FitchRatings

Fitch Downgrades 234 Spanish Structured Finance Tranches on Sovereign Downgrade

Ratings Endorsement Policy
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Link to Fitch Ratings' Report: Fitch Downgrades 234 Spanish Structured Finance Tranches on Sovereign Downgrade

Fitch Ratings-London/Madrid-08 June 2012: Fitch Ratings has downgraded 234 tranches (150 RMBS, 58 Structured Credit, 23 ABS and three CMBS) related to 156 Spanish structured finance (SF) transactions (101 RMBS, 40 Structured Credit, 14 ABS and one CMBS). Additionally, Fitch has revised the Outlook on 10 tranches of 10 Spanish SF transactions to Negative (9 RMBS and 1 ABS), and has placed one CMBS tranche on Rating Watch Negative (RWN). The full list of affected tranches can be found on www.fitchratings.com or by clicking the link above.

The downgrades apply to tranches at Fitch's ratings cap for SF transactions from Spain and follow the downgrade of Spain's Long-term foreign currency Issuer Default Rating (IDR) to 'BBB'/Negative from 'A'/Negative (see "Fitch Downgrades Spain to 'BBB'; Outlook Negative" dated 7 June 2012 at www.fitchratings.com).

Following the sovereign downgrade, Fitch has revised its ratings cap on Spanish SF transactions to 'AA-sf' from 'AAAsf', thereby maintaining the five-notch differential between the sovereign IDR and the highest achievable SF ratings. The ratings cap reflects the agency's concerns that the weakening sovereign increases the likelihood of extreme macro-economic events that could undermine the performance of the securitisations. The Negative Outlook assigned to all tranches rated 'AA-sf' reflects the Outlook on the sovereign rating.

In situations of higher uncertainty, Fitch does not consider it appropriate to assign the highest SF ratings solely based on higher stress assumptions, but will instead cap SF ratings with reference to the sovereign's IDR. SF transactions may achieve a rating of up to six notches above a eurozone sovereign's IDR.

Within the downgraded inventory, 11 tranches of six SF transactions are credit-linked and/or state-guaranteed as follows:

Two SME CLO tranches as their ratings reflect the reliance on the guarantee provided by the Kingdom of Spain (FTPYME TDA 6 FTA class 2CA, and BBVA-6 FTPYME FTA class A2G).

One CDO tranche (CEAMI Guaranteed Bonds I, FTA) because of the direct reliance on the guarantee provided by the Kingdom of Spain to the underlying collateral pool of senior bank debt.

One CDO tranche (Santander Publico 1 FTA's class A) because, while the notes are not explicitly guaranteed by the Kingdom of Spain, the underlying portfolio comprises loans to a variety of public service providers including local governments, municipalities, autonomous communities and others such as universities. The credit profile of these public service providers is closely tied to the sovereign rating, which effectively caps the rating of the class A.

One CDO tranche (ICO Mediacion II AyT FTA's class A) because, while the notes are not explicitly guaranteed by the Kingdom of Spain, the underlying portfolio is 100% exposed to the banking sector. Fitch believes the inter-dependence of the banking system and sovereign do not allow a full delinkage of the ratings, and therefore the agency has applied a dynamic rating cap at three notches above the sovereign rating to the class A.

Six electricity tariff deficit series from Fondo de Titulizacion del Deficit del Sistema Electrico (FADE) FTA, which are fully guaranteed by the Kingdom of Spain (Series 1, 2, 3, 4, 5 and 10).

Fitch has placed the class A of Rivoli - Pan Europe 1 plc, a CMBS transaction, on RWN while the agency completes its review of the underlying loan portfolio.. The agency expects to resolve the RWN within the next few weeks.

Fitch recognises the likelihood that the downgrade of the sovereign IDRs will put additional pressure on the ratings of financial institutions in Spain. Fitch's Counterparty Criteria for SF Transactions states that counterparties with ratings of at least 'A-'/'F2' are generally eligible to support the ratings of tranches of 'AA+sf' or lower, and that counterparties with ratings of at least 'BBB+'/'F2' are generally eligible to support the ratings of tranches of 'A+sf' or below.

Tranches which are currently on RWN because of ineligible counterparty exposures will remain on RWN. If such exposures continue or increase as a result of further downgrades of financial institutions and effective mitigants are not implemented, further downgrades of the affected SF tranches are likely.

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Additional information is available at www.fitchratings.com. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable criteria, "EMEA Residential Mortgage Loss Criteria" dated 16 August 2011, "EMEA Criteria Addendum - Spain - Mortgage Loss and Cash Flow Assumptions" dated 11 August 2011, "EMEA Consumer ABS Rating Criteria", dated 14 July 2011, "Criteria for Rating Granular Corporate Balance-Sheet Securitisations (SME CLOs)" dated 1 June 2012, "Global Rating Criteria for Corporate CDOs" dated 10 August 2011, "Counterparty Criteria for Structured Finance Transactions" dated 30 May 2012, and "Global Rating Criteria for Single- and Multi-Name Credit-Linked Notes" dated 22 February 2012, "EMEA CMBS Rating Criteria", dated 4 April 2012 and "Global Structured Finance Rating Criteria", dated 4 August 2011 are available at www.fitchratings.com.

Applicable Criteria and Related Research:
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EMEA Criteria Addendum - Spain - Mortgage Loss and Cash Flow Assumptions
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Global Rating Criteria for Single- and Multi-Name Credit-Linked Notes
EMEA CMBS Rating Criteria
Global Structured Finance Rating Criteria

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