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Rating Action: Moody's affirms P-1 ratings of Clifford Capital's updated commercial paper programme

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Singapore, February 01, 2021 -- Moody's Investors Service has affirmed the Prime-1 (P-1) foreign- and local-currency short-term debt ratings of Singapore-based Clifford Capital Pte. Ltd.'s (Clifford Capital) updated $700 million euro commercial paper programme (CP programme).

The P-1 ratings of the CP programme are based on: (1) the full, unconditional and irrevocable guarantee provided by the Government of Singapore (guarantor, Aaa stable), (2) Clifford Capital's indirect ownership by the Government of Singapore, and (3) the company's public policy role.

RATINGS RATIONALE

The P-1 ratings assigned to the CP programme are based on the Aaa credit strength of Singapore. In Moody's opinion, the terms and conditions of the guarantee are sufficient for credit substitution, given Clifford Capital's indirect ownership by the government, and the company's public policy mandate.

The CP programme was updated on 1 February 2021, whereby the issuance limit was increased to $700 million from $500 million. Moreover, the guarantee was amended and restated on 26 November 2020, and currently covers Clifford Capital's debt obligations up to $3.5 billion of the principal amount on a revolving basis and $400million of interest payments. Previously, the guarantee covered $2.3 billion of the principal amount and $1.6 billion of interest payments. The amended guarantee covers Clifford Capital's repayments under the CP programme, up to $700 million for principal payments and $35 million for interest payments.

The terms of the guarantee are consistent with Moody's core principles of guarantees for credit substitution, which were identified in a cross-sector rating methodology titled: "Rating Transactions Based on the Credit Substitution Approach: Letter of Credit-backed, Insured and Guaranteed Debts", published in May 2017. These core principles as they relate to Clifford Capital's CP programme are detailed below:

1. The guarantee is structured to unconditionally and irrevocably pay in full the unpaid principal and interest under the CP programme.

2. The guarantee covers any amounts avoided or clawed back as a result of insolvency, bankruptcy or similar proceedings brought against Clifford Capital.

3. The term of the guarantee extends for as long as the term of the CP programme.

4. The guarantee is enforceable against the guarantor in Singapore courts, based on Moody's review of a third-party legal opinion and other transaction documents.

Some aspects of the guarantee differ from what Moody's considers ideal legal features required for credit substitution, primarily in relation to the timeliness of payment. From a strict legal point of view, the guarantee grants the government a period of 15 days to repay creditors after payments are due.

In practice, however, Moody's concluded that there are sufficiently strong incentives for the government to effectively pay without delay in the event the guarantee is triggered. In particular, Clifford Capital's policy role, its ownership structure and the unique situation whereby the guarantor is the government, rather than a third-party commercial entity offering a product for a fee, all establish a linkage with the government's own obligation and interest to provide for a timely payment. Furthermore, various internal contingency planning mechanisms indicate that the government has planned a number of measures to ensure that it will be provided with adequate information and sufficient notice to avoid any delay in repaying Clifford Capital's debt.

PUBLIC POLICY MANDATE

Clifford Capital has a public policy mandate requiring it to perform the functions of an export-import facilitator for the Singapore government.

Clifford Capital was established in 2012 as a finance company aimed at supporting Singapore exports and bridging the long-term financing gaps for Singapore-based firms in sectors such as infrastructure, transportation, oil and gas, and offshore marine drilling.

The company is fully owned by Clifford Capital Holdings Pte. Ltd. (CCH), a holding company. In turn, CCH is 45.7% owned by Singapore's sovereign wealth fund, Temasek Holdings (Private) Limited (Aaa stable), while the remainder of the shareholding is held by five institutional investors and Asian Development Bank (Aaa Stable) with minority participations. Its Board of Directors include representatives of the company's shareholders and independent directors, as well as government employees.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Because the P-1 short-term ratings assigned to the CP programme are the highest possible under Moody's short-term rating scale, there is no possibility of a rating upgrade.

The CP programme's short-term debt ratings are linked to Singapore's sovereign rating. Only a multi-notch downgrade of the sovereign's rating would lead to a downgrade of the ratings on the CP programme.

OUTLOOK

Short-term ratings do not carry outlooks.

The principal methodology used in these ratings was Rating Transactions Based on the Credit Substitution Approach: Letter of Credit-backed, Insured and Guaranteed Debts published in May 2017 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1068154 . Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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