

Article Title: Criteria | Structured Finance | General: Structured Finance Criteria Introduced For Cayman Islands Special-Purpose Entities Data: (EDITOR'S NOTE: —On May 14, 2020, we republished this criteria article to make nonmaterial changes. See the "Revisions And Updates" section for details.)

1. This article describes S&P; Global Ratings' criteria for assessing the bankruptcy remoteness of special-purpose entities (SPEs) incorporated in the Cayman Islands.
2. These criteria apply to structured finance transactions globally that involve Cayman Islands-incorporated SPEs and concern only our review of such entities. We apply our other global or jurisdiction-specific legal criteria, as applicable, in connection with our legal analysis of other aspects of transactions involving Cayman Islands-incorporated SPEs.
3. These criteria may not be suitable for an entity incorporated in the Cayman Islands if the nature of the entity's activities or the location of its assets suggests that an insolvency regime other than that set out in the Companies Law (as amended) of the Cayman Islands (Companies Law) would apply to the entity or the majority of its assets. These criteria may also not be suitable for an exempted company incorporated under the Companies Law that is registered as a segregated portfolio company.
4. S&P; Global Ratings generally regards a Cayman Islands-incorporated entity as being sufficiently protected against voluntary and involuntary insolvency risks, and thus a bankruptcy-remote SPE, when it has the following characteristics:
 - Restrictions on activities;
 - Debt limitations;
 - Separateness covenants;
 - Security interest over assets;
 - Limitations on reorganizations or changes of ownership;
 - and Restrictions on shareholder power to voluntarily wind-up the entity and to amend the entity's organizational documents.
5. The entity should covenant in the transaction documents not to engage in any businesses or activities other than those necessary for, or incidental to, its role in the transaction.
6. Debt Limitations
 - Except in the case of certain multi-use vehicles, the entity should be restricted from incurring any debt (other than indebtedness that secures the rated securities) unless (i) the additional debt is assigned the same rating by S&P; Global Ratings as the issue credit rating requested for the rated securities in a given transaction (at the time of issuance and at all times thereafter), or (ii) the additional debt is fully subordinated to the rated securities and, in either case, (a) is nonrecourse to the entity or any of its assets other than cash flow in excess of amounts necessary to pay holders of the rated securities and (b) does not constitute a claim against the entity to the extent that funds are insufficient to pay such additional debt. In addition to securities, additional debt includes any monetary obligation or other obligation that may involve the payment of money, such as guarantees, indemnities, and covenants by the entity to release a security interest.
7. Any agreement between the entity and its creditors should include provisions limiting creditors' recourse to the assets funding the rated securities and in which the creditors agree not to initiate or join in any insolvency proceedings in respect of the entity for a period of six months or another applicable preference period.
8. Separateness Covenants
 - The entity should agree in the transaction documents to abide by the following separateness covenants: To maintain books and records separate from any other person or entity; To maintain its accounts separate from those of any other person or entity; Not to commingle assets with those of any other entity; To conduct its own business in its own name; To observe all corporate formalities; To maintain an arms'-length relationship with its affiliates; To maintain separate financial statements; To pay its own liabilities out of its own funds; To use separate stationery, invoices, and checks; To hold itself out as a separate entity; and To correct any known misunderstanding regarding its separate identity.
9. Security Interest Over Assets
 - The entity should grant a first-priority security interest over all of its assets, other than certain excluded property, for the benefit of the holders of the rated securities.
10. Limitations On Reorganization Or Changes Of Ownership
 - The entity should be restricted from engaging in any dissolution, liquidation, consolidation, or asset sale (other than as provided in the relevant transaction documents) while the rated securities are outstanding unless prior written notice is provided to S&P; Global Ratings, and subject to the restrictions and exceptions applicable to share disposition and liquidation noted in paragraphs 11 and 12.
11. Shareholder Restrictions
 - The entity's share trustee or shareholders should be restricted from amending the entity's organizational documents while the rated securities are outstanding unless prior written notice is provided to S&P; Global Ratings.
12. In an orphan entity structure, the shareholder holding the entity's shares in trust for charitable or other purposes (share trustee) should be prohibited from disposing of the entity's shares, unless the share trustee has determined that such action is in the best interests of the holders of the rated securities, or if the trustee

for the rated securities directs the share trustee to do so. 13. In addition, the share trustee of an orphan entity should be restricted from initiating the voluntary liquidation of the entity until six months, or another applicable preference period, after the rated securities have ceased to be outstanding, unless the share trustee has determined that such action is in the best interests of the holders of the rated securities, or if the trustee for the rated securities directs the share trustee to do so. 14. In other entity structures, an independent shareholder with the power to block a special resolution, or some other arrangement, should be in place such that the parent of the entity is restricted from initiating the voluntary liquidation of the entity except in the same circumstances applicable to an orphan entity. 15. Further, the entity's organizational documents should not authorize the entity's directors to present a winding-up petition on behalf of the SPE.

Revisions And Updates This criteria article has been revised and updated several times since its original publication on July 18, 2002. Over this time, these criteria were partially superseded by the articles titled "Legal Criteria For U.S. Structured Finance Transactions: Appendix III: Revised UCC Article 9 Criteria," published on Oct. 1, 2006 (which was then superseded by "U.S. Structured Finance Asset Isolation And Special-Purpose Entity Criteria," published on May 15, 2019), and "Asset Isolation And Special-Purpose Entity Criteria--Structured Finance," published on May 7, 2013 (which was then superseded by "Structured Finance: Asset Isolation And Special-Purpose Entity Methodology," published March 29, 2017). Changes introduced after original publication: Following our periodic review completed on July 27, 2015, we updated the contact information. Following our periodic review completed on March 24, 2016, we updated the contact information, updated references to criteria and applicable Cayman Islands law, and updated our description of applicable Cayman Islands law to clarify our approach to reviewing certain provisions of the organizational documents for Cayman Islands-incorporated special-purpose entities. Following our periodic review completed on March 24, 2017, we updated the contact information, added the "Revision History" and "Related Criteria And Research" sections, and made editorial updates throughout to streamline and clarify the article, which altered the paragraph numbering. None of these updates changed our methodology or assumptions. Following our periodic review completed on March 22, 2018, we updated criteria references and renamed the "Revision History" section to "Revisions And Updates." On May 14, 2020, we republished this criteria article to make nonmaterial changes. We updated the contact details and criteria references.

Related Criteria And Research Related Criteria U.S. Structured Finance Asset Isolation And Special-Purpose Entity Criteria, May 15, 2019 Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017 These criteria represent the specific application of fundamental principles that define credit risk and ratings opinions. Their use is determined by the issuer-specific or issue-specific facts, as well as Standard & Poor's assessment of the credit and, if applicable, structural risks for a given issuer or issue rating. Methodology and assumptions change from time to time as a result of market and economic conditions, issue-specific or issuer-specific factors, or new empirical evidence that would affect our credit judgment.