Inside Global ABCP

2023 Update

S&P Global Ratings

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This report does not constitute a rating action

Global ABCP Key Themes

ABCP sector and rating performance expected to remain stable across U.S. and EMEA

Elevated ABCP issuance levels supported by derivative-backed financing arrangements in ABCP conduits

Bank ratings supporting ABCP expected to be resilient despite higher interest rates, lower bank deposits, and falling liquidity

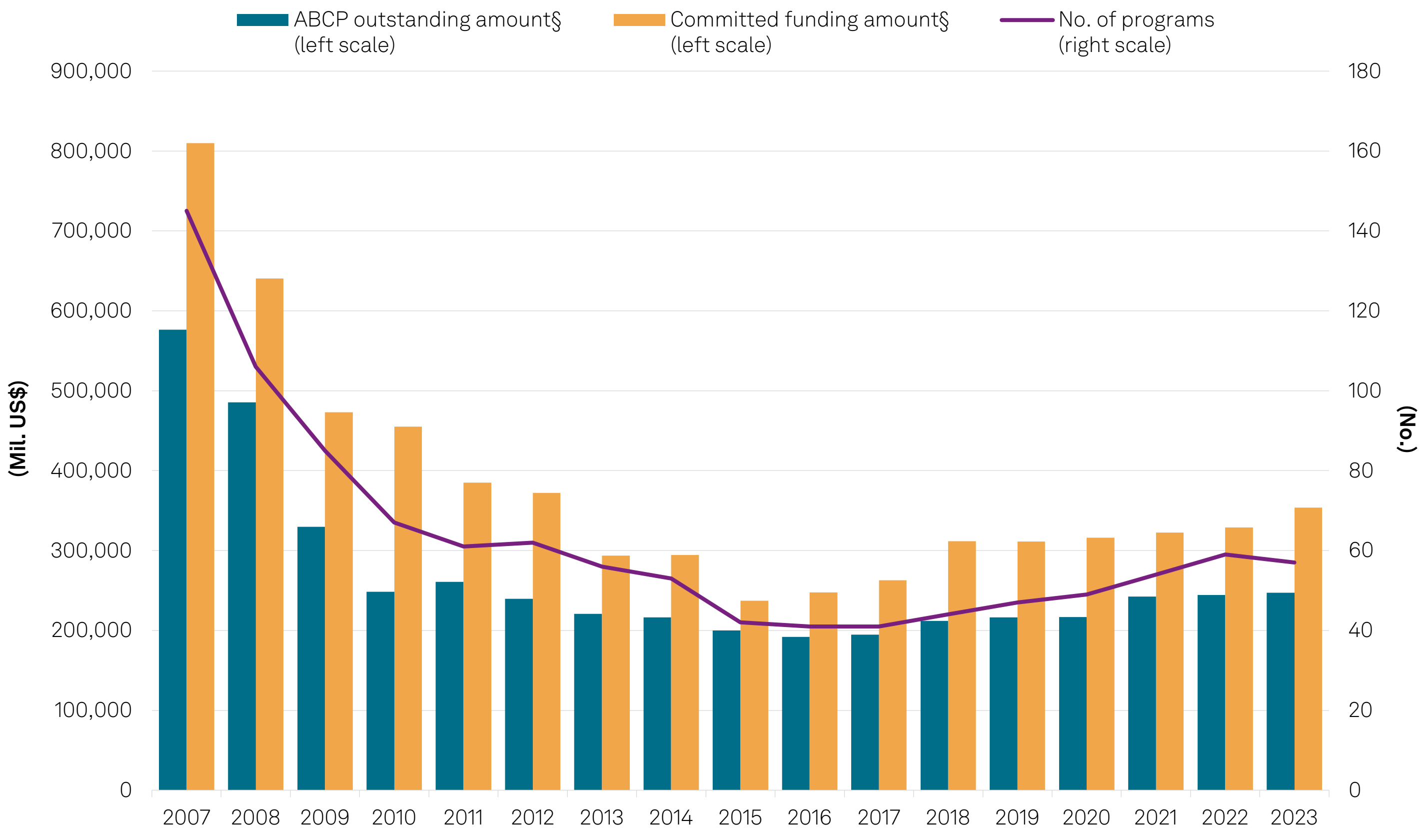
Partially supported ABCP exposure remains low in ABS sectors exhibiting weakening collateral performance

Strong utilization rates even with the number of conduit withdrawals exceeding newly launched ones

We are monitoring the impact of proposed regulation and finalized reforms on U.S. ABCP issuance

ABCP--Asset-backed commercial paper. Source: S&P Global Ratings.

