Methodology

Rating Canadian ABCP

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Introduction

The purpose of this publication is to provide greater transparency to DBRS’s process when rating Canadian asset-backed commercial paper (ABCP)\(^1\) (or completing a transaction assessment in respect of a Canadian ABCP transaction\(^2\)). It should be noted, however, that the scope of this methodology is limited to Canadian ABCP\(^3\), which is typically backed by traditional, non-synthetic, non-levered financial assets\(^4\).

For information on the DBRS rating approach to Canadian structured credit products such as collateralized debt obligations and collateralized bond obligations, please see Rating Methodology for CLOs and CDOs of Large Corporate Credit, available at www.dbrs.com.

The methodology outlined herein should not be seen as static. DBRS reviews market and legal developments on an ongoing basis to ensure that its methodologies and practices remain relevant. DBRS recognizes that each transaction is different and that mitigating factors may lead DBRS to modify some of its expectations commensurate with the targeted rating level.

**ABCP BASICS**

ABCP is a form of commercial paper that is collateralized by financial assets. ABCP is typically a short-term financial instrument that has a term to maturity not more than one year from the date of issuance\(^6\).

In Canada, ABCP is usually issued on a discount basis by a bankruptcy-remote special-purpose vehicle (SPV or Conduit) established and administered typically by a bank or other financial institution (each, a Sponsor) to provide funding to originators of various asset classes. SPVs may also issue interest-bearing securities with a maturity greater than one year, referred to as term asset-backed securities (ABS).

Structured finance transactions backing ABCP generally involve the legal separation of a pool of assets and their associated cash flows and contractual rights from the entity that generally originates them and, in all cases, owns such pools of assets prior to the transaction (the Originator). This separation, referred to as securitization, is achieved by transferring assets from the Originator to an entity that is created as an SPV (which typically takes the form of a trust, or can be a limited partnership or a corporate entity, in some cases) that then issues debt that is backed by the assets that have been transferred to the Conduit.

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1. See Appendix 1: Glossary for the definitions of capitalized terms.
2. DBRS understands many transactions entered into by Conduits may not carry public ratings. For each of these transactions, the credit and structural evaluation performed by DBRS is called a transaction assessment. From a ratings analysis perspective, the level of review and evaluation carried out by DBRS for transaction assessments (in accordance with the applicable DBRS criteria and asset methodologies) is consistent with the approach taken by DBRS in assigning a public rating to a Canadian structured finance transaction.
3. In order for DBRS to be able to assign an R-1 (high) (sf) rating to (or confirm the rating of) Canadian ABCP issued by a Conduit, DBRS expects the transaction and the Conduit to be structured in a manner that satisfies the elements of this methodology. In circumstances where the related rated security may receive a rating lower than the highest rating level by DBRS, DBRS may consider modifying some of the considerations and expectations set out below as it deems commensurate with the targeted rating level of the relevant rated securities.
5. For the purposes of rating Canadian ABCP, DBRS may consider other types of assets, including non-financial assets or structures involving non-levered synthetic assets, on a case-by-case basis.
6. ABCP could also be issued in extendible form. Extendible CP is characterized by having both an expected maturity date and a “designated” final maturity date. If extendible CP does not roll on its expected maturity, the program is designed such that the Conduit’s administrator has the option of extending the payment of the extendible CP until the designated maturity, in accordance with the program documents so long as the final maturity is not more than a year from the date of issuance. If a proposed extendible CP arrangement is structured in a manner acceptable to DBRS commensurate with the targeted rating level, DBRS may be able to rate extendible CP pursuant to this Criteria. A DBRS rating will consider repayment on the final maturity, not on any earlier expected maturity.
For details on DBRS's expectations on legal and structural elements of asset-backed securities and Canadian structured finance transactions, please refer to the DBRS methodology *Legal Criteria for Canadian Structured Finance* at www.dbrs.com.

**THE DBRS APPROACH**

In rating Canadian ABCP, DBRS examines risk on three levels – the Conduit level, the Series level and the Transaction level. This examination is carried out through the comprehensive approach taken by DBRS that involves a consideration of all elements of a Conduit, including an assessment of the proposed Sponsor, servicer, counterparty and service provider to the Conduit (in each case, in accordance with the applicable DBRS methodology), a review of risk elements to the Conduit, and an examination of the proposed legal structure, credit enhancement and liquidity support. These themes are examined in greater detail in the pages that follow.

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**ABCP Risk Analysis**

While the credit risk of the underlying assets is the most obvious risk to which holders of ABCP are exposed, it is not the only risk considered by DBRS. DBRS must be satisfied that certain non-credit risks have been appropriately mitigated before a rating can be assigned. Otherwise, such other risk elements may have a ratings impact and/or mean that DBRS is unable to confirm the rating of the related ABCP. As part its ratings analysis, DBRS takes a comprehensive approach and examines risk at the Conduit, Series and Transaction levels, as discussed in further detail below.

**THE CONDUIT LEVEL**

The formation and structure of the Conduit is vital to the mitigation of legal and operational risks. In addition to being designed to mitigate these risks, DBRS expects that the Conduit is structured to accommodate any anticipated asset-specific or unique business issues.

The initial review of a new conduit usually begins with a proposal phase. The proposal phase is useful in order to uncover any unusual or complex issues with respect to any aspect of a new Conduit. DBRS typically performs a review of the relevant legal documentation associated with the establishment of a Conduit, the issuance of ABCP and the direct or indirect acquisition of assets by the Conduit. This review is intended to assess whether the elements of *DBRS Legal Criteria for Canadian Structured Finance* have been incorporated into the structure and legal risks to the Conduit and noteholders have been appropriately addressed to DBRS's satisfaction. Given the central role of the Sponsor in the day-to-day operation and administration of a Conduit, DBRS considers the financial strength, experience and capabilities of the Sponsor as significant for the purposes of ratings analysis in connection with ABCP issued by the Conduit. DBRS therefore expects a Sponsor to be acceptable in accordance with the considerations identified in Appendix A to *Legal Criteria for Canadian Structured Finance* in order for that Sponsor to establish an ABCP Conduit that issues securities that may achieve DBRS ratings in the higher rating categories. For further information, please see *Legal Criteria for Canadian Structured Finance*, available at www.dbrs.com.

This review is not perfunctory or secondary to credit analysis. A robust legal structure is essential if the targeted rating is to be assigned or confirmed. A failure to address non-credit risks adequately may result in a rating lower than the targeted rating, or may preclude DBRS from rating ABCP or confirming the rating of outstanding ABCP.

