

Announcement: Moody's reviews ratings of European structured finance transactions following new operational risks criteria

Global Credit Research - 02 Mar 2011

Paris, March 02, 2011 -- Moody's has placed on review for possible downgrade the ratings of 220 tranches in 134 European transactions following its initial assessment of those transactions under the Moody's "Global Structured Finance Operational Risk Guidelines: Moody's Approach to Analyzing Performance Disruption Risk" methodology published on March 2nd.

The ratings placed on review for possible downgrade include ratings on 131 tranches from 78 Residential Mortgage Backed Securities, 40 tranches from 26 Asset-Backed Securities, 48 tranches from 29 Commercial Mortgage Backed Securities and one tranche from one structured credit transaction. The ratings placed on review are mostly Aaa ratings but include also some Aa and A ratings. For the detailed list of ratings placed on review because of the new methodology, please select the link :

ABS: http://www.moodys.com/viewresearchdoc.aspx?docid=PBS_SF237748

RMBS http://www.moodys.com/viewresearchdoc.aspx?docid=PBS_SF237952

CMBS: http://www.moodys.com/viewresearchdoc.aspx?docid=PBS_SF237749

Rationale for Placing the EMEA RMBS and ABS Ratings on Review

The reasons for placing the European RMBS and ABS ratings on review are the insufficiency of back-up servicing/cash management arrangements and liquidity arrangements.

As per the new operational guidelines, Moody's has placed on review ratings from transactions with Baa-rated servicers when there is no party in place to facilitate a servicing transfer or there is no rating trigger to appoint a back-up servicer. Moody's has also placed on review ratings in transactions with lowly rated servicers when there is no back-up servicer in place or when the back-up servicer arrangement would not be rapidly operational in the event of the sudden termination of the original servicer.

The placement of ratings on review also reflects how the new guidelines address the liquidity mechanism that supports payments on the rated tranches in the event of servicer disruption. When there is no dedicated liquidity facility, a reserve fund remains an acceptable mechanism for providing liquidity support unless asset performance deterioration is likely to reduce the reserve funds. However in some ABS or RMBS the current liquidity levels are insufficient under the revised guidelines. Also, in case of lowly rated servicers, Moody's has also considered whether the cash manager or back up cash manager would be able to use available liquidity to make timely payments on the notes in the event the servicer did not produce its report .

Rationale for European CMBS Placed on Review

For European CMBS transactions, the typical drivers of Moody's review are the presence of unrated servicers combined with uncertainty about the cash manager's access to the liquidity facility if the servicer defaults. Some CMBS transactions require the cash manager to have a servicer report in order to be able to draw the liquidity facility and make a timely payment on the notes.

Details on the Structured Credit Transaction Placed on Review

Moody's has placed the A2 rating of the Class A Funding Floating Rate Notes issued by Tenzing CFO S.A., a CFO exposed to private equity funds of funds, on review because of the inability of the issuer to use the liquidity line upon failure of the manager. In this transaction, the manager is an unrated entity, and failure to replace it would trigger an event of default under the notes, which in turn will prevent the issuer from drawing on the liquidity line. Liquidity lines are key in this long-term buy-and-hold structure where 1) there is no control over the timing of cash inflows from the underlying funds of funds, and 2) the issuer needs the liquidity to fund capital calls by the underlying funds of funds.

For the assessment of the impact of the revised criteria on the existing stock of ratings, Moody's has assumed a two-notch-downgrade for servicers or cash managers whose ratings are currently on review for possible downgrade. If those bank ratings experience more than two-notch downgrade, Moody's will place additional structured finance transactions on review for possible downgrade. Conversely Moody's may confirm some structured finance ratings depending on the outcome of the bank ratings reviews.

Besides the ratings placed on review today, Moody's notes that the operational risk methodology affects some structured finance ratings that were already on review for possible downgrade. When concluding these rating reviews, Moody's will incorporate the revised criteria in its analysis and disclose its findings in the related announcements.

Moody's will complete the review of the ratings watch listed today because of this new methodology by September 2011, as required by European regulations. If transactions sponsors implement structural remedies as described in the guidelines, Moody's will confirm some of the ratings placed on review.

The lead analyst and rating office for each of the transactions affected are generally different from the contact and office listed at the end of this press release. For each transaction, the lead analyst name is available on the issuer page and the rating office is available on the ratings tab of the issuer on www.moodys.com.

List of ratings placed on review for possible downgrade:

Issuer: A-Leasing Finance S.r.l

...EUR230.85MA Certificate, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Jun 13, 2008 Assigned Aaa (sf)

Issuer: Apulia Finance 5 Cessioni S.r.l.

....EUR151.45M Series 1 A Certificate, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Sep 29, 2006 Assigned Aaa (sf)

....EUR131.5M Series 2 A Certificate, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Feb 2, 2007 Definitive Rating Assigned Aaa (sf)

....EUR79.15M Series 3 A Certificate, Aaa (sf) Placed Under Review for Possible Downgrade; previously on May 1, 2007 Definitive Rating Assigned Aaa (sf)

Issuer: AR FINANCE 1 plc

....EUR106.5M A Bond, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Dec 19, 2003 Definitive Rating Assigned Aaa (sf)

....EUR35.5M B Bond, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Dec 19, 2003 Definitive Rating Assigned Aaa (sf)

Issuer: Arcobaleno Finance S.r.l.

