

Indian ABS not affected by PNB fraud, says Fitch

PTI



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Fitch Ratings today said Indian asset-backed securities (ABS) transactions are unlikely to be affected by the [Rs 11,400 crore fraud at Punjab National Bank](#) (PNB). The bank, it says, still remains eligible as an account bank for Indian ABS transactions rated at 'BBB-sf'.

ABS are bonds or notes backed by financial assets. Typically, these assets consist of receivables other than mortgage loans, such as credit card receivables, auto loans, manufactured-housing contracts and home-equity loans. "The recent banking fraud at Punjab National Bank, uncovered on February 14, 2018, is unlikely to affect the Indian ABS transactions rated by Fitch," the rating agency said in a statement. "Our view takes into account the replacement triggers for the transactions' counterparties; a stable performance; and significant build-up of credit enhancement (CE)."

Fitch said, should PNB be downgraded to below 'BBB-', it expects the replacement triggers will be executed, and the account bank will be replaced with another eligible entity. "Four Fitch-rated transactions had exposure to PNB as an account bank as of February 21, 2018," it said without giving details. "However, all have amortised by at least 70 per cent since closing, resulting in available CE (as a percentage of the notes outstanding) at least 3.5x the closing CE (as a percentage of the closing notes' amount)."

The transactions' performance has also been relatively stable, with reported 90+days past due (dpd) delinquencies (as of the February trustee reports) only around or less than 1 per cent of the closing notes' balance. "The transactions are likely to suffer only a minimal impact, if any, even if the entire CE with PNB were to be written off. The current available CE, excluding the portion with PNB, is at least 3.25x the closing CE for three out of four related transactions, and around 0.8x for the fourth transaction," Fitch added.

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