Also, each Conduit Sponsor and proposed service provider (such as a trustee, custodian or a financial services agent) is subject to a review in accordance with the applicable DBRS methodologies and criteria. The documentation in respect of the engagement or appointment of these service providers is expected to be consistent with the applicable DBRS expectations to achieve the targeted rating.
THE SERIES LEVEL

A Conduit may issue different Series of securities. Securities issued within a Series have similar features and rights but may differ substantially from securities of a different Series issued by the same Conduit. One of the most important distinctions between Series of ABCP is the scope of recourse by the noteholders. A Series may be supported exclusively by assets pledged for the benefit of the holder of securities of such Series, or a Series may be supported by all assets held by the Conduit. As part of the legal and structural review, DBRS takes the scope of ABCP holders’ recourse rights into consideration.

As part of the risk analysis, DBRS reviews series-level documentation to ensure that the features of a Series issued by the Conduit are compatible with the targeted rating. Liquidity and credit enhancement agreements and their providers are also examined at the series level if appropriate.

After a consideration of all transaction assessments backing a particular Series of Canadian ABCP, as well as the related liquidity support (which is discussed in more detail in the next section), DBRS assigns ratings (or confirms the rating of) that Series of outstanding ABCP at the rating level reflective of the weakest link within the Conduit.

THE TRANSACTION LEVEL

In the ordinary course, the issuance of new ABCP is expected to enable the Conduit to retire maturing ABCP (i.e., rolling ABCP). However, from DBRS’s perspective, the credit quality of the assets backing the ABCP is essential in connection with the ultimate repayment of the ABCP in accordance with the terms of the Conduit, Series and Transaction documents. Accordingly, DBRS reviews the credit characteristics of each asset (or interest therein) to be acquired by a Conduit. This review includes an examination of any structural enhancements built into the transaction.

An ABCP Conduit typically acquires assets via an asset purchase agreement or a note purchase agreement with an Originator (or a related entity). Although most transactions entered into by Conduits do not carry public ratings, DBRS conducts an analysis of the credit aspects of each asset purchased by the Conduit (or the Conduit’s interest therein), as well as the structural features of the transaction to provide an assessment of each transaction using the DBRS long-term rating scale. In evaluating each transaction, DBRS applies the relevant DBRS asset class-specific methodology and criteria, which are available at www.dbrs.com.

As part of DBRS’s analysis, DBRS expects to receive from each Originator sufficient data to assess the credit and performance history of the assets of that Originator. DBRS also evaluates the eligibility considerations of the assets. Additionally, DBRS reviews each Originator (and Servicer) as to its financial strength, experience and capabilities (including credit and collection policies applied by the Originator/Servicer) in accordance with the applicable DBRS asset-class methodology and criteria.

ABCP transactions may also include transaction-specific counterparties such as credit enhancers, liquidity providers or hedge counterparties. DBRS expects the risks related to participation of any such party in an ABCP transaction to be considered and addressed to DBRS’s satisfaction, in accordance with the applicable DBRS methodologies, and commensurate with the targeted rating level.

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7. For more information on DBRS’s expectations on asset eligibility guidelines, please see the DBRS methodology applicable to each asset class and Legal Criteria for Canadian Structured Finance, each available at www.dbrs.com.
8. For details on DBRS’s expectations on Originators (and Servicers), please refer to the applicable asset-class methodology at www.dbrs.com. More information on DBRS’s expectations criteria for Servicers can also be found in Legal Criteria for Canadian Structured Finance, available at www.dbrs.com.
At inception, DBRS takes the amount and term of a Conduit’s commitment under a transaction into consideration. In the event such commitment is extended or the amount of the commitment is increased, unless such extension or increase in commitment has already been contemplated in the initial transaction review and assessment, DBRS expects such extension or increase to be subject to satisfaction of the Rating Agency Condition\textsuperscript{10}.

For the purposes of assigning an R-1 (high) (sf) rating to ABCP (or confirming the rating at that level), DBRS expects each transaction to be structured to a “AAA” level at inception on a stand-alone basis (unless other structural elements or mitigants that are available to that transaction or conduit, such as program wide credit enhancement (PWCE), enhanced liquidity or full wrap liquidity, would otherwise enable DBRS to assign/confirm the R-1(high) (sf) rating as discussed in more detail in this methodology).

\textbf{Asset-Liability Mismatch and Liquidity Risk}

In the context of long-term assets funded by ABCP, there is an asset-liability mismatch between the term of the assets and the term of the related ABCP obligations. To mitigate the mismatch, DBRS expects each Conduit to enter into one or more liquidity agreements (as applicable) that meet the global liquidity standard (GLS).

As the primary purpose of GLS liquidity is to ensure that there is no payment disruption to the holders of ABCP due to the term mismatch between ABCP and the underlying assets, DBRS does not consider GLS liquidity as credit enhancement. Accordingly, GLS liquidity agreements are not expected to transfer credit risk to the liquidity provider per se and it is acceptable for the GLS liquidity to fund only “good assets,” meaning non-defaulted assets plus credit enhancement available for that transaction.

Given the level of reliance on the GLS for the purposes of assigning or confirming the rating of outstanding ABCP, DBRS completes a review of terms of the GLS liquidity agreement and must be satisfied with the proposed structure and terms of the GLS. GLS liquidity may be provided at the transaction level, the Series level or the Conduit level and may take a number of forms. For a more detailed description of The DBRS Approach to Global Liquidity Standard, please see Schedule A hereto.

\textbf{New Transactions}

DBRS’s emphasis on asset quality is further reflected by the DBRS expectation that each new transaction entered into by a Conduit is subject to a full review and assessment by DBRS followed by a rating committee review in order to determine whether a confirmation of the rating of the relevant ABCP will be provided. This review and assessment entails the analysis of the proposed transaction and a review of the operative documents for each transaction that is salient to the transaction assessment. Upon the satisfactory completion of the document review, together with the credit analysis of the transaction, a rating committee is conducted. If the rating committee votes to agree with the recommended transaction assessment, a rating confirmation will be provided to the Conduit confirming the rating of the relevant ABCP in connection with the entry by the Conduit into that new transaction. This mechanism enables DBRS to monitor new transactions entered into by a Conduit and to ensure that the credit quality of the transactions, as well as the related contractual obligations of the parties involved, remains commensurate with the rating of the ABCP.

\textbf{Disclosure}

To provide transparency to ABCP investors, in connection with each new transaction, DBRS publishes a transaction summary describing DBRS’s assessment of that transaction. Transaction summaries may be updated during the term of a transaction as necessary and appropriate. DBRS believes that this level of transparency provides investors with meaningful insight into the assets backing their investment.

\textsuperscript{10} Rating Agency Condition is as defined in DBRS’s \textit{Legal Criteria for Canadian Structured Finance}, which can be found at \url{www.dbrs.com}. 
Credit Risk and Credit Enhancement

A significant element of an ABCP transaction is the level of credit enhancement or credit protection that is provided. Forms of credit enhancement commonly seen in DBRS-rated ABCP transactions include, but are not limited to, the following: overcollateralization, excess spread, the holding of cash and securities in reserve funds, letters of credit and insurance policies, subordinated notes, enhanced liquidity and PWCE. Enhanced liquidity and PWCE are unique to ABCP and each provides to investors an extra element of protection beyond that offered by transaction-specific forms of credit enhancement.