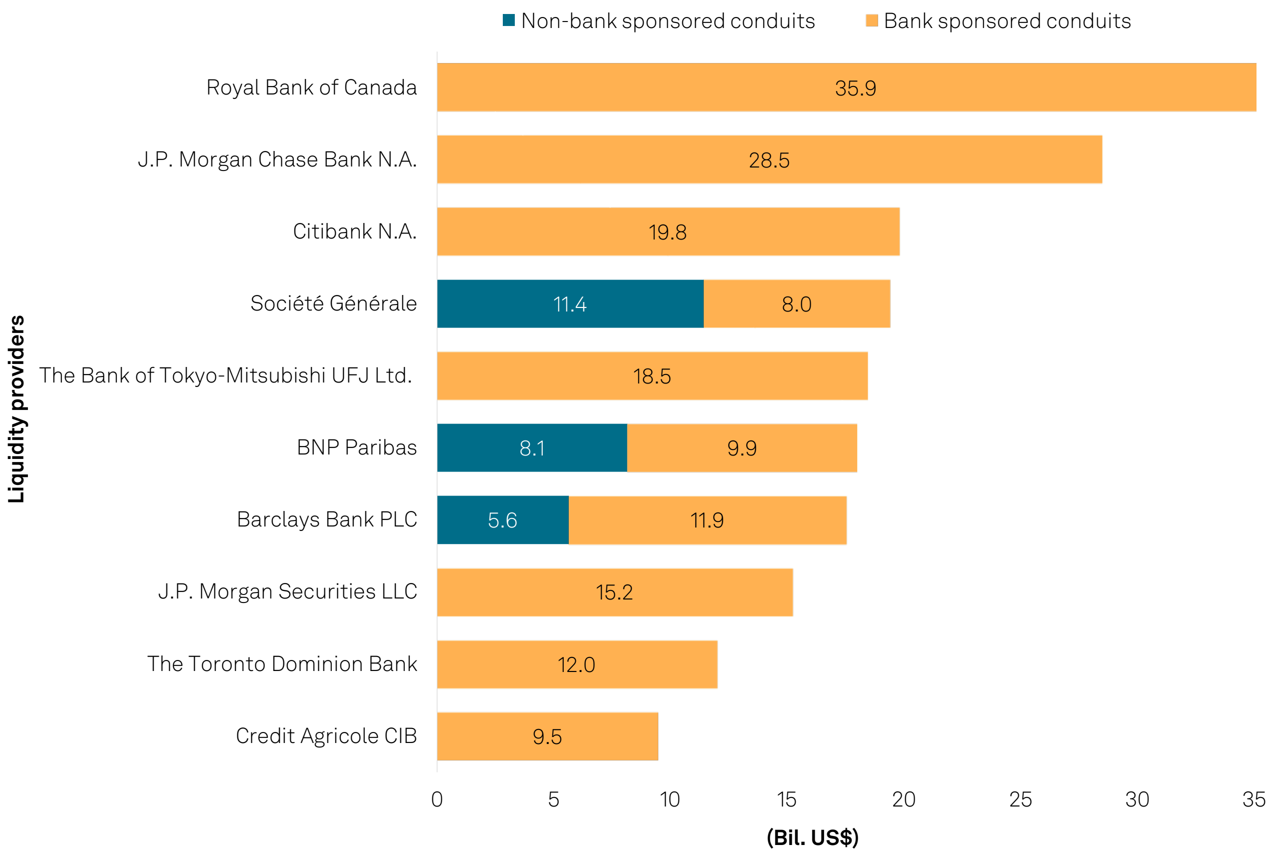
U.S. ABCP Market Trends And Issuance*



*The data presents values as of December for each year 2007-2022 and as of August 2023. §ABCP rated by S&P Global Ratings.
ABCP--Asset-backed commercial paper. Source: S&P Global Ratings.

- U.S. ABCP outstanding reached a peak of $309.3 billion as of YE 2022 and has remained steady at this level for most of 2023, helped by increased bank borrowings under derivative-backed financing arrangements amid higher short-term rates. Overall, we expect issuance to remain near $300 billion for the remainder of 2023.
- As of October 2023, we have assigned our ratings to ABCP issued by two new conduits and withdrew our ratings on five. However, the outstanding ABCP amount of $247.1 billion (56 conduits) as of August 2023 still surpasses the YE 2022 outstanding amount of $244.4 billion (59 conduits).
- We expect tighter economic conditions to continue as consumers pull back on discretionary spending. Delinquencies in the housing, auto, and credit card sectors are also likely to rise, which could hinder ABCP growth beyond current levels.

U.S. Top 10 ABCP Invested Amount By Support Provider*



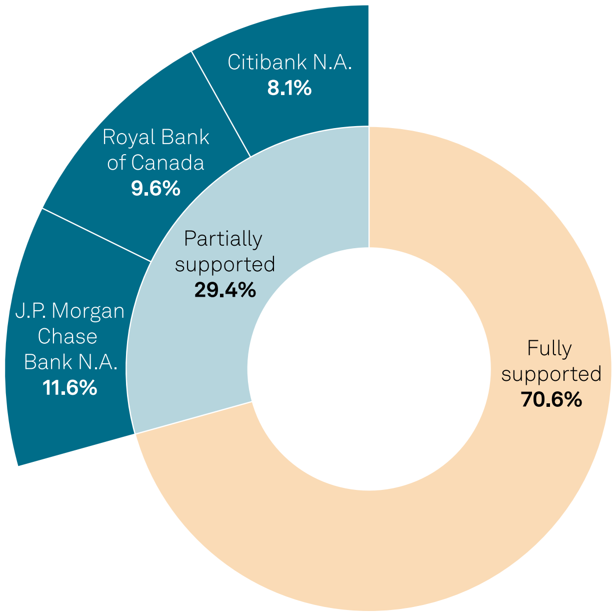
*The data presents values as of August 2023. ABCP--Asset-backed commercial paper. Source: S&P Global Ratings

- We continue to observe a rise in derivative financing arrangements, such as total return swaps, and repurchase and loan agreements in conduits, driven by global bank demands for short positions to bolster capital requirement ratios.
- We expect bank outlooks to remain broadly stable due to solid capitalization and sound asset quality. Higher rates and quantitative tightening are gradually weakening funding and liquidity from historically strong levels. Still, deposit-to-loan ratios remain favorable. Liquid assets still account for a meaningful portion of balance sheets, albeit down modestly in Q2 2023.
- We took five rating actions, including a Credit Watch with positive implications and a subsequent upgrade, related to Credit Suisse.
- Of the U.S. ABCP outstanding, 80% are rated 'A-1' and 20% are rated 'A-1+'.
- U.S. ABCP is issued in multiple currencies, though 98% of all issuance is U.S. dollar-denominated, which is in line with the five-year average. The remaining 2% is issued in the British pound sterling and euro.
- About 85% of U.S. ABCP is fully supported, which includes derivative financing support agreements, while the rest is partially supported.

