

Canadian Structured Finance Newsletter

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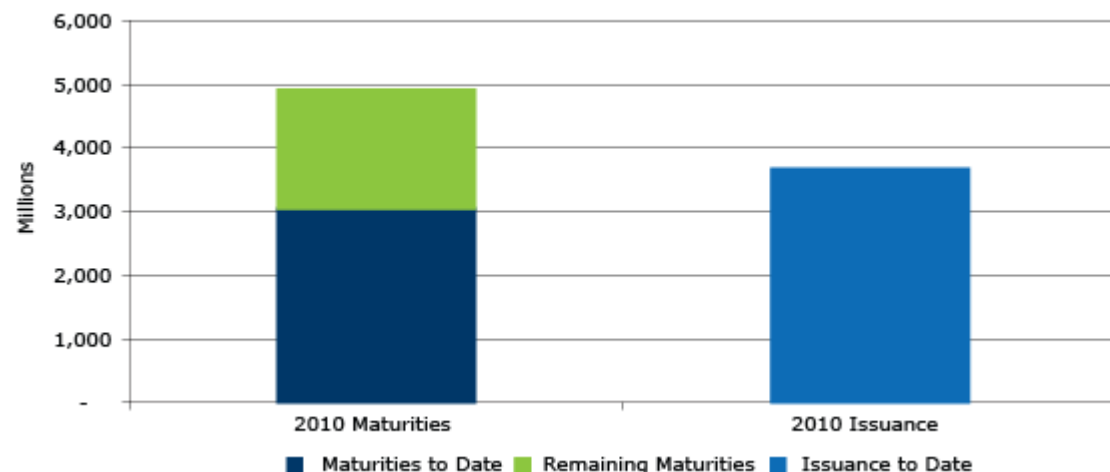
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CREDIT CARD SECURITIZATION BOUNCES BACK

On August 16, 2010, DBRS released its updated methodology for rating Canadian credit card securitizations. The methodology reflects DBRS's revised approach to interchange fees, stress periods for subordinated notes, ratings designations and surveillance. The methodology also consolidates various criteria issued by DBRS, such as partial commingling conditions, since the previous methodology for Canadian credit card securitization was published in October 2008. For a copy of the revised methodology please [click here](#).

The updated methodology is timely as the issuance of asset-backed securities (ABS) backed by credit card receivables has picked up in recent months. Since May 2010, RBC's Golden Credit Card Trust, CIBC's CARDS II Trust and National Bank's Canadian Credit Card Trust have issued more than \$3.6 billion of credit card-backed notes. With slightly more than \$3.0 billion of such securities maturing year-to-date in 2010, total credit card ABS outstanding has remained stable. Another \$1.9 billion in maturities occur before December 31, 2010, meaning that further issuance may be forthcoming. This is a significant departure from 2009 when there was no new credit card note issuance while approximately \$3.0 billion matured.

Canadian Credit Card Activity in 2010



Source: DBRS.

As part of its ongoing commitment to transparency and ratings insight, DBRS started to publish the quarterly Canadian Credit Card Performance Index in March 2010. The latest index, published on August 6, 2010, reveals continued improvement in credit card performance with the average loss rate standing at 5.82% as of June 30, 2010. June represented the second consecutive month that the average loss rate remained below 6%. Average gross yield was 21.45% at the end of June, also greater than the previous quarter. The Q2 2010 Canadian Credit Card Performance Index can be found [here](#).

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