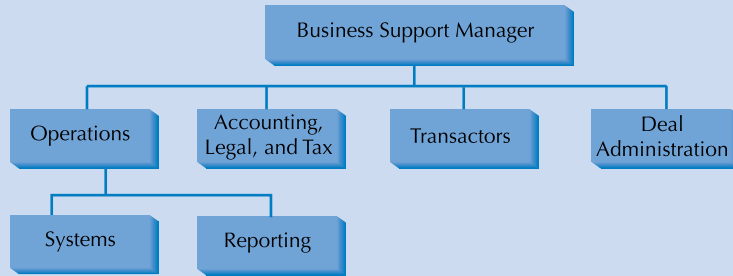
After pool-specific reserves are exhausted, there is a fungible credit enhancement equal to 10% of program outstandings. This loss protection is in the form of an irrevocable and unconditional guaranty from UBS. Fitch IBCA rates UBS 'AAA/F1+'. Bonds rated 'AAA' and benefiting from a wrap would not be subject to this requirement.

### ■ Liquidity Support

CRS will maintain liquidity from diverse sources to supplement the inherent liquidity of the receivables pools. Committed liquidity coverage will be maintained at a minimum of 100% in the form of revolving credit facilities. Third-party liquidity sources must be rated 'F1+'. Currently, Citibank (70%) and UBS (30%) serve as liquidity banks.

If an event of default occurs under the liquidity agreement, the commercial paper would become due and payable immediately or upon demand to the agent

## Organisational Support Structure



(Citisecurities), and the liquidity providers' obligations terminate. Events of default include:

- Nonpayment of interest or principal within three business days of due date.
- Breach of representations or warranties.
- Insolvency event occurs with respect to CRS.
- Change to documents without consent of Fitch IBCA or related parties.
- Reduction in credit enhancement below 10% of outstanding commercial paper.

### ■ Operating Agent

As operating agent, CCMAL is responsible for qualifying prospective transactions, structuring receivables purchases in accordance with CRS's credit and investment policy, monitoring performance of the purchased receivables, nego-

tiating liquidity facility agreements and any enhancements, and authorising issuance of commercial paper.

CCMAL consists of four groups that work together on every deal — operations; accounting, legal, and tax; transactors; and deal administration. Additionally, CCMAL may utilise external auditing firms to audit sellers.

### Operations

The operations group is responsible for two functions. Staff responsible for information technology support the internal deal-tracking computer system, interface with a data centre, interface with the global office, and support the accounting system. CCMAL has an off-site backup and disaster recovery system that is tested frequently and that can be relied on should CCMAL's computer system experience a shut down.

Staff performing reporting functions are responsible for internal reporting within Citicorp, external reporting to rating agencies and investors, control of original documents, and receipt of seller reports.

### Accounting

CCMAL employs experienced and knowledgeable personnel responsible for accounting functions. The accounting staff is responsible for monthly general ledgers, billing operations, financial statement preparation, communication with external auditors, and fee analysis.

### Administration

The administration group is responsible for the day-to-day operations of the program, as well as overseeing deal structures and modifications, funding, settlements, cash monitoring, monthly deal accruals, and customer service. Additionally, the group is responsible for making sure that sellers do not exceed their purchase limits. The deal administration teams are increasing the use of technology to assist with their functions.

### Seller Audits

CCMAL conducts audits on all sellers annually. The scope of the seller audit depends on the seasoning of the deal and the rating of the seller. The auditing process is crucial to CCMAL's ability to monitor the financial stability and health of all its sellers.

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London, 011 44 171 638 3800, Fax 011 44 171 374 0103; San Francisco, CA, 1-800-953-4824, (415) 955-0529, Fax (415) 955-0549  
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