....EUR184.1M A Notes, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Aug 7, 2006 Definitive Rating Assigned Aaa (sf)

Issuer: Astrea S.r.l.

....EUR246.25M Series 2002-1 A Notes, Aa2 (sf) Placed Under Review for Possible Downgrade; previously on Jul 29, 2002 Definitive Rating Assigned Aa2 (sf)

Issuer: Dolomiti Finance S.r.l. 2002-1

....EUR22.5M B Notes, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Jan 25, 2005 Upgraded to Aaa (sf)

Issuer: FTPYME BANCAJA 3

....EUR153.9M A3(G) Bond, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Oct 14, 2004 Definitive Rating Assigned Aaa (sf)

Issuer: GC FTGENCAT CAIXA SABADELL 2

....EUR50.4M A3 Certificate, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Dec 19, 2008 Definitive Rating Assigned Aaa (sf)

....EUR77.6M A3 Certificate, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Dec 19, 2008 Definitive Rating Assigned Aaa (sf)

Issuer: GC FTPYME Pastor 4, FTA

....EUR256.6M A2 Notes, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Dec 22, 2009 Confirmed at Aaa (sf)

....EUR50.4M A3G Notes, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Nov 14, 2006 Definitive Rating Assigned Aaa (sf)

Issuer: GC FTPYME Sabadell 4, FTA

....EUR162.3M A(G) Notes, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Oct 25, 2005 Definitive Rating Assigned Aaa (sf)

Issuer: GC FTPYME Sabadell 5, Fondo de Titulización de Activos

....EUR880.3M A2 Notes, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Nov 3, 2009 Confirmed at Aaa (sf)

....EUR82.8M A3(G) Notes, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Nov 23, 2006 Definitive Rating Assigned Aaa (sf)

Issuer: GC FTPYME Sabadell 6, Fondo de Titulización de Activos

....EUR635.4M A2 Certificate, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Nov 3, 2009 Confirmed at Aaa (sf)

Issuer: Golden Bar (Securitisation) S.r.l.

....EUR470M Series 2 A Notes, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Dec 9, 2004 Definitive Rating Assigned Aaa (sf)

....EUR658M Series 3 A Certificate, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Feb 8, 2006 Definitive Rating Assigned Aaa (sf)

....EUR658M Series 4 A Notes, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Jan 31, 2007 Definitive Rating Assigned Aaa (sf)

Issuer: Honours PLC Series 2

....GBP291.95M A1 Bond, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Nov 13, 2006 Definitive Rating Assigned Aaa (sf)

....GBP33.35M B Bond, A2 (sf) Placed Under Review for Possible Downgrade; previously on Nov 13, 2006 Definitive Rating Assigned A2 (sf)

....GBP54.2MA2 Bond, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Jul 31, 2008 Assigned Aaa (sf)

Issuer: Jump S.r.l.

....EUR526.8M Series 1 A Notes, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Apr 19, 2005 Definitive Rating Assigned Aaa (sf)

....EUR368.6M Series 2 A Notes, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Nov 2, 2006 Definitive Rating Assigned Aaa (sf)

Issuer: Pharma Finance 2 S.r.l.

....EUR123.3MA Notes, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Nov 16, 2005 Definitive Rating Assigned Aaa (sf)

Issuer: Pharma Finance S.r.l. Series 2008

....EUR71.35MA Certificate, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Sep 26, 2008 Assigned Aaa (sf)

Issuer: SA Taxi Securitisation (Pty) Ltd

....Rand3600MA Notes, A3 (sf) / Aa2.za (sf) Placed Under Review for Possible Downgrade; previously on Jun 12, 2008 Assigned A3 (sf) / Aa2.za (sf)

Issuer: Sagrantino Italy S.r.l.

....EUR86.5M B Certificate, Aa2 (sf) Placed Under Review for Possible Downgrade; previously on Dec 20, 2007 Assigned Aa2 (sf)

....EUR48M C Certificate, A3 (sf) Placed Under Review for Possible Downgrade; previously on Dec 20, 2007 Assigned A3 (sf)

Issuer: SC Germany Auto 06 PLC

....EUR1410MA Certificate, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Sep 21, 2006 Definitive Rating Assigned Aaa (sf)

Issuer: SC Germany Auto 08-1 Limited

....EUR945MA Certificate, Aaa (sf) Placed Under Review for Possible Downgrade; previously on May 29, 2008 Assigned Aaa (sf)

Issuer: SC Germany Auto 2009-1 Limited

....EUR945MA Certificate, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Nov 26, 2009 Assigned Aaa (sf)

Issuer: SC Germany Consumer 09-1 Limited

....EUR850MA Certificate, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Oct 1, 2009 Assigned Aaa (sf)

Issuer: Scandinavian Consumer Loans Limited

....EUR117.75MA Certificate, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Jul 6, 2006 Definitive Rating Assigned Aaa (sf)

....EUR13.45M B Certificate, Aa2 (sf) Placed Under Review for Possible Downgrade; previously on Jul 6, 2006 Definitive Rating Assigned Aa2 (sf)

Issuer: Tricolore Funding S.r.l.

....EUR271.6MA Notes, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Jun 7, 2005 Definitive Rating Assigned Aaa (sf)

Issuer: Zephyros Finance S.r.l.

....EUR150MA1 Certificate, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Jul 31, 2008 Definitive Rating Assigned Aaa (sf)

....EUR135.95MA2 Certificate, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Jul 31, 2008 Definitive Rating Assigned Aaa (sf)

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