An essential step in the rating process is determining the adequacy of credit enhancement to support the targeted ABCP rating level and by extension, the targeted transaction assessment level. In evaluating the adequacy of a transaction-level credit enhancement proposal, DBRS considers, among others, the following factors:

- Asset eligibility considerations.
- History of delinquencies, defaults and losses and other pertinent asset performance metrics.
- Historical payment characteristics.
- Historical losses and timing.
- Customer and geographic concentrations.
- The quality of the data provided to DBRS.
- The quality of the Servicer.
- Underwriting procedures and policies of the originator and recent changes therein.
- Asset class-specific factors.
- Industry/asset comparables.

As mentioned above, DBRS maintains published methodologies for rating commonly securitized asset classes. These methodologies guide DBRS in its evaluation of the adequacy of the credit enhancement proposal for each individual transaction.

In the event that the initial level or type of credit enhancement that is considered by DBRS to determine a transaction assessment or to assign or confirm the rating on outstanding ABCP is subject to a change prior to the maturity of the relevant ABCP, any such change is subject to a review by DBRS in order to determine whether a confirmation of the rating on the outstanding ABCP can be provided.

Program Wide Credit Enhancement (PWCE)

As its name suggests, PWCE is a form of fungible credit enhancement that may be utilized by the Conduit to support the performance of a transaction or transactions funded in a single series or all series in a Conduit. Canadian Conduits are typically structured so that transaction-specific credit enhancement will first be exhausted if a transaction begins to experience credit losses. Once all of the credit enhancement available to a specific transaction has been depleted, PWCE is available to mitigate further credit losses. Therefore, in order for an investor holding ABCP issued by a Conduit with PWCE to experience a loss due to deteriorating credit quality of the underlying assets, the magnitude of deterioration must be greater than the credit enhancement provided at the transaction level and the entire PWCE available to the relevant series of ABCP.

DBRS views the provision of PWCE positively, as it provides an extra layer of protection to ABCP holders above and beyond the credit enhancement built into each of the underlying transactions.

For a more detailed description of The DBRS Approach to Rating Canadian ABCP Supported by Program Wide Credit Enhancement, please see Schedule B hereto.
Enhanced Liquidity
In addition to the GLS liquidity, ABCP transactions may be structured with enhanced liquidity whereby the proposed liquidity is akin to credit enhancement, in addition to satisfying the elements of GLS liquidity. DBRS expects enhanced liquidity to be structured with the specific intention of providing credit enhancement, for purposes of addressing credit risk, as well as the risk related to the term mismatch between the ABCP and the underlying assets, among others. For a copy of The DBRS Approach to Rating Canadian ABCP Supported by Enhanced Liquidity, please see Schedule C hereto.

Full Wrap Liquidity
On a case-by-case basis, DBRS may assign a rating to Canadian ABCP (or confirm the rating of Canadian ABCP) in circumstances where a proposed ABCP transaction is not structured in a way consistent with the typical elements contemplated hereunder. Under this approach, DBRS may rate Canadian ABCP upon reliance on (a) a form of full wrap liquidity that incorporates elements whereby any exposure to a Conduit and to holders of ABCP arising from the relevant structured finance transaction(s) is entirely borne by the full wrap liquidity provider and (b) the short-term rating (by DBRS) of such full wrap liquidity provider. For a copy of The DBRS Approach to Rating Canadian ABCP Supported by Full Wrap Liquidity, please see Schedule D hereto.

Interest Rate/Basis Risk, Foreign Exchange Risk and Counterparty Risk
The Conduit, and by extension noteholders, may be exposed to interest rate or basis risk. Interest rate/basis risk arises when there is a term rate (fixed/floating or basis) mismatch between the Conduit’s assets and its liabilities. This generally occurs when the assets in the Conduit’s portfolio pay a fixed rate of interest while the Conduit has issued floating-rate notes. It may also occur when the rate of yield generated by the assets of the Conduit (i.e., bankers’ acceptances/prime) is different from the rate of interest payable for the related ABCP.

Foreign exchange risk arises when assets held by a Conduit, and the related cash flows, are denominated in a currency other than the currency in which the related ABCP is issued. If the currency of the assets were to weaken relative to the currency in which the ABCP is issued, the cash flow from those assets would lose value and could be insufficient for the interest and/or principal payment due to the holders of the ABCP.

Hedge agreements are often used to mitigate interest rate, basis and foreign exchange risks. However, a hedge agreement simply substitutes the hedge counterparty risk for the risk being mitigated. Accordingly, the hedge counterparty is expected to meet certain expectations and the related hedge documentation is expected to be satisfactory to DBRS.

For a more comprehensive review of DBRS’s expectations regarding hedge counterparties (and hedge documentation), please see Derivatives Criteria for Canadian Structured Finance Transactions at www.dbrs.com.
Transaction Surveillance and Reporting

DBRS ratings are monitored for so long as rated securities remain outstanding to ensure that the credit quality of the underlying transactions and related transaction structures remain commensurate with the rating of the ABCP.

DBRS monitors each Conduit on a monthly basis, based on reports submitted by the Sponsor of that Conduit detailing the performance of each underlying transaction. In an effort to gain further transparency to each underlying transaction, DBRS also expects to receive a copy of the monthly Servicer Report prepared and submitted to each Conduit by the relevant Servicer.

If a Sponsor or Servicer declines to forward this information, or refuses to permit DBRS to disclose the information provided by DBRS as part of its Monthly Canadian ABCP Report, DBRS determines whether any review or rating action with respect to the rating of the relevant ABCP is appropriate under the circumstances and may take such rating action at that time.

In addition, each underlying transaction supporting the outstanding Canadian ABCP is reviewed by rating committee at least once per year. For the annual review process, DBRS undertakes a review of the performance of the underlying assets, credit enhancement and various other terms of the transaction within the context of the relevant documentation and the appropriate DBRS methodology.

For a comprehensive review of the DBRS approach to review and surveillance of Canadian structured finance transactions, please see the Canadian Structured Finance Surveillance methodology, which can be found at www.dbrs.com.

Appendix 1: Glossary

Assets: The underlying assets directly or indirectly held by the Conduit, including all of the credit enhancement supporting the notes issued by the Conduit.

Asset purchase agreement: Contractual agreement between a Seller and an SPV whereby assets are transferred to the SPV and consideration is paid by the SPV to the Seller in return for such assets.

Conduit: The SPV which is bankruptcy remote from all Originators of assets to it and which purchases assets from Originators through funding provided by the issuance of debt securities.

Obligor: Underlying debtor contractually bound to pay the Originator under the terms of the contract through which the relevant financial asset (i.e., stream of lease or mortgage receivables) is created.

Originator: The entity that originates and owns the assets that are ultimately securitized to raise funds.