U.S. Key Trends In Program Composition

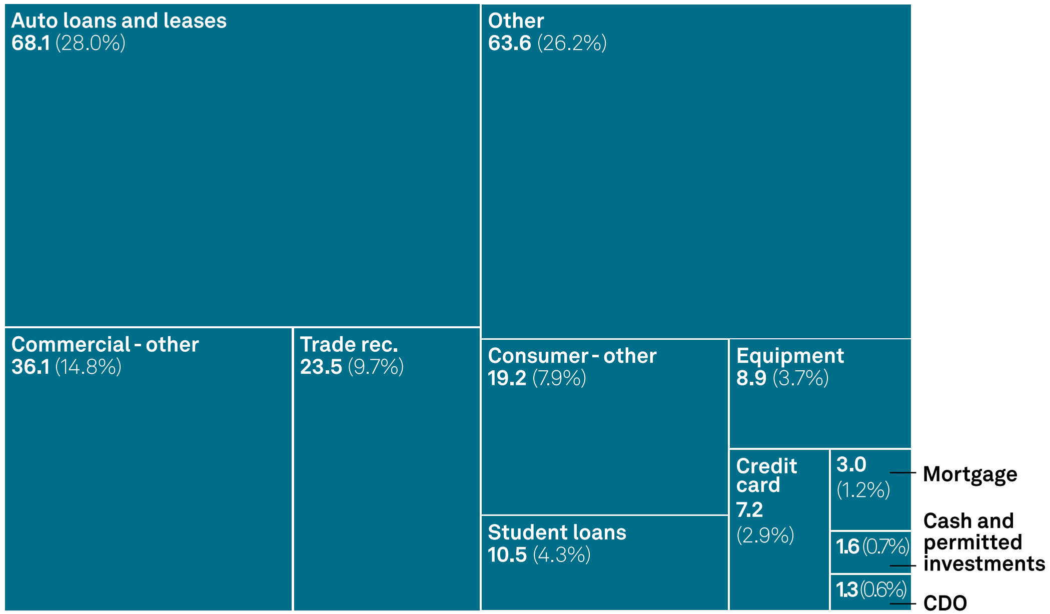
- Three sponsors (Citibank N.A., J.P. Morgan Chase Bank N.A., and Royal Bank of Canada) represent nine partially supported programs, totaling $72.6 billion (29.4%) of ABCP outstanding that we rate, approximately half of which are partially supported transactions.
- The remaining 47 programs are fully supported and constitute $174.4 billion (70.6%) of the total U.S. ABCP that we rate.
- Auto loans and leases have continued to dominate the portfolio over the past few years, representing $68.1 billion (28.0%). This is followed by "other" at $63.6 billion (26.2%) and "commercial-other" at $36.1 billion (14.8%).

Fully vs. partially supported conduit breakout by ABCP outstanding*



*As of August 2023. Source: S&P Global Ratings.

Asset types based on invested amount (Bil. $)§†



§As of July 2023.†Includes both partially and fully supported assets. Other--Comprises specific collateral types such as servicer advance, contract payment rights, repossessions, etc. Commercial-other--Comprises specific collateral types such as commercial loans, leases, railcar/container, fleet lease, floorplan, etc. Consumer-other--Comprises specific collateral types such as personal loans, mobile handsets, etc. CDO--Collateralized debt obligation. CDO--Collateralized debt obligation. Source: S&P Global Ratings.

U.S. Partially Supported Assets Summary*

Asset-backed security	Collateral performance outlook	Rating trends
ABS prime auto loan	Somewhat weaker	Stable to positive
ABS subprime auto loan	Weaker	Stable
ABS auto lease	Stable	Stable

- In line with the stable auto loan and auto lease ABS issuance, ABCP financed autos rose by only 2% compared to YE 2022, and this continues to be the largest asset funded in partially supported ABCP programs.
- Performance is very strong with 367x coverage of short tail losses by reported credit enhancement.
- ABS auto loan performance across prime and subprime portfolios has weakened as cumulative net losses have risen, reflecting inflationary pressure, falling recoveries, and higher auto payments.
- We expect losses will continue to rise due to the impact of inflation on the consumer, but stricter lending standards could improve credit quality of newer originations.

Asset-backed security	Collateral performance outlook	Rating trends
ABS auto dealer floorplan	Stable	Stable
ABS commercial equipment	Stable	Stable

- ABCP dealer floorplan net investment decreased 30% to $1.1 billion as of July 2023 from YE 2022 due to increased ABS issuance in the non-diversified segment. At the same time, net investment in equipment (including fleet leases) rose 66% to $4.1 billion as of July 2023.
- Performance is very strong with 164x coverage of short tail losses by reported credit enhancement.
- In dealer floorplan, monthly payments remain above transaction trigger levels as supply constraints ease, new vehicle inventory grows, and demand remains strong.
- In fleet lease, we expect both low losses and that the delivery of new vehicles to fleet companies will remain strong despite the current labor strike.
- We expect overall equipment losses to remain muted, with the exception of trucking, which could continue to see moderate levels of stress.

