TABLE OF CONTENTS

1	INTRODUCTION	
	Background Benefits of Credit Card Securitizations Risks of Credit Card Securitizations Principals and Their Roles Seller Servicer Trustee Investors Investment Bankers Third-Party Guarantors Accountants Rating Agencies Underwriters Manual Structure	5 6 6 6 7 7 7 7 8 8 8
II	THE SECURITIZATION TRANSACTION (Overview)	
	Introduction Basic Set-up The Purpose of SPE and QSPE Master Trusts The Transaction Seller's Interest Cash Flows and Structures Credit Enhancements Rating Agencies Changing Structures	9 9 10 10 11 11 12 12 13
III	ACCOUNTING FOR CREDIT CARD SECURITIZATIONS	
	Introduction Transfer of Assets Call Options and ROAPS Determining Gain or Loss on Sale Servicing Assets and Liabilities Adequate Compensation Transactions Accounted for as Secured Borrowings Initial and Subsequent Measurements Interest-Only Strip versus Servicing Asset Interest Only Strips (IO Strips) Accrued Interest Receivable Credit Card Securitization Example	14 15 15 17 17 18 18 18 19 19 20 21
IV	CASH FLOWS AND CASH FLOW STRUCTURE	
	Introduction	23

	Sources and Uses of Cash Finance Charges Principal Payments Early Amortization Cash Flow Structures – Master Trust Finance Charge Allocation The Risk of Sharing Finance Charge Collections Principal Allocation Principal Allocation – Early Amortization The Risk of Sharing Principal Collections	23 23 24 25 26 26 29 29 30 30
V	DESIGNATION OF RECEIVABLES	
	Introduction Absorbing Monthly Fluctuations Representation and Warranties Eligible Accounts Eligible Receivables Tax Consequences Account Additions Types of Additions Risk of Account Additions Removal of Accounts Implicit Recourse	34 35 35 36 36 36 37 37 37 38
VI	CREDIT ENHANCEMENT FACILITIES	
	Introduction Internal Credit Enhancement Facilities	39 39 40 40 41 41 41 42 42 43 43
VII	COMMERCIAL PAPER BACKED BY CREDIT CARD RECEIVABLES	
	Introduction Principals and Their Roles Asset-Backed Commercial Paper Conduit Sponsoring Bank/Administrative Agent Seller Investors and the Market Support Providers Rating Agencies Program Structures Multi-Seller Program	46 46 47 47 47 47 47 48 48

VIII	Single-Seller Program Fully Supported Partially Supported Unsupported Program Credit Enhancement Facilities Transaction-Specific Program-Wide Liquidity Facilities Seller-Specific General (Program-Wide) Structural Termination Triggers ABCP Programs and FIN 460R Regulatory Capital Requirements for ABCP Programs Liquidity Facility Providers and Risk-Based Capital RESIDUAL INTERESTS VALUATION AND MODELING	48 49 49 49 50 50 50 51 51 51
	Introduction Accounting Requirements Cash-Out Technique Cash-In Technique Valuation Models Cash Flows Modeling Risk Inappropriate Assumptions Model Construction Model Assessment Evaluation of Model Construction Evaluation of Model Assumptions Credit-Enhancing IO Strip Cash Flow Assumptions Yield Assumptions Charge-off Rate Base Rate Principal Payment Rate Discount Rate Discount Rate Day Count Excess Spread Retained Subordinated Bonds Spread Accounts Accrued Interest Receivable Other Residual Interests Stress Testing Validation Back Testing Summary of Examination Procedures	55 55 56 57 57 58 59 59 59 60 61 61 62 63 64 65 66 67 70 71 71
IX	REGULATORY CAPITAL Introduction Definitions Recourse Direct Credit Substitute Residual Interest Credit-Enhancing Interest-Only Strip (CE IO Strip) Credit-Enhancing Representations and Warranties	73 74 74 74 74 74 75

	Clean-up Calls Ratings-Based Approach Rating Agency Credit Ratings Use of Internal Risk Ratings Qualifying Rating Software Capital Charges for Residual Interests Concentration Limit Dollar-for-Dollar Capital Charge Implicit Recourse Accrued Interest Receivable (AIR)	75 75 75 76 76 77 77 78 79 80
X	RISK MANAGEMENT AND EXAMINATION ISSUES	
	Introduction Assessing the Risk Credit Risk Liquidity Risk Capital Risk Reputation Risk Operational Risk Strategic Risk Management Responsibilities Independent Risk Management Function Valuation and Modeling Processes Use of Outside Parties Internal Audit Function or Internal Review Regulatory Reporting Market Discipline and Disclosures Repot of Examination Considerations Capital Asset Quality Earnings	82 82 83 85 85 85 86 87 88 90 90 91 92 92 94 94 95 97
	Liquidity Sensitivity to Market Risk	100
ΧI	Glossary	102