

Asset-Backed Securities

Thai Cars

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Case Study: Thai Cars

- How was the transfer of assets and funds structured?
- Where is the SPV, and what are its assets and liabilities?
- Show how the swaps worked.

Group work

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Thai Cars 2

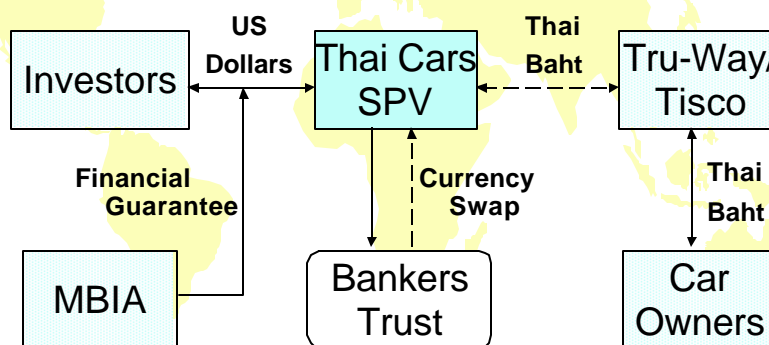
Auto Hire-Purchase Securitization: Thai Cars

- Tru-way and Tisco are Thai finance companies with car and truck HP receivables and leases
- Thailand has code law system, with no provision for SPV
- Thai Value-Added Tax on sale of assets and withholding tax on interest made conventional ABS difficult
- Investors wanted dollars, not baht.

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Thai Cars: How it Should Be



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Thai Cars

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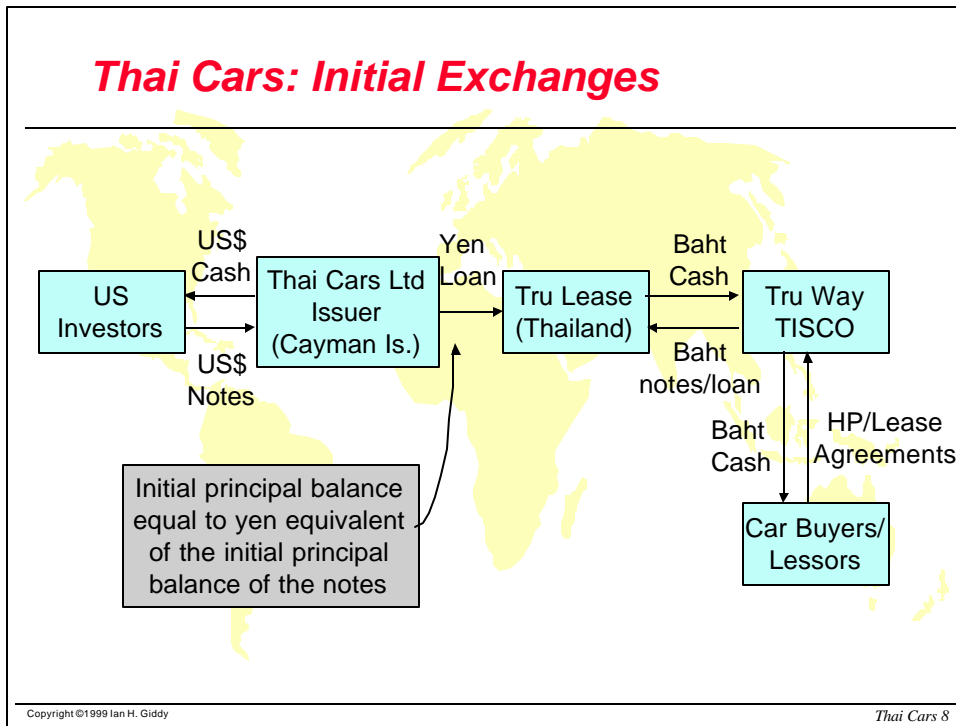
Thai Cars: A “Secured Loan,” Not True Securitization

- The assets, the hire purchase loans and leases, remained in the possession of Tru Way and TISCO.
- These Thai baht assets were assigned to Tru Lease, another Thai company, which made a loan to Tru Way/Tisco
- Tru Lease sold the rights to the cash receipts to Thai Cars Limited, a special-purpose Cayman Islands company
- Thai Cars paid for these rights in Japanese yen, and issued floating-rate notes denominated in US dollars.

