Case Study:
Hong Kong Card Master Trust

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- What is the relationship among the parties in this deal? (Draw a diagram)
- How are investors protected? And FSA?
- How are the interest rate and currency risks managed?
- Can you quantify the costs and benefits to Chase?
**Chase Manhattan Hong Kong: Summary**

- **Issuer**: Hong Kong Card Master Trust
- **Amount**: US$200mm
- **Paydown**: 4-7 years
- **Calls**: 5% Clean-up
- **Rate**: Libor+0.25%
- **Collateral**: $255mm HK credit card receivables pool
- **Rating**: AAA/Aaa (FSA guarantee)

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**Summary of Terms**

- **Issuer**: Hong Kong Card Master Trust
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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

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**Paydown Structure**

- Principal Amount
- Principal Repayments Are Reinvested
- Principal Repayments Are Passed Through To Investors
- Clean-Up Call
- Date of Purchase
- End of Revolving Period
- Amortization Period
- Time

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**Paydown Structure**

- **Seller interest**
- **Clean-up call**

**Timeline:**
- Nov 1994
- June 1999 (princ. Commencement)
- Jan 2000 (exp. Final)
- Nov 2001 (Final)

**Other Risks**
- Currency risk
- Interest rate risk
- Sovereign risk
- Legal risks
- Payment timing risks
- Swap counterparty risk
- Guarantor risk
### The Economics

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
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<tbody>
<tr>
<td>Average revenue yield</td>
<td>HK$ 25.25%</td>
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<tr>
<td>Less charge-offs (2x average)</td>
<td>HK$ -1.50%</td>
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<tr>
<td>Less rate paid (Libor+0.25%)</td>
<td>US$ -5.31%</td>
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<tr>
<td>Other costs (est.)</td>
<td>-2.50%</td>
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<tr>
<td>Net revenue (est.)</td>
<td>+/-16.00%</td>
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