Servicer: The entity responsible for administering, maintaining and performing collections on the assets that have been transferred to the SPV. It is common in structured finance transactions for the Originator to act as the initial Servicer.

Special-Purpose Vehicle (SPV): A special-purpose vehicle (sometimes referred to as a special-purpose entity) created for the purpose of separating asset risk from seller risk in a Canadian structured finance transaction.
**Schedule A: The DBRS Approach to Global Liquidity Standard**

This Schedule outlines DBRS’s approach to the GLS. In order for DBRS to be able to assign an R-1 (high) (sf) rating to (or confirm the rating of) Canadian ABCP issued by a Conduit, DBRS expects the Conduit to maintain a form of liquidity that satisfies the GLS. In circumstances where the related rated security may receive a rating lower than the highest rating level by DBRS, DBRS may consider modifying some of the considerations and expectations set out below as it deems commensurate with the targeted rating level of the relevant rated securities. Please note that this Schedule should be read in conjunction with DBRS’s *Legal Criteria for Canadian Structured Finance*, as well as with the remainder of DBRS’s methodology Rating Canadian ABCP.

**ESTABLISHING AND MAINTAINING LIQUIDITY**

If there is a mismatch between the term of the rated asset-backed securities issued by a Conduit and the term of the underlying asset/transaction, DBRS expects such Conduit to maintain liquidity that satisfies the GLS (or otherwise satisfies the Rating Agency Condition\(^\text{11}\)).\(^\text{12}\)

**TOTAL AMOUNT OF LIQUIDITY**

Typically, liquidity facilities are sized at 102% of the transaction limit. DBRS expects the liquidity to cover, at a minimum, the face amount (including accrued but unpaid interest) of all issued and outstanding ABCP.

**ISSUANCE TESTS**

Prior to the issuance of ABCP, a Conduit is expected to satisfy a Program Asset Test and a Program Liquidity Test:

- **Program Asset Test**: At all times, the aggregate amount of non-defaulted assets and the credit enhancement available to the Conduit should be greater than, or equal to, the aggregate outstanding principal balance of, and accrued and unpaid interest on, the liabilities of the Conduit.

- **Program Liquidity Test**: At all times, the contractual liquidity commitments available to a Conduit should be greater than the aggregate outstanding principal balance of, and accrued and unpaid interest on, all outstanding ABCP.

**AVAILABILITY OF LIQUIDITY**

- DBRS expects liquidity support to be made available to the Conduit upon maturity of any ABCP or if and when any interest is due and payable on the related obligations of the Conduit or upon a request of the Conduit (even in situations where, for example, a force majeure situation has occurred that is beyond the control of the Conduit), except upon bankruptcy or insolvency of the Conduit.

- DBRS expects same-day funding to be made available to the Conduit, subject only to delivery of notice by the Conduit at (or prior to) the applicable cut-off time to the entity that provides the liquidity (Liquidity Provider) that meets the GLS.

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11. Rating Agency Condition is as defined in DBRS’s *Legal Criteria for Canadian Structured Finance*, which can be found at [www.dbrs.com](http://www.dbrs.com).

12. If an ABCP Conduit is structured such that there is no asset-liability mismatch between the term of the underlying asset(s) and the related ABCP or the ABCP Conduit is supported in a manner that is satisfactory to DBRS with respect to the risk related to limited asset-liability mismatch that may exist in that structure, DBRS may consider such structure for rating on a case-by-case basis even if the ABCP Conduit does not maintain liquidity that satisfies the GLS.
TERM OF THE LIQUIDITY AGREEMENT
• The term of the liquidity agreement should not be shorter than a 364-day term with a minimum of six months’ prior written notice of non-renewal to both the Conduit and DBRS.
• The Conduit should not be permitted to issue ABCP with a maturity date beyond the then-current scheduled termination date of the liquidity agreement.

EARLY TERMINATION OF LIQUIDITY AGREEMENT (WHILE ANY DBRS-RATED SECURITIES ARE OUTSTANDING)
• DBRS expects an early termination of the liquidity agreement (unless replaced on substantially the same terms as described in more detail below) or assignment by the Liquidity Provider of the liquidity agreement to be subject to satisfaction of the Rating Agency Condition.
• Upon an early termination of the liquidity agreement (unless replaced on substantially the same terms), DBRS expects:
  – The Liquidity Provider to purchase all of the related assets of the Conduit to which the liquidity agreement relates at a price not less than par value of such assets,
  – The Liquidity Provider to purchase all outstanding ABCP to which the liquidity agreement relates, or
  – The Conduit to be able to draw on the liquidity facility in an amount sufficient to repay all outstanding ABCP to which the liquidity facility relates (including all accrued but unpaid interest).
• DBRS expects that the funds drawn by the Conduit be retained in a cash collateral account held in the name of the Conduit at an eligible institution (in accordance with DBRS’s Legal Criteria for Canadian Structured Finance) until all outstanding ABCP (to which the liquidity agreement relates) has been repaid in full.

LIQUIDITY PROVIDER CONSIDERATIONS
• DBRS expects a Liquidity Provider to have a minimum rating of AA (low) or R-1 (middle) by DBRS or otherwise satisfy the Rating Agency Condition.
• Within 30 days of a downgrade of the Liquidity Provider below the minimum rating threshold (or upon the Liquidity Provider ceasing to satisfy the Rating Agency Condition), the Liquidity Provider is expected to take any one of the following remedial actions:
  – Assign (in a form to DBRS’s satisfaction) its obligations under the liquidity agreement to an eligible assignee (that satisfies the minimum ratings threshold set out above or otherwise satisfies the Rating Agency Condition),
  – Procure an unconditional guarantee (in a form to DBRS’s satisfaction) for all of its obligations under the GLS liquidity by an eligible guarantor (that satisfies the minimum ratings threshold set out above or otherwise satisfies the Rating Agency Condition),
  – Collateralize its liquidity obligations in a cash collateral account held in the name of the Conduit at an eligible institution (in accordance with DBRS’s Legal Criteria for Canadian Structured Finance) until all related rated securities issued by the Conduit that were supported by such liquidity have been repaid, or
  – Take such other remedial action that satisfies the Rating Agency Condition.

LIQUIDITY PROVIDER SUBORDINATION
• DBRS expects fees, expenses and amounts to which a Liquidity Provider may be entitled to receive under the liquidity agreement (other than principal and non-subordinated interest payments) are subordinated to payments of principal and non-subordinated interest to the holders of related ABCP.
• Any payment of interest to the Liquidity Provider under the liquidity agreement in excess of the interest payable on the related ABCP is subordinated to payments of principal and interest to the holders of related ABCP.
• DBRS expects that the liquidity agreement contemplates that excess funds are only to be paid to the Liquidity Provider after the related ABCP has been repaid in full.