*As of July 2023.
Note: All credit enhancement multiples are a weighted average based on net investments of each transaction and sponsor-reported credit enhancement. Losses assumed are $0 when net investment is $0.
The loss horizon is consistent with funding under respective liquidity agreements. ABS--Asset-backed securities. Source: S&P Global Ratings.

U.S. Partially Supported Assets Summary (cont.)*

Asset-backed security	Collateral performance outlook	Rating trends
ABS credit cards	Somewhat weaker	Stable

- As of July 2023, credit card net investment dipped by 14.9%, compared with YE 2022, and stands at $3.3 billion. Retail cards as a percentage of YE 2022 net investment decreased by 25.2%, while bank cards remained stable.
- Similar to credit card ABS, U.S. bank card ABS performance remains strong, with 79x coverage of short tail losses by reported credit enhancement, despite an increase in losses.
- An increase in losses and delinquencies among ABS credit cards reflects the depletion of consumers' excess savings (accumulated during the pandemic), rising credit card debt (due to travel and seasonal spending), and increased cost of goods and services (due to inflation).

Asset-backed security	Collateral performance outlook	Rating trends
ABS FFELP student loan	Somewhat weaker	Stable
ABS private student loan	Somewhat weaker	Stable

- ABCP-financed FFELP and private student loans rose by 13.5% to $4.9 billion of net investment since YE 2022.
- Driven by the aggregation and financing of pre-existing FFELP loans, net investment increased by approximately 30.7%, and currently accounts for 63% of partial student loans.
- Private student loan performance was very strong, with 172x coverage of short tail losses by reported credit enhancement.
- We continue to monitor ABS student loan performance, as payments resumed in October after the federal forbearance program came to an end.

*As of July 2023.
Note: All credit enhancement multiples are weighted average based on net investments of each transaction and sponsor-reported credit enhancement. Losses assumed were $0 when net investment is $0.
The loss horizon is consistent with funding under respective liquidity agreements. ABS—Asset-backed securities. Source: S&P Global Ratings.

U.S. Partially Supported Assets Summary (cont.)*

Asset-backed security	Collateral performance outlook	Rating trends
ABS - unsecured consumer loans	Somewhat weaker	Stable to negative

- Consumer-other financed by ABCP grew by 7% to $3.7 billion since YE 2022, primarily driven by unsecured consumer loans, which rose by 29.1% since YE 2022.
- Collateral performance was strong with 94x coverage of short tail losses by reported credit enhancement.
- With declining personal savings and persistent inflation, we expect consumers to prioritize their other debt payment obligations, which might increase the delinquency rates for this asset class.

Asset-backed commercial paper	Rating trends
Trade receivables	Stable

- Net investments for trade receivables as of YTD 2023 decreased by 12.8% to $867 million since YE 2022.
- The trade receivables portfolio includes several distinct sectors like utilities (which make up the largest share at 63% of net investment of trade receivables), energy, consumer products, and health equipment.
- Trade receivables performance is satisfactory to strong, with 35x coverage of short tail losses by reported credit enhancement.
- We revised our outlook on the utilities sector to stable from negative in May due to improved financial performance over the previous year as inflation has risen more slowly and natural gas prices have significantly retreated from peak levels in 2022.

*As of July 2023.
Note: All credit enhancement multiples are weighted average based on net investments of each transaction and sponsor-reported credit enhancement. Losses assumed were $0 when net investment is $0. The loss horizon is consistent with funding under respective liquidity agreements. ABS—Asset-backed securities. Source: S&P Global Ratings.

