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## **DBRS to Review Ratings Criteria for Canadian ABCP**

### **Industry: Sec.--ABCP**

Since their inception in 1989, Canadian ABCP issuers have used backup liquidity facilities that may or may not be limited by market disruption as a condition to draw. Additional developments in the ABCP market have introduced floating-rate notes and extendible commercial paper, neither of which have backup liquidity facilities (collectively, ABCP). The rating approach DBRS takes for Canadian ABCP is to base ratings on the credit quality of the underlying assets of the ABCP issuer, including structural enhancements as well as the collateral supporting note issuance.

During the weeks of August 13 and August 20, 2007, DBRS noted that while many ABCP issuers continued market issuance activities in the normal course, a number of ABCP issuers were unable to roll their ABCP maturities. In these instances, backup liquidity facilities were drawn upon and while liquidity was advanced in several cases, in others they were not. In cases where liquidity was not advanced, investors may now be exposed to mark-to-market risk in the underlying assets.

The breadth of ABCP issuers, asset types, sponsorship, structures, liquidity language and market disruption considerations involved in this situation suggest that any revisions to current criteria will require examination of multiple factors. DBRS will review its criteria for rating Canadian ABCP and publish any revisions to its criteria as they are developed.

“We periodically update our ratings criteria to reflect observed events as well as future expectations,” says Huston Loke, Group Managing Director and Global Head for Structured Finance. “In light of events in the Canadian financial markets over the last two weeks, we will be reviewing our criteria for rating Canadian ABCP.”

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