13. “Excess funds” in this context refers to funds available to a Conduit after full satisfaction of the obligations of the Conduit under the related ABCP in accordance with the applicable transaction documents.
COVENANTS
• Following any liquidity draw, loan advance or note purchase under the relevant liquidity agreement, DBRS expects that the funds received by the Conduit are used to repay the related obligations of the Conduit that have come due and payable or satisfy obligations of the Conduits under the relevant transaction documents.
• DBRS expects the Conduit not to be permitted to amend or modify any material provision (as determined by the Conduit and its counsel) or waive any provision of a transaction document without satisfaction of the Rating Agency Condition.

EVENTS OF DEFAULT
• Events of default applicable to a Conduit under the liquidity agreement are limited to failure by the Conduit to pay its obligations when due and payable or the insolvency or bankruptcy of the Conduit.

Schedule B: The DBRS Approach to Rating Canadian ABCP Supported by Program Wide Credit Enhancement

This Schedule outlines DBRS’s approach to rating (or confirming the rating of) a series of Canadian ABCP supported by PWCE. The discussion in this Schedule is intended to provide guidance in the context of transaction assessments by DBRS for Canadian structured finance transactions that are funded by R-1 (high) (sf)-rated ABCP. In circumstances where the related ABCP (supported by PWCE) may receive a rating lower than R-1 (high)(sf), DBRS may consider modifying some of the considerations commensurate with the targeted rating level. Please note that this Schedule should be read in conjunction with DBRS’s Legal Criteria for Canadian Structured Finance, as well as with the remainder of DBRS’s methodology Rating Canadian ABCP.

PURPOSE OF PWCE
DBRS views PWCE as a fungible layer of credit protection generally available to all transactions backing a series of ABCP (or all transactions in a Conduit, as applicable) that is designed to increase the level of transaction-specific credit enhancement otherwise available.

DBRS understands that PWCE is typically drawn after the transaction-specific credit enhancement, as detailed in the transaction documentation, has been exhausted and the liquidity supporting the transaction has been fully drawn in accordance with its terms prior to any draw under the PWCE. For greater clarity, with respect to transaction(s) supported by Enhanced Liquidity, the Enhanced Liquidity is expected to be fully drawn prior to any draw under the PWCE.

DBRS understands that the transaction-specific credit enhancement acts as the “first loss” level of enhancement and the PWCE is typically regarded as the “second loss” level of enhancement. With respect to transactions supported by Enhanced Liquidity, PWCE is regarded as the “third loss” enhancement.

FORM OF PWCE
DBRS expects PWCE to be irrevocable during its term. The PWCE for consideration under this approach can take many forms, including a letter of credit, a surety bond, a credit asset purchase agreement, an irrevocable loan facility, a cash reserve account held at an eligible institution (as defined in the Legal Criteria for Canadian Structured Finance), deeply subordinated notes issued by a Conduit or any other form that satisfies the Rating Agency Condition.

14. For more information on DBRS’s approach on Enhanced Liquidity, please refer to The DBRS Approach to Rating Canadian ABCP Supported by Enhanced Liquidity.
15. Rating Agency Condition is as defined in DBRS’s Legal Criteria for Canadian Structured Finance, which can be found at www.dbrs.com.
RATING OF EACH TRANSACTION

If PWCE is being relied upon to achieve an R-1 (high) (sf) rating for the related ABCP, prior to consideration of PWCE, DBRS expects the underlying transaction (on a stand-alone basis) to achieve a transaction assessment of at least “A” (sf).

PWCE PROVIDER

(a) DBRS expects each PWCE Provider to have a minimum rating of AA (low) or R-1 (middle) (by DBRS) or otherwise satisfy the Rating Agency Condition.

(b) As part of its transaction assessment, DBRS gives consideration to default correlation which may exist between the PWCE Provider and the related series of ABCP or the Conduit (to the extent the PWCE Provider performs multiple roles with respect to the Conduit or is the originator).

(c) Upon a downgrade or withdrawal (by DBRS) of the rating of the PWCE Provider below the rating threshold noted above (or if the initial PWCE Provider no longer satisfies the Rating Agency Condition), within 30 days of the rating event, DBRS expects the PWCE Provider to assign/transfer its obligations under the PWCE, on substantially the same terms, to a suitable replacement PWCE Provider (that meets the rating threshold noted above).

(d) In the event the PWCE Provider fails to find a suitable replacement PWCE Provider within 30 days of the rating event, and PWCE has been relied on to maintain the R-1 (high) (sf) rating of the related ABCP, DBRS completes an assessment of each of the Conduit’s outstanding transactions at that time, based on the assumption that PWCE is no longer available to the Conduit (whether or not the PWCE has actually terminated according to its terms) and determines whether any rating action or public disclosure is warranted.

TERMS OF PWCE

(a) DBRS expects any decreases in the PWCE commitment to be subject to satisfaction of the Rating Agency Condition. DBRS expects to receive prior written notice with respect to any increases in the PWCE commitment.

(b) DBRS expects that funding be made available to the Conduit if the related ABCP matures or, at any time, upon request by the Conduit (including upon bankruptcy, insolvency of the Conduit or liquidation of the assets of the Conduit). The Conduit is expected to request funding under the PWCE to meet the Conduit’s obligations under the related ABCP. Same-day funding, subject to delivery of customary documentation to the PWCE Provider, should be made available to the Conduit. DBRS expects to receive prompt notice of funding requests under the PWCE.

(c) PWCE Draws:

- DBRS expects the recourse available to the PWCE Provider (against the Conduit) to be limited to a contractual obligation of the Conduit to repay the drawn PWCE amounts.
- DBRS understands that funding of a PWCE draw request may result in a termination/early amortization of one or more ABCP transaction(s) which has/have suffered credit losses and lead to a draw on the PWCE (to the extent a termination/early amortization with respect to each affected transaction has not already occurred).
- DBRS expects that a draw on the PWCE by a Conduit, in and of itself, does not generally result in adverse consequences to the Conduit (such as a default, acceleration, winding up or termination of the Conduit) until all outstanding ABCP has been repaid in full.
- DBRS expects that an insolvency or bankruptcy of the Conduit does not result in an early termination of the PWCE.

16. If PWCE is in the form of deeply subordinated notes, the credit enhancer/PWCE Provider holding the subordinated notes is not expected to maintain a minimum rating by DBRS.
• DBRS also expects that PWCE is not drawn to pay down any amounts outstanding under the liquidity facilities available to a Conduit.

(d) DBRS expects the PWCE commitment not to expire until after all of the obligations of the Conduit with respect to every Series of ABCP supported by PWCE (including the obligations under the related ABCP and other related incidental obligations) are fully satisfied.

(e) DBRS expects the PWCE provider to subordinate all of its claims (including principal and interest payments in respect of any funded PWCE, fees and expenses) to the claims of the holders of ABCP (in respect of principal and interest).