Upcoming Regulations Impacting U.S. ABCP

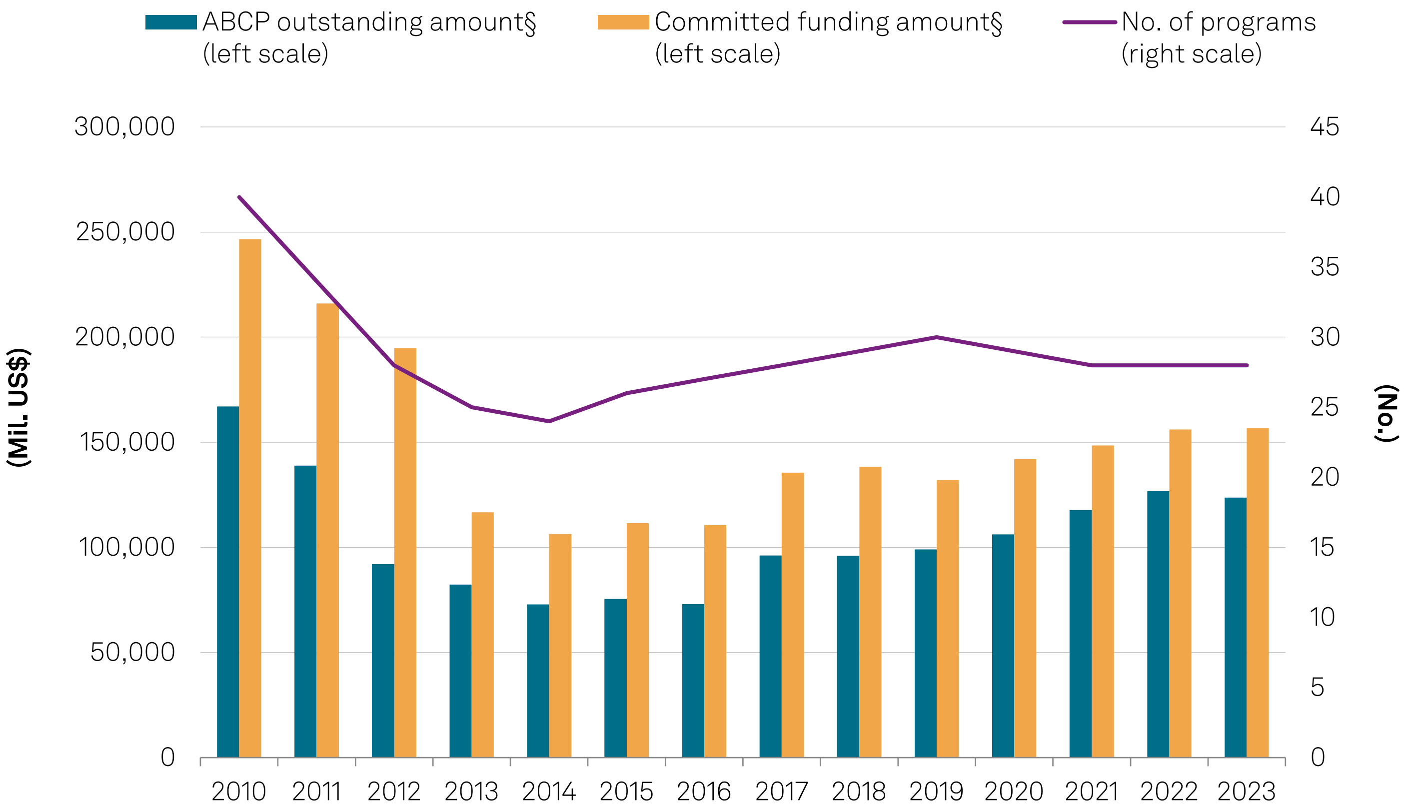
Proposed changes to U.S. bank capital rules: Implications for securitization transactions

- The proposal introduces changes to existing regulations for determining required capital for U.S. bank securitization exposures for institutions with $100 billion or more in total assets. This includes banks providing financing of securitizations by making loans or entering into asset purchase facilities, either directly or through credit and liquidity facilities provided to ABCP conduits.
- U.S. conduit sponsors that fund a diversified mix of asset types supported by fully or partially supported liquidity may have to contend with assigning higher capital charges for some transactions going forward.
- Although the application of the risk weight floor for securitization exposures is proposed to be reduced to 15% from 20%, the non-neutrality (p) factor used to calculate total capital charges associated with a securitized pool is doubling to 1.0 from 0.5, which could lead to higher capital charges for U.S. sponsors.
- If the proposed regulations adopt a higher p factor, transactions funded in U.S. conduits may need to benefit from greater credit enhancement levels (beyond 20%) to stay at the revised 15% risk weight floor. This could incentivize a shift in funding certain asset types over others.
- Issuers may also be impacted by lower leverage as transaction advance rates fall (i.e., higher overcollateralization levels) for assets warehoused in conduits prior to term securitizations.
- U.S. sponsors are likely to continue focusing on the portfolio asset mix, credit enhancement levels, and liquidity support in conduits to ensure optimal execution.
- We will continue to monitor the developments of these proposed rules and their potential impact to U.S. sponsored conduits; the comment period has been extended to Jan. 16, 2024.

Finalization Of Money Market Reform

- Regulations in 2016 required providers of money market funds, which traditionally invested largely in ABCP, to institute liquidity fees and suspension gates.
- In December 2021, the SEC proposed:
    a. Removing liquidity fee and redemption gate provisions designed to provide a "cooling off" period to calm short-term investor panic;
    b. Increasing daily and weekly minimum liquid asset requirements to 25% from 10% and to 50% from 30%, respectively, to better equip the funds to manage substantial and rapid investor redemptions like those experienced in March 2020; and
    c. Introducing a new concept of swing pricing for institutional prime and institutional tax-exempt money market funds that adjusts the net asset value of a fund to account for trading costs, passing those costs to the traders in the form of a reduced redemption price instead of absorbing them back into the fund and effectively forcing remaining fundholders to bear the cost.
- In mid-2023, the SEC released final rules on its third set of reforms that included increasing daily and weekly liquidity requirements to 25% and 50%, respectively, and removing the link between gates and fees to weekly liquidity.
- The SEC opted for mandatory liquidity fees when a fund experiences daily net redemptions that exceed 5% of net assets, rather than swing pricing.
- The impacts of such reforms on the industry are yet to be realized, but we do not expect major declines in ABCP because other fund types (separately managed accounts, non 2a-7 funds, etc.) with similar investment mandates to purchase ABCP will offset the outflows from government, prime, and municipal funds being potentially impacted by the reforms.

