

SF Insights: ABCP Muni Structured

S&P Global
Ratings

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Welcome to the first edition of our ABCP Muni Structured newsletter, highlighting our research on the asset-backed commercial paper (ABCP), variable-rate demand obligation (VRDO), and tender option bond (TOB) markets. We have compiled our most recent insights below, as well as other featured articles, new program and transaction update reports, and ABCP conduit profile reports that were published in 2021.

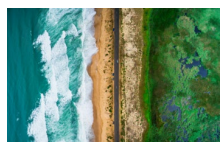
We also encourage you to visit our S&P Global Ratings website regularly for updates on our research.

This report does not constitute a rating action.

Commentaries



[Global Structured Finance Outlook](#) (Jan. 12, 2022)



We expect U.S. ABCP outstanding to remain in the range of \$270 billion-\$280 billion in 2022, sector and rating performance trends to remain stable, and collateral performance to be somewhat stronger. Muni structured VRDOs rebounded in 2021 after an unsurprising 2020 decline.

We expect 2021 year-end VRDO/letter of credit commercial paper issuance of approximately \$5.5 billion, up from 2020's \$4.4 billion. TOBs 2021 new issuance has remained low compared to previous years. We anticipate similar volume in 2022, with potential room for growth to \$7.5 billion in new issuance par.



[Inside Global ABCP: Stable Ratings And Modest Issuance Growth Likely As Economy Rebounds](#) (Oct. 29, 2021)



U.S.: New seller activity, additional issuance from existing programs, and the launch of new programs have remained steady in the first half of 2021. Issuance growth should remain stable this year, with no material impact on our ratings amid a modest economic rebound.

EMEA: The total amount of ABCP outstanding that we rate grew by almost 10% in the first six months of 2021 to reach \$116.4 billion in June. Issuance momentum, which gained traction in the second half of 2020 due to strong demand for conduits backed by investment contracts, continued into the first half of 2021. We expect that moderate growth will continue this year, with no material impact on our ratings.

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European And Japanese Structured Finance Markets Approach LIBOR Cessation While U.S. Markets Prepare For A Major Shift

(Nov. 2, 2021)



Liquidity facilities and program-level mitigants typically cover any interest related to LIBOR-based liabilities. ABCP program documentation includes issuance tests to ensure the full payment of principal and timely payment of interest of ABCP notes by the liquidity provider or programwide credit enhancement provider rated at least as high as the ABCP notes. To the extent sponsors have any LIBOR-based liabilities with a maturity date beyond the cessation of LIBOR, there is a redeemable component that would likely be exercised by the conduit administrator to pay noteholders in full prior to the transition date of June 2023.



Tender Option Bond Ratings 2021 Recap: Improved Credit Conditions, But New Issuance Levels Remain Low (Feb. 7, 2022)



TOB 2021 new issuance has remained low compared to previous years. However, the volume of transactions backed by credit enhancement continued to grow. While only 8.8% of TOB trusts rated in 2018 included support from a credit enhancement provider, this percentage has increased to 26.1%, 30.9%, and 36.3% of trusts rated in 2019, 2020, and 2021, respectively. There was also increased investor appetite for lower-rated ('BBB-' or below) or unrated underlying assets. Rating actions in 2021 decreased by 40% from 2020. Of the 2021 rating actions, 63.6% were upgrades, reflecting improved credit conditions.



Featured Articles



[Inside Global ABCP: Economic Recovery To Underpin Modest Issuance And Stable Ratings](#) (April 28, 2021)



U.S.: Issuance came under some pressure in the second half of 2020, as alternative funding sources of liquidity became more available. Nevertheless, we have rated issuances from several programs over the past six months. We expect issuance growth to remain stable or increase slightly this year, with no material impact on our ratings in the coming months amid a modest economic rebound.

EMEA: The total amount of ABCP outstanding surpassed \$100 billion as of Dec. 31, 2020. Issuance reached a three-year high after tepid growth for two years, driven by investor demand. We expect stable issuance this year with no material impact on our ratings.