(f) To the extent a PWCE agreement provides for syndication (or more than one lender)
• Each such lender is expected to agree (at inception or at the time it becomes a party to the agreement) to remain jointly liable for the entire commitment amount or otherwise satisfy the Rating Agency Condition. To the extent that a lender no longer carries the expected ratings, its commitment amount may be taken up by an existing or new syndicate member.
• DBRS expects to receive at least ten business days’ prior written notice with respect to any assignment, replacement or termination of the administrative agent of the PWCE facility.17

PWCE CAPACITY
To the extent PWCE is taken into consideration for the purposes of ratings analysis by DBRS, in connection with ongoing reviews or rating confirmations for the addition of new transactions or assets under the existing transactions, DBRS monitors the remaining capacity of the PWCE available to a series of ABCP or a Conduit. Consideration is given to the draws made under the PWCE and the total amount of remaining PWCE available to support a series of ABCP or a Conduit, recognizing any restrictions or limitations on the amount of PWCE (under the terms of the PWCE) that may be available with respect to a transaction or the Series of ABCP.

Schedule C: The DBRS Approach to Rating Canadian ABCP Supported by Enhanced Liquidity

This Schedule outlines DBRS’s approach to rating (or confirming the rating of) a series of Canadian ABCP supported by Enhanced Liquidity. The discussion in this Schedule is intended to provide guidance in the context of transaction assessments by DBRS for Canadian structured finance transactions that are funded by R-1 (high) (sf)-rated ABCP. In circumstances where the related ABCP may receive a rating lower than R-1 (high) (sf), DBRS may consider modifying some of the considerations commensurate with the targeted rating level. Please note that this Schedule should be read in conjunction with DBRS’s Legal Criteria for Canadian Structured Finance, as well as with the remainder of DBRS’s methodology Rating Canadian ABCP.

PURPOSE OF ENHANCED LIQUIDITY
DBRS views Enhanced Liquidity as a form of credit enhancement designed to increase the amount of enhancement available to address transaction-related risks which may affect repayment of holders of ABCP on a timely basis. Enhanced Liquidity does not replace transaction-specific enhancement or other Conduit-level enhancements such as PWCE18 or series-wide credit enhancement.

17. If the administrative agent of the PWCE Facility also acts as an agent of the Conduit (i.e., Financial Servicers Agent or Administrative Agent), please see DBRS’s Legal Criteria for Canadian Structured Finance for more information on DBRS’s expectations regarding arrangements with respect to the assignment or replacement of such agent.
18. For more information on DBRS’s approach on PWCE, please refer to The DBRS Approach to Rating Canadian ABCP Supported by Program Wide Credit Enhancement.
Enhanced Liquidity is more comprehensive than the GLS described in Schedule A to DBRS’s Rating Canadian ABCP methodology and a form of Enhanced Liquidity structured to DBRS satisfaction in accordance with the elements discussed in this Schedule may replace the GLS liquidity.

SCOPE OF ENHANCED LIQUIDITY
DBRS expects Enhanced Liquidity to be irrevocable and to expressly address liquidity risk and some or all credit risks (depending on the details of the relevant structured finance transaction). To the extent DBRS identifies any deficiencies with respect to the underlying transaction under any applicable DBRS criteria or methodologies prior to consideration of the relevant Enhanced Liquidity, DBRS expects such deficiencies be expressly addressed or mitigated through the relevant Enhanced Liquidity.

FORM OF ENHANCED LIQUIDITY
The Enhanced Liquidity for consideration under this approach is typically in the form of a purchase or loan agreement or any other form of agreement that satisfies the Rating Agency Condition19.

RATING OF EACH TRANSACTION
If Enhanced Liquidity is going to be relied upon to achieve an R-1 (high) (sf) rating for the related ABCP, prior to consideration of Enhanced Liquidity, DBRS expects the underlying transaction (on a stand-alone basis) to achieve a transaction assessment of at least AA (low) (sf).

ENHANCED LIQUIDITY PROVIDER
(a) DBRS expects each Enhanced Liquidity Provider to have a minimum rating of AA (low) or R-1 (middle) (by DBRS) or otherwise satisfy the Rating Agency Condition.

(b) As part of its transaction assessment, DBRS gives consideration to default correlation which may exist between the Enhanced Liquidity Provider and the related structured finance transaction or the related asset pool (to the extent the Enhanced Liquidity Provider performs multiple roles with respect to the Conduit or is the originator).

(c) Upon a downgrade or withdrawal (by DBRS) of the rating of the Enhanced Liquidity Provider below the rating threshold noted above (or if the initial Enhanced Liquidity Provider no longer satisfies the Rating Agency Condition), within 30 days of the rating event, DBRS expects the Enhanced Liquidity Provider to:
   • Assign/transfer its obligations under the Enhanced Liquidity, on substantially the same terms, to a suitable replacement Enhanced Liquidity Provider (that meets the rating threshold noted above; or
   • Purchase the related outstanding ABCP at a price not less than the face amount of the related ABCP; or
   • Purchase the related underlying assets at a price not less than the par value of such assets.

TERMS OF ENHANCED LIQUIDITY
(a) DBRS expects the liquidity commitment to cover the greater of (i) the Conduit’s commitment amount (if applicable) under the relevant transaction documents or (ii) the face amount (including interest, if any) of the related ABCP.

(b) DBRS expects any changes to the Enhanced Liquidity commitment to be subject to satisfaction of the Rating Agency Condition, provided that, if increases and/or decreases of the Conduit’s commitment under the transaction that is supported by the Enhanced Liquidity are permitted under the transaction documents, as long as there is sufficient enhanced liquidity commitment available to the Conduit (as contemplated above) at all times, DBRS expects to receive prior written notice of any increase or decrease in the Enhanced Liquidity commitment amount.

19. Rating Agency Condition is as defined in DBRS’s Legal Criteria for Canadian Structured Finance, which can be found at www.dbrs.com.
(c) DBRS expects that funding be made available to the Conduit if the related ABCP matures or, at any time, upon request by the Conduit (including upon bankruptcy, insolvency of the Conduit or liquidation of the assets of the Conduit). The Conduit is expected to request funding under the Enhanced Liquidity to meet the Conduit’s obligations under the related ABCP. Same-day funding, subject to delivery of customary documentation to the Enhanced Liquidity Provider, should be made available to the Conduit. DBRS expects to receive prompt notice of funding requests under the Enhanced Liquidity.

(d) DBRS expects the underlying transaction documents to provide for a direct flow-through of any interest that the Conduit would be obligated to pay to the Enhanced Liquidity Provider (i.e., the interest payable (to the Conduit) under the transaction documents through the relevant payment waterfall should be dynamically adjusted during the term of the transaction whereby the Conduit should always be entitled to receive sufficient funds from the relevant payment waterfall to satisfy the obligations of the Conduit to the Enhanced Liquidity Provider). Payments of interest on the Enhanced Liquidity may not rank ahead of payment of interest to holders of ABCP; however, any interest due to the Enhanced Liquidity Provider in excess of the rates paid to holders of ABCP is expected to be subordinate to the payment of interest and principal on ABCP.