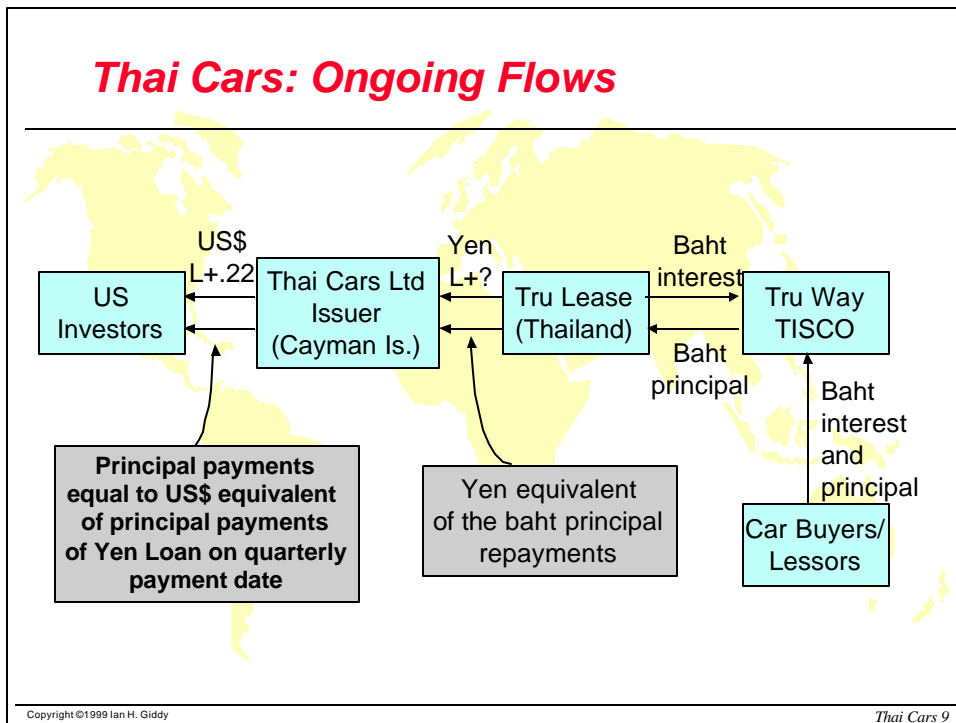
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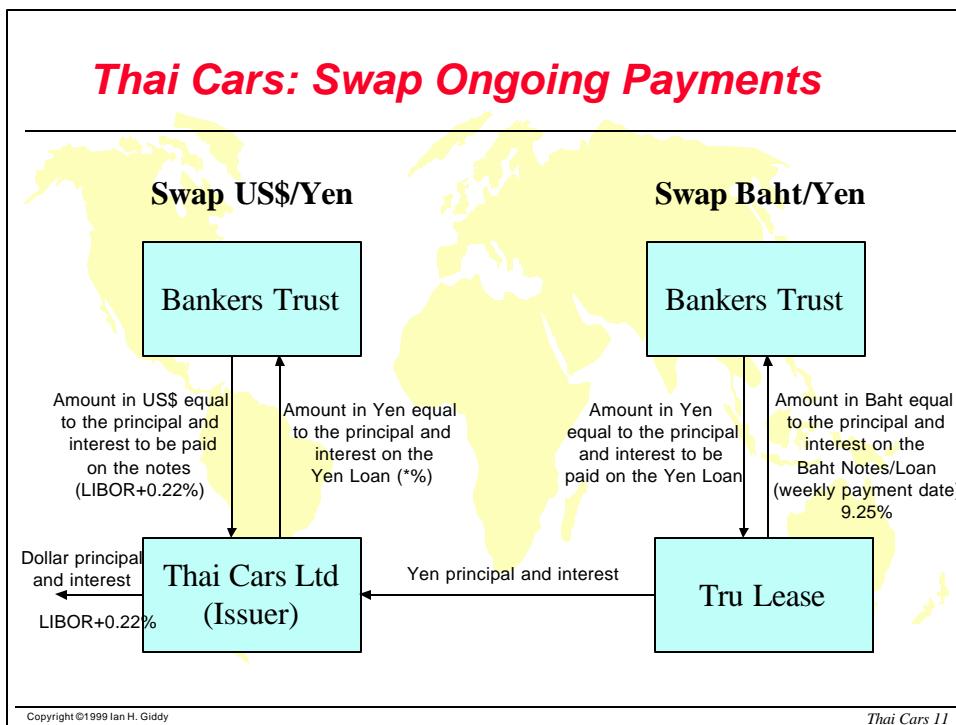
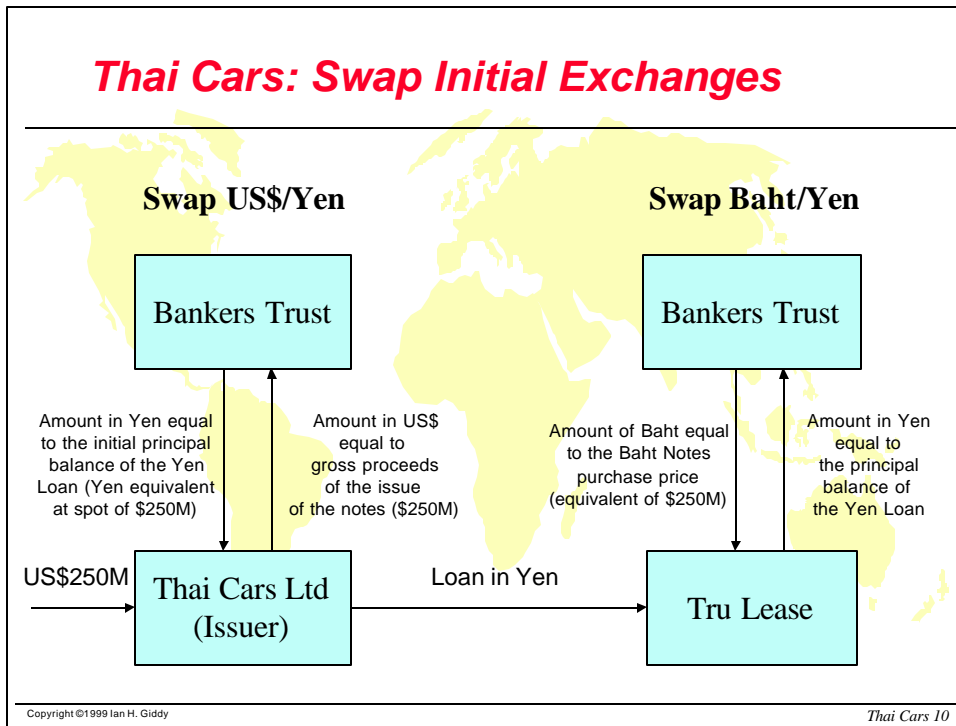
Thai Cars 7

