Case Study: Hong Kong Card Master Trust

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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?

Chase Manhattan Hong Kong: Relationships

Chase Manhattan Hong Kong: Ongoing Cash Flows

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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 HK$ -1.50%
(2average)
Less rate paid US$ -5.31%
(Libor+0.25%)
Other costs (est.) -2.50%
Net revenue (est.) +/-16.00%