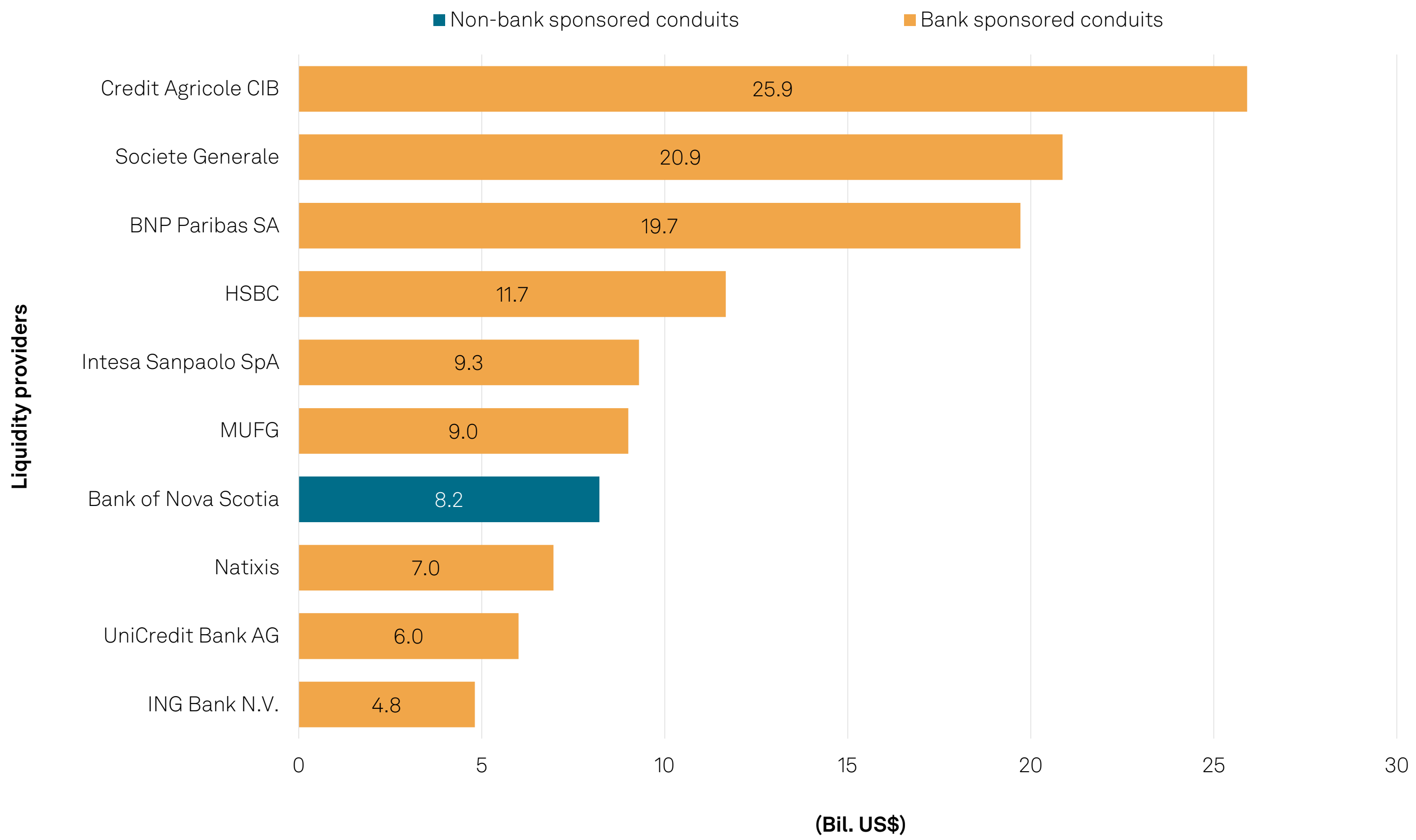
EMEA ABCP Market Trends And Issuance*



*The data presents values as of December for each year 2010-2022 and as of August 2023. Our internal rates were applied for currency conversion, unless performance reports stipulate specific rates. §ABCP rated by S&P Global Ratings.
ABCP--Asset backed commercial paper. Source: S&P Global Ratings.

- ABCP outstanding from conduits domiciled in EMEA reached $123.6 billion in August 2023.
- Committed funding amounts is stable and European ABCP market growth is expected to be limited.
- There are 28 programs as of August 2023, unchanged from April 2023.
- Conduits funding investment contracts represent 34% of total ABCP outstanding.
- Macroeconomic conditions remain uncertain; however, our outlook on ABCP programs is stable as they are fully supported by global systemically important banks.
- Our GDP growth forecasts for the eurozone economy remain unchanged at 0.6% for 2023 and 0.9% for 2024. We have lowered our forecasts for inflation to 5.6% in 2023 and maintained our expectation at 2.7% for 2024.