[SF Credit Brief: To Avoid A Crash Landing, Airport Subsector Turned To More LOC CP Issuances In 2020](#) (March 24, 2021)



Lower interest rates, coupled with financial pressures due to the COVID-19 pandemic, led to issuers seeking short-term financings, which resulted in increased issuance of public finance (PF) airport letter of credit (LOC)-backed commercial paper (CP), or alternatively, restructuring/refinancing opportunities. More than half (54%) of 2020 rating downgrades on standby bond purchase agreements (SBPA) and LOC-backed transactions were linked to the PF transportation sector, out of which 49% were related to the PF airport subsector. Continued credit uncertainty will likely persist through 2021 on SBPA and LOC-backed transactions linked to the PF airport subsector due to the associated effects of the COVID-19 pandemic.



[Tender Option Bond 2021 Mid-Year Review: Market Begins To Stabilize Amid Ongoing Economic Recovery](#) (July 30, 2021)

The number of rating actions in 2021 year to date has decreased dramatically from 2020, reflecting the stabilization of the tender option bond (TOB) market; 24% of the rating actions in 2021 were upgrades. The portion of transactions backed by credit enhancement has slightly increased over last year, a trend we anticipate will continue. Another new taxable program entered the market this year, supported by JPMorgan Chase Bank N.A. as the liquidity provider.

New Programs/Ratings

ABCP

- [New Issue: Lexington Parker Capital Co. LLC](#), Sept. 10, 2021
- [New Issue: Endeavour Funding Co. LLC](#), Aug. 30, 2021
- [Freddie Mac \(Series ML-11 Class A-US\); Custodial Receipts](#), July 29, 2021
- [New Issue: Regatta Funding Co. LLC](#), June 21, 2021
- [New Issue: Alinghi Funding Company LLC](#), June 14, 2021
- [New Issue: Pure Grove Funding](#), May 26, 2021
- [New Issue: Ionic Capital III Trust](#), May 6, 2021
- [New Issue: Lexington Parker Capital Co. LLC](#), April 30, 2021
- [New Issue: Washington Morgan Capital Co. LLC](#), April 15, 2021
- [New Issue: Lexington Parker Capital Co. LLC](#), March 8, 2021
- [New Issue: Concord Minutemen Capital Co. LLC](#), Jan. 27, 2021

Tender Option Bonds

- [Barclays Capital Inc./FMSbonds Inc. \(Series 2021-XF2953TX\); Tender Option Certificates/Bonds](#), Oct. 14, 2021
- [DB SPEARs/LIFERs Trust \(Series DBE-8901\); Custodial Receipts; Tender Option Certificates/Bonds](#), Aug. 18, 2021
- [FMSbonds Inc. \(Series 2021-XF2940\); Residual Certificates; Tender Option Certificates/Bonds](#), July 20, 2021
- [FMSbonds Inc. \(Series 2021-XFT1210\); Tender Option Certificates/Bonds](#), March 9, 2021

VRDO/LOC-Backed Commercial Paper Notes

- [New Issue: HAT Holdings I LLC/HAT Holdings II LLC \(CarbonCount@ Green Commercial Paper Note Program\)](#), Sept. 24, 2021

ABCP Conduit Profile Reports

Recently published transaction updates for JPMorgan and Citibank ABCP partially supported conduits can be found by clicking the images below.

JPMorgan Chase Bank N.A.			
<p>A-1 (sf) Chariot Funding LLC</p>	<p>Standard Callable Puttable ABCP notes</p>	<p>A-1 (sf) Jupiter Securitization Co. LLC</p>	<p>Standard Callable Puttable ABCP notes</p>
Citibank N.A.			
<p>A-1 (sf) CAFCO LLC</p>	<p>Standard ABCP notes</p>	<p>A-1 (sf) CHARTA LLC</p>	<p>Standard ABCP notes</p>
<p>A-1 (sf) CIESCO LLC</p>	<p>Standard ABCP notes</p>	<p>A-1 (sf) CRC Funding LLC</p>	<p>Standard ABCP notes</p>

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