(e) Enhanced Liquidity principal repayment is expected to be subordinated to principal repayment to holders of ABCP. Only after holders of ABCP have been repaid in full may the funds received from a transaction supported by Enhanced Liquidity be redirected to repay the unpaid principal under the Enhanced Liquidity.

(f) DBRS expects the Enhanced Liquidity commitment not to expire until after all of the Conduit’s related obligations (including its obligations under the related ABCP and other related or incidental obligations) are fully satisfied.

(g) If the Enhanced Liquidity Provider terminates the agreement prior to the original expiration date (as per section (e) above) without providing at least six months’ prior written notice to the Conduit and DBRS, and the Conduit has not found a Replacement Enhanced Liquidity Provider to satisfy the elements contemplated above upon earlier termination of the Enhanced Liquidity, the terminating Enhanced Liquidity Provider is expected to:
   • Purchase all of the remaining assets of the Conduit that purchase the related underlying assets at a price not less than the par value of such assets, or
   • Purchase all outstanding related ABCP, or
   • Otherwise satisfy the Rating Agency Condition.

(h) Upon early termination of the Enhanced Liquidity, unless other arrangements acceptable to DBRS are made to maintain the rating of the related ABCP, DBRS expects the Conduit’s obligation to provide further funding (if any) under the structured finance transaction supported by the Enhanced Liquidity to automatically terminate without any further action or notice.

(i) To the extent an Enhanced Liquidity agreement provides for syndication (or more than one lender):
   • Each such lender is expected to agree (at inception or at the time it becomes a party to the agreement) to remain jointly liable for the entire commitment amount or otherwise satisfy the Rating Agency Condition. To the extent that a lender no longer carries the expected ratings, its commitment amount may be taken up by an existing or new syndicate member.
   • DBRS expects to receive at least ten business days’ prior written notice with respect to any assignment, replacement or termination of the administrative agent of the Enhanced Liquidity Facility.20

20. If the administrative agent of the Enhanced Liquidity Facility also acts as an agent of the Conduit (i.e., Financial Servicers Agent or Administrative Agent), please see DBRS’s Legal Criteria for Canadian Structured Finance for more information on DBRS’s expectations regarding arrangements with respect to the assignment or replacement of such agent.
Schedule D: The DBRS Approach to Rating Canadian ABCP Supported by Full Wrap Liquidity

This Schedule outlines DBRS’s approach to rating (or confirming the rating of) a series of Canadian ABCP in circumstances where a proposed ABCP transaction is not structured in a way consistent with the typical elements contemplated under the Rating Canadian ABCP methodology. With this new approach, DBRS may rate Canadian ABCP (or one or more underlying structured finance transaction) upon reliance on (a) a form of full wrap liquidity that complies with the considerations and expectations set out below (Eligible Full Wrap Liquidity) and (b) the short-term rating (by DBRS) of the entity that provides the Eligible Full Wrap Liquidity (Full Wrap Liquidity Provider).

This approach primarily involves a thorough consideration of the proposed form of the Full Wrap Liquidity and the Full Wrap Liquidity Provider as well as a basic review by DBRS of the underlying assets that back the relevant ABCP as described in more detail below. If the risk and exposure to the relevant Conduit and to holders of the ABCP arising from the related Canadian structured finance transaction(s) and the assets is borne, in its entirety, by the Full Wrap Liquidity Provider and there is a commitment on the part of the Full Wrap Liquidity Provider to fund the Full Wrap Amount21 in full and on time, it may be possible for DBRS to rate the related ABCP at the level of the short-term rating (by DBRS) of the Full Wrap Liquidity Provider. In order for DBRS to apply this approach, structural elements should be properly documented to DBRS’s satisfaction to ensure that the Full Wrap Liquidity would be available to the Conduit, at all times, to satisfy its related obligations in full and on a timely basis and that the Conduit is insulated from the risks arising from the related underlying transaction(s).

The following is a summary of the structural elements of a transaction DBRS would expect to see in order to rate the related Canadian ABCP under this approach:

**TYPES OF ELIGIBLE FULL WRAP LIQUIDITY**

The Full Wrap Liquidity for consideration under this approach is typically in the form of a purchase or loan agreement and could take the form of total return swap or any other form of agreement that satisfies the Rating Agency Condition22.

**FULL WRAP LIQUIDITY PROVIDER**

1. Under this approach, the rating of the related ABCP is the same as the short-term rating (by DBRS) of the Full Wrap Liquidity Provider.

2. Upon a downgrade or withdrawal (by DBRS) of the short-term rating of a Full Wrap Liquidity Provider, or the short-term rating of a Full Wrap Liquidity Provider being placed Under Review with Negative Implications by DBRS (which would result in the short-term rating of the Full Wrap Liquidity Provider being lower or worse than the rating of the related ABCP), unless an acceptable remedial action is taken by the Full Wrap Liquidity Provider as contemplated under this approach (or any other action that satisfies the Rating Agency Condition in this regard is taken), DBRS determines whether any review or rating action with respect to the rating of the relevant ABCP is appropriate under the circumstances and may take such rating action at that time.

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21. “Full Wrap Amount” means the aggregate principal balance of the related outstanding ABCP plus any accrued interest and interest to accrue until maturity of the related ABCP, and any related fees and expenses the Conduit may have incurred and may incur until the maturity of the related ABCP.

22. Rating Agency Condition is as defined in DBRS’s Legal Criteria for Canadian Structured Finance, which can be found at [www.dbrs.com](http://www.dbrs.com).
(3) Within ten business days of a rating action by DBRS (affecting the Full Wrap Liquidity Provider) as contemplated above, such Full Wrap Liquidity Provider ceases to be eligible under this approach and DBRS expects the Full Wrap Liquidity Provider to:

(a) Assign/transfer its obligations under the Eligible Full Wrap Liquidity, on substantially the same terms, to a suitable replacement Full Wrap Liquidity Provider (that meets the rating threshold noted above); or

(b) Deposit sufficient funds not less than the Full Wrap Amount in a segregated account at an eligible institution (as contemplated in the Legal Criteria for Canadian Structured Finance); or

(c) Purchase the related outstanding ABCP at a price not less than the Full Wrap Amount; or

(d) Purchase the related underlying assets at a price not less than the Full Wrap Amount.

TERMS OF ELIGIBLE FULL WRAP LIQUIDITY

(1) To be eligible for consideration under this approach, DBRS expects the Full Wrap Liquidity to provide for full and timely payment of the obligations under the related ABCP and insulate holders of related ABCP from all risks arising from the relevant transaction, as well as all other related or structural risks.