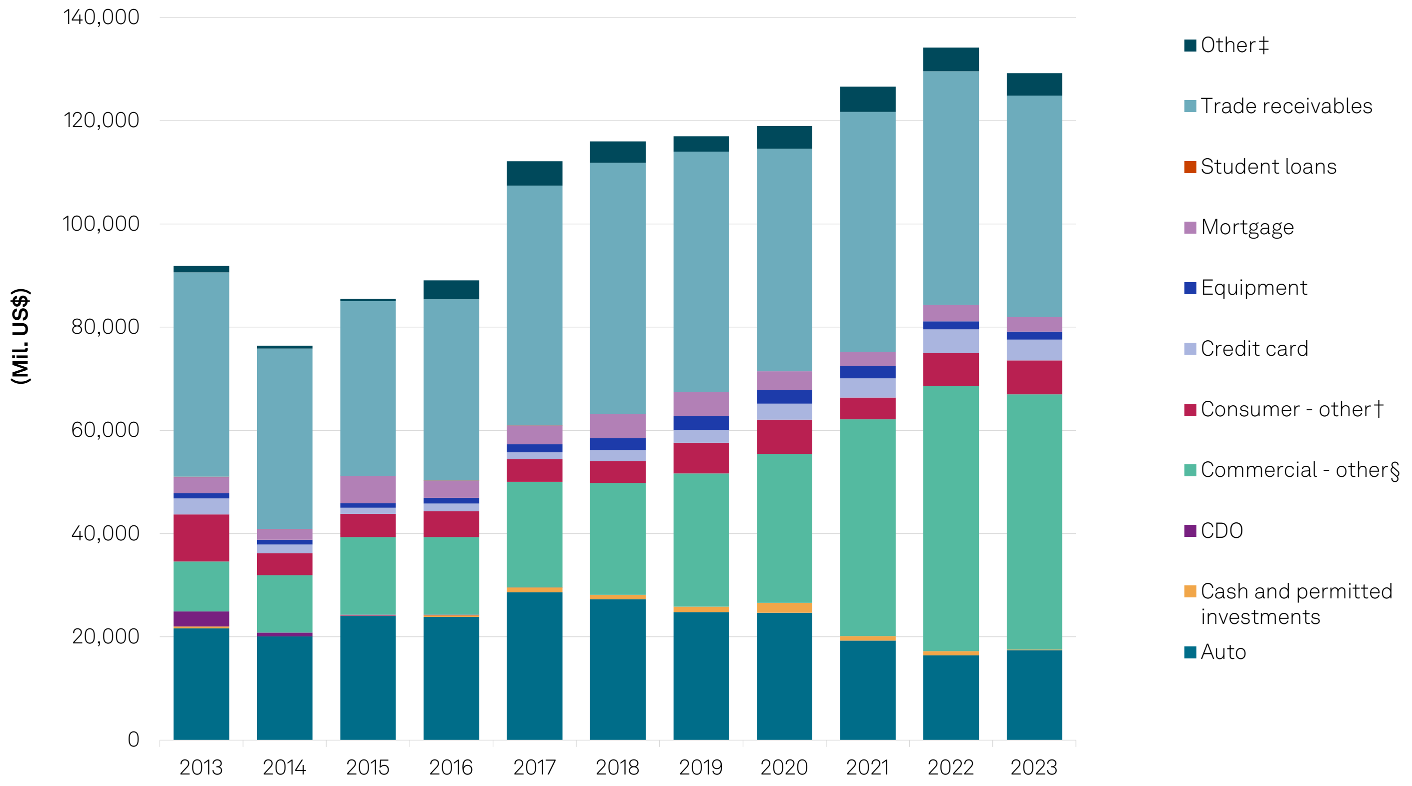
EMEA Top 10 ABCP Invested Amount By Support Provider*



- EMEA ABCP is issued only by fully supported conduits.
- Most EMEA ABCP programs are supported by 'A-1' rated financial institutions, except for two ABCP programs supported by 'A-1+' rated institutions and two ABCP programs supported by 'A-2' rated Italian banks.
- The share of single-seller programs stabilized to about 18.6% and are backed only by investment contracts.
- We affirmed our rating on Great Bear Funding DAC program in September 2023. Other than this rating action, the ratings on all other ABCP programs are unchanged as of August 2023.
- No rating actions have been taken on European banks that are support providers since April 2023.

*The data presents values as of August 2023. ABCP--Asset-backed commercial paper. Source: S&P Global Ratings

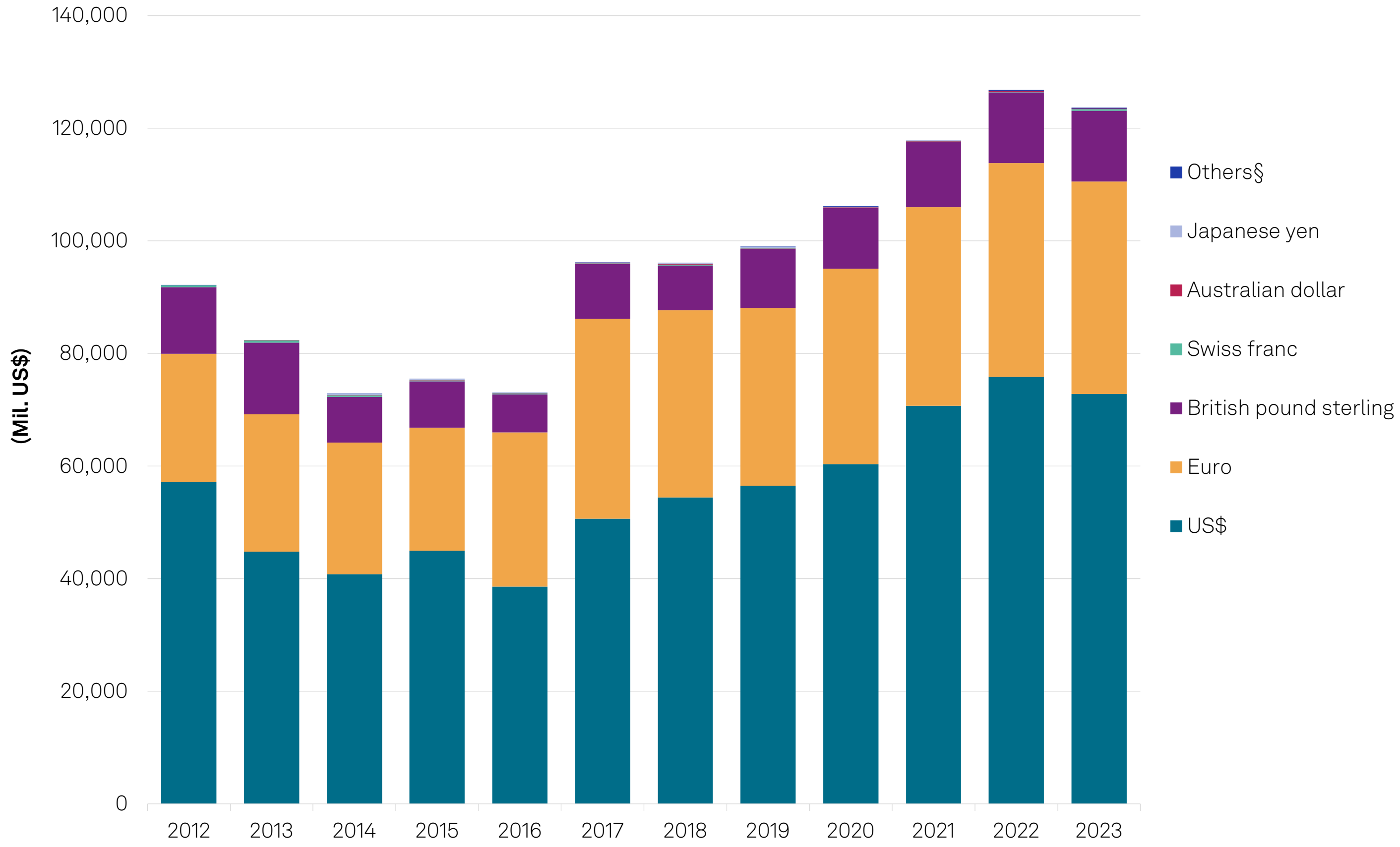
EMEA Amount Invested Based On Asset Type*



