



Insight beyond the rating.

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DBRS Provides Expanded Disclosure on Representations, Warranties and Enforcement Mechanisms for New Asset-Backed Securities Ratings

On January 20, 2011, the U.S. Securities and Exchange Commission (SEC) adopted Rule 17g-7 (the Rule) under the Securities Exchange Act of 1934 (the Act). The current version of the Rule requires each nationally recognized statistical rating organization (NRSRO) to include, in any rating report for an asset-backed security, a description of (1) the representations, warranties and enforcement mechanisms available to investors of such security and (2) how those representations, warranties or enforcement mechanisms differ from the representations, warranties and enforcement mechanisms available to investors of similar securities (17g-7 Disclosure). Credit rating reports published by NRSROs in respect of asset-backed securities on or after September 26, 2011 must comply with the Rule.

As an NRSRO, DBRS will comply with the Rule¹. This commentary summarizes DBRS' current understanding and interpretation of the primary requirements under the Rule and highlights its approach to comply with the Rule.

DBRS interprets the Rule to apply in respect of asset-backed securities that fall within the meaning of the definition of "asset-backed security" under the Act. DBRS believes the following securities are "asset-backed securities" as defined in the Act and fall within the scope of the Rule: ABS (including credit card securitizations), CMBS, RMBS and CDOs. Accordingly, effective September 26, 2011, DBRS credit rating reports which may include press releases, as appropriate, for newly issued ratings (provisional or final) in respect of asset-backed securities will include the required disclosures.

DBRS understands the Rule to require an NRSRO to provide disclosure on the representations and warranties and enforcement mechanisms "available to the investors". DBRS intends to comply with the Rule by publishing 17g-7 Disclosure that includes a benchmark created by DBRS in respect of the relevant U.S. and Canadian asset-backed security type, as applicable, (DBRS 17g-7 Benchmark) and the relevant excerpts from the representations, warranties and enforcement mechanisms available to the investors under the related transaction documents.

A DBRS 17g-7 Benchmark is a list of relevant transaction provisions in respect of each type of asset-backed security DBRS has rated to date. Each DBRS 17g-7 Benchmark is created based on a review of sample transaction documents and includes a list of representations, warranties and enforcement mechanisms available to the investors pursuant to those documents. One of DBRS' objectives in establishing the 17-g-7 Benchmarks is for the benchmarks to be user-friendly and in plain English. DBRS will update its 17g-7 Benchmarks periodically based on a review of then current market transactions.

¹ DBRS refers to DBRS, Inc. and DBRS Limited. For NRSRO information, refer to Regulatory Affairs on www.dbrs.com.



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In order to prepare and publish the 17g-7 Disclosure that is required to accompany the applicable rating reports (including pre-sale reports), DBRS will need to complete a review of the representations, warranties and enforcement mechanisms in the transaction documents for the relevant issuance in conjunction with the preparation and publication of such rating reports.

This press release is for informational purposes only and does not constitute advice of any kind and may not be relied upon as such. It is based on DBRS's good faith understanding of the Rule as of the date of this press release and addresses complex issues that are subject to developing interpretation. DBRS may revise its views regarding the Rule in light of any formal or informal guidance provided by the SEC or its staff.

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