(2) The commitment under the Eligible Full Wrap Liquidity should not be less than the greater of (i) the aggregate amount of the Conduit’s commitment under to the relevant Canadian structured finance transaction and (ii) the aggregate principal amount of the related ABCP plus any accrued interest and interest to accrue until maturity of the related ABCP, and any related fees and expenses the Conduit may incur until the maturity of the related ABCP.

(3) Waivers or assignments23 under, and material amendments24 (as determined by the Eligible Full Wrap Liquidity Provider and its counsel) to, the Eligible Full Wrap Liquidity should be subject to at least ten business days’ prior written notice to DBRS. Additionally, such Conduit should not be permitted to consent to any increase or extension of its commitment under the relevant Canadian structured finance transaction without a corresponding modification or adjustment to the terms of the Eligible Full Wrap Liquidity (subject to the notice as noted in the previous sentence) consistent with DBRS’s expectations noted above.

(4) DBRS expects that holders of the related ABCP are fully insulated from any risk related to or arising from the underlying transaction (other than the credit risk of the Full Wrap Liquidity Provider). The Full Wrap Liquidity Provider would be able to achieve this by demonstrating, to DBRS’s satisfaction, that the Conduit does not take on any additional risk arising from, or related to, the underlying structured finance transaction or by providing an indemnity (in addition to the Full Wrap Liquidity Provider’s commitment with respect to the related ABCP) for the benefit of the Conduit with respect to any claims, losses or expenses the related Conduit may suffer or incur in connection with the related transaction (other than the Conduit’s obligations under the related ABCP). DBRS may consider other structural features or mitigants that may satisfy the Rating Agency Condition in this regard.25

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23. In the event the Full Wrap Liquidity provides for syndication, DBRS expects to receive ten business days’ prior written notice of the syndication of the Full Wrap Liquidity and the necessary information on the members of the syndicate. Based on the relevant information, DBRS would assess the rating impact (if any) of the syndication of the Full Wrap Liquidity or the composition of the syndicate on the rating of the relevant ABCP in accordance with the applicable methodologies.

24. DBRS expects to receive prompt (after-the-fact) written notice of non-material amendments to the Eligible Full Wrap Liquidity (as determined by the Eligible Full Wrap Liquidity Provider and its counsel).

25. In transactions where the proposed Full Wrap Liquidity Provider is a non-Canadian financial institution, DBRS expects the Conduit not to be exposed to any additional risk due to the governing jurisdiction or domicile of that Full Wrap Liquidity Provider (such as risks relating to withholding taxes or other cross-jurisdictional issues). Under such circumstances, DBRS would expect to receive comfort to DBRS’s satisfaction from transaction parties (for instance, legal opinions) to address any such concerns that may come up based on the particulars of the transaction.
(5) The scheduled commitment termination date under an Eligible Full Wrap Liquidity should not be before the earlier of the maturity of all related ABCP and the full satisfaction of all related obligations of the Conduit.

(6) If, for any reason, the Eligible Full Wrap Liquidity is terminated prior to its scheduled commitment termination date, prior to its early termination, DBRS expects the Full Wrap Liquidity Provider to:
   (a) Deposit sufficient funds not less than the Full Wrap Amount in a segregated account at an eligible institution (as contemplated in the Legal Criteria for Canadian Structured Finance); or
   (b) Purchase the related outstanding ABCP at a price not less than the Full Wrap Amount; or
   (c) Purchase the related underlying assets at a price not less than the Full Wrap Amount.

(7) Payment obligations of the Conduit to the Full Wrap Liquidity Provider (including payment of principal, interest, fees, expenses and any other claims) may not rank ahead of the payments by the Conduit to holders of the relevant ABCP. Payment obligations of the Conduit to the Full Wrap Liquidity Provider should be subject to the terms of the relevant payment waterfall and on a limited recourse basis.

(8) DBRS expects that funding should be made available to the Conduit if the related ABCP matures or, at any time, upon request by the Conduit. The Conduit is expected to request funding under the Eligible Full Wrap Liquidity to meet the Conduit’s obligations under the related ABCP. Same-day funding, subject to delivery of customary documentation to the Full Wrap Liquidity Provider, should be made available to the Conduit. DBRS expects to receive prompt notice of funding requests under the Eligible Full Wrap Liquidity.

(9) Insolvency or bankruptcy of the Conduit, occurrence of a force majeure situation that is beyond the Conduit’s control or the rating of the related series of ABCP being downgraded, withdrawn or discontinued should not be a bar to funding under the Eligible Full Wrap Liquidity.

INITIAL AND ANNUAL REVIEW OF UNDERLYING ASSETS AND SURVEILLANCE OF RELATED TRANSACTIONS

In order for DBRS to consider any Canadian structured finance transaction (each, a Fully Wrapped ABCP Transaction) pursuant to this approach, DBRS expects to receive certain basic information about that transaction, such as information on the nature of the underlying asset class, name of the originator and servicer, size of the commitment of the Conduit under the related transaction and the pool cut for the relevant transaction (or other information that would allow DBRS to develop an understanding of the credit strength of the proposed pool composition).

For purposes of monitoring the performance of the underlying pool of assets during the term of the Fully Wrapped ABCP Transaction, DBRS expects to receive ongoing performance information (such as delinquency and default rates as well as other appropriate performance metrics that would provide guidance to DBRS on the performance of the relevant underlying assets). Based on that information, DBRS intends

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26. In circumstances where the Eligible Full Wrap Liquidity terminates prior to its originally scheduled commitment termination date, DBRS expects appropriate measures be put in place to insulate the Conduit from any exposure in respect of fees, expenses or claims the Conduit may incur or suffer after the early termination of the Full Wrap Liquidity. These measures could include the survival of the indemnity obligation of the Full Wrap Liquidity Provider, cash collateralization of the related obligations or any other structural features that may satisfy the Rating Agency Condition in this regard.

27. DBRS expects the timing of the payment obligations under the Eligible Full Wrap Liquidity to be structured to ensure timely payment by the Conduit of its obligations.
to provide limited ongoing disclosure on the performance of each Fully Wrapped ABCP Transaction as part of DBRS’s ordinary course reporting on the DBRS-rated Canadian ABCP. In the event the Full Wrap Liquidity Provider ceases to deliver ongoing performance information on a Fully Wrapped ABCP Transaction (while any such transaction is funded by a DBRS rated ABCP Conduit), DBRS determines whether any review or rating action with respect to the rating of the relevant ABCP is appropriate under the circumstances and may take such rating action at that time.

28. DBRS notes that the scope of public disclosure on a Fully Wrapped ABCP Transaction may not be consistent, in all respects, with all of the elements of the Canadian Structured Finance Surveillance methodology (which can be found at www.dbrs.com). Given that the credit rating of a Fully Wrapped ABCP Transaction will be primarily based on the short-term rating of the Full Wrap Liquidity Provider, DBRS considers that the level of disclosure provided on ABCP transactions rated pursuant to the Rating Canadian ABCP methodology may not be warranted in the context of Fully Wrapped ABCP Transactions.