*The data present values as of December for each year 2013-2022 and as of July 2023. ‡Comprises specific collateral types such as sukuk, future flows etc. †Comprises specific collateral types such as consumer loans, etc. §Comprises specific collateral types such as swaps, bonds, repos, whole business securitization etc.
CDO--Collateralized debt obligation. Source: S&P Global Ratings.

- In EMEA, both auto and trade receivables outstanding decreased in favor of investments contracts (i.e., commercial-other).
- Investment contracts (i.e., repos, swaps) increased in volume to 38.2% from 11.0% since 2013, becoming the most dominant asset class financed in European ABCP, which is a significant shift for a market that was originally considered a real economy financing tool.
- We expect new non-bank sponsors to support a surge in derivative financing arrangements.
- Approximately 33% of the assets financed are trade receivables, while autos represent 13.5%, in contrast to 23.5% in 2013.

EMEA Historical ABCP Outstanding By Currency*



- European ABCP currency mix is stable.
- Almost all ABCP outstanding issued by European conduits are denominated in U.S. dollars, euros, and British pound sterling. The shares of all three currencies remain largely unchanged since December 2022.
- Of the three currencies, U.S. dollars represent 58.9%, with some European programs issuing ABCPs denominated in U.S. dollars only.
- European ABCP are issued with a discount based on a fixed rate, as investors still do not have an appetite for floating-rate European ABCP.

*The data present values as of December for each year 2012-2022 and as of August 2023. §Other currencies include Swedish krona, Canadian dollars, Norwegian kroners, Singapore dollars, Polish zloty, and Hong Kong dollars. ABCP--Asset backed commercial paper. Source: S&P Global Ratings.

Global Top 10 Sponsors

Based on ABCP outstanding as of August 2023

		% of S&P Global Ratings-rated U.S. and EMEA conduits	
		August 2023	December 2022
1	JPMorgan Chase Bank N.A.	12.4	12.0
2	Royal Bank of Canada	9.7	8.9
3	Credit Agricole Corporate and Investment Bank	7.9	9.3
4	Northcross Capital Management Ltd.	6.6	6.6
5	BNP Paribas	6.3	5.9
6	Bank of Tokyo-Mitsubishi UFJ Ltd., New York branch	6.0	5.1
7	Guggenheim Treasury Services LLC	6.0	7.3
8	BSN Holdings Ltd./BSN Capital Partners Ltd.	6.0	5.9
9	Société Générale	5.6	5.3
10	Citibank N.A., New York	5.4	5.3

Only U.S. conduits

Only EMEA conduits

U.S. and EMEA conduits

Source: S&P Global Ratings.

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Related Research And Appendix

Related Research

- U.S. Consumers Could Rally Despite Higher Debt Burden, Oct. 13, 2023
- Great Bear Funding DAC CP Ratings Affirmed, Sept. 29, 2023
- Global Credit Conditions Q4 2023: Resilience Under Pressure, Sept. 28, 2023
- Credit Conditions North America Q4 2023: Shift To Low Gear, Sept. 26, 2023
- Credit Conditions Europe Q4 2023: Resilience Under Pressure Amid Tighter Financial Conditions, Sept. 26, 2023
- Economic Outlook Eurozone Q4 2023: Slower Growth, Faster Tightening, Sept. 25, 2023
- New Issue: Bay Square Funding LLC, Sept. 6, 2023
- New Issue: Overwatch Alpha Funding LLC, Aug. 9, 2023
- Global Banks Midyear Outlook 2023: Resilience Will Be Tested, July 20, 2023

Appendix

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