Thai Cars: Initial Exchanges

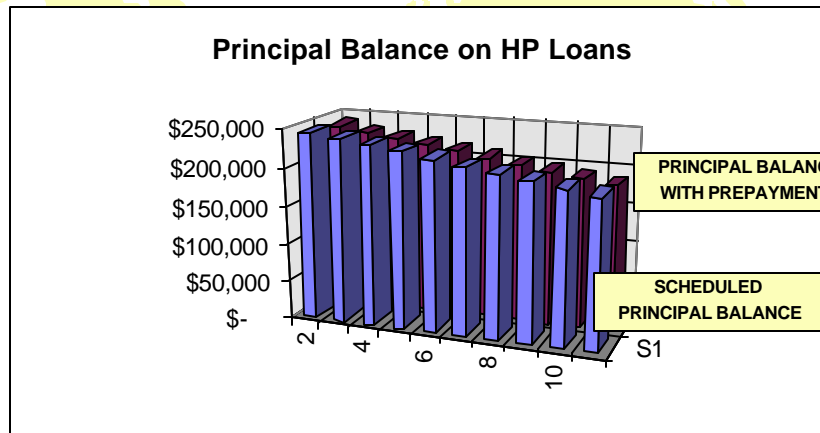


Thai Cars: Ongoing Flows





Swap Must Have Declining Balance



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Thai Cars 12

New Thai Law Facilitates Securitization

- Special purpose vehicles authorized
- Bankruptcy remoteness
- Transfers of claims without notification
- Usury ceiling waived
- Securities and Exchange Commission to supervise
- Tax and accounting issues to be resolved

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Thai Cars 13