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METHODOLOGY

Rating Canadian ABCP and Related Enhancement Features

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Scope and Limitations

DBRS evaluates both qualitative and quantitative factors when assigning ratings to a Canadian structured finance instrument. This methodology represents the current DBRS approach to (1) rating Canadian asset-backed commercial paper (ABCP)[1] (or completing a transaction assessment in respect of a Canadian ABCP transaction[2])[3] and (2) rating certain forms of enhancement used to support ABCP. It describes the DBRS approach to analysis, which includes: (a) a conduit level review, (b) a series level review and (c) a transaction level review. It is important to note that the methods described herein may not be applicable in all cases. Further, this methodology is meant to provide guidance regarding the DBRS methods used in the sector and should not be interpreted with formulaic inflexibility, but understood in the context of the dynamic environment in which it is intended to be applied.

Introduction

The purpose of this publication is to provide greater transparency to DBRS's process when rating Canadian ABCP and certain forms of support for ABCP. It should be noted, however, that the scope of this methodology is limited to Canadian ABCP, 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 CLOs and CDOs of Large Corporate Credit*, available at www.dbrs.com.

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.[5] 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.

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 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.

1 See Appendix 1: Glossary for the definitions of capitalized terms.
2 In circumstances where a Canadian ABCP Conduit purchases notes or assets, or enters into a transaction that is not directly rated by DBRS, in respect of each such Canadian ABCP transaction DBRS assigns a transaction assessment in accordance with this methodology (as well as other applicable methodologies). "Transaction assessment" is defined in DBRS's *Legal Criteria for Canadian Structured Finance*, which can be found at www.dbrs.com.
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.
4 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.
5 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 that DBRS considers to be commensurate with the assigned rating level, DBRS may be able to rate extendible CP pursuant to this Criteria. A DBRS rating considers repayment on the final maturity, not on any earlier expected maturity.

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 expects to 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's review of the risk at the Conduit, series and transaction levels is 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.

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. 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 expects a Sponsor to be consistent with the considerations identified in Appendix A to the *Legal Criteria for Canadian Structured Finance* in order for that Sponsor to establish and maintain a 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 for a rating to be assigned or confirmed. A failure to address non-credit risks adequately may preclude DBRS from rating ABCP or confirming the rating of outstanding ABCP.

Also, each Sponsor and 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 an assigned 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 determine whether the features of a series issued by the Conduit are compatible with the assigned 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 to (or confirms the rating of) that series of 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.

A 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 and legal 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.[6] 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.[7]

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, in accordance with the applicable DBRS methodologies, and commensurate with the assigned rating level.[8]

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 is contemplated in the initial review and transaction assessment, DBRS generally expects such extension or increase to be subject to satisfaction of the Rating Agency Condition.[9] DBRS expects to be provided with draft and executed copies of any updated or amended documents relating to such increase or extension in commitment as soon as possible, including an updated liquidity agreement consistent with this methodology, if necessary.

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 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), series-wide credit enhancement (SWCE), subordination, 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).

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 protect against any payment disruptions 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 ABCP, DBRS completes a review of terms of the GLS liquidity agreement 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.

New Transactions

DBRS's emphasis on asset quality is further reflected by the DBRS expectation that each new transaction is reviewed, analyzed and monitored on a continuous basis as long as the Conduit remains a party to the transaction. The assessment entails the analysis of the proposed transaction and a review of the operative documents for each transaction that are salient to the transaction assessment. This mechanism enables DBRS to monitor new transactions entered into by a Conduit and to assess whether 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.

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.

6 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.

7 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 and criteria for Servicers can also be found in Legal Criteria for Canadian Structured Finance and Operational Risk Assessment and Residential Mortgage Servicer Evaluation for Canadian Structured Finance, each available at www.dbrs.com.

8 For details on DBRS's criteria for hedge counterparties and other transaction parties, please refer to the DBRS methodologies Derivatives Criteria for Canadian Structured Finance and Legal Criteria for Canadian Structured Finance, respectively, at www.dbrs.com.

9 Rating Agency Condition is as defined in DBRS's Legal Criteria for Canadian Structured Finance, which can be found at 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, full wrap liquidity and PWCE/SWCE. Enhanced liquidity, full wrap liquidity and PWCE/SWCE 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 assigned ABCP rating level and by extension, the assigned transaction assessment level. In evaluating the adequacy of transaction-level credit enhancement, DBRS typically considers, among others, the following factors to the extent available for the particular asset class:

- 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 credit enhancement 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 material change prior to the maturity of the relevant ABCP, any such change is typically subject to a review by DBRS in order to determine whether the change meets DBRS criteria or may have an impact on the rated securities.

Subordination
A Conduit may issue subordinated notes or use other forms of subordinated obligations to support the performance of a transaction or transactions funded in a single series or all series in a Conduit. Without taking into account other structural elements and support for the notes issued by a Conduit (such as PWCE/SWCE, enhanced liquidity or full wrap liquidity), typically once transaction-specific enhancement has been depleted, subordinated obligations will experience credit losses before any senior obligations, including ABCP issued by the Conduit.

Program-Wide Credit Enhancement (PWCE)/Series-Wide Credit Enhancement (SWCE)
As its name suggests, PWCE/SWCE 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/SWCE is available to mitigate further credit losses. Therefore, in order for an investor holding ABCP issued by a Conduit with PWCE/SWCE 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/ SWCE available to the relevant series of ABCP.

DBRS views the provision of PWCE/SWCE 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 or Series-Wide Credit Enhancement*, please see Schedule B hereto.

Enhanced Liquidity

In addition to the GLS liquidity, ABCP transactions may be structured with enhanced liquidity which 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 (1) 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 (2) 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.

Rating ABCP Subordination, PWCE/SWCE and/or Liquidity Support

In some cases, providers of PWCE/SWCE, subordination and/or liquidity as support for ABCP may request that the repayment of their enhancement obligations be rated. In these circumstances, DBRS uses the approach indicated in Schedule E: *The DBRS Approach to Rating ABCP Enhancement Features*.

Interest Rate/Basis Risk, Foreign Exchange Risk and Counterparty Risk

The Conduit, and by extension, its 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 on 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 to make 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 and related documentation is expected to meet DBRS criteria. DBRS expects the financial services or administrative agent of a Conduit to adequately address each of these risks in relation to each transaction entered into by a Conduit.

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.

Surveillance

DBRS monitors each Conduit on a monthly basis, based on reports submitted by the Sponsor of that Conduit (and in some cases, the Originator), which are expected to provide details of the performance of each underlying transaction. In cases where sufficient information on the underlying transaction is not available and the underlying transaction assessment was based on a full wrap liquidity provider's rating, minimal performance information is expected, as detailed in Schedule D: *The DBRS Approach to Rating Canadian ABCP Supported by Full Wrap Liquidity*.

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

For additional information regarding the DBRS approach to surveillance generally, please see *Structured Finance Surveillance Global Policy* located at www.dbrs.com.

Appendix 1: Glossary

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

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

Conduit: The SPV, which is bankruptcy remote from all Sellers/Originators, 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.

Sponsor: Entity that establishes a Conduit. The Sponsor often contracts with the Conduit to act as an administrator or other service provider to the Conduit.

Schedule A: The DBRS Approach to Global Liquidity Standard

This Schedule outlines DBRS's approach to the liquidity provided to support Canadian ABCP in the form of the Global Liquidity Standard. 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 rating level assigned to 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 the remainder of the *Rating Canadian ABCP and Related Enhancement Features* methodology.

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 assets/transaction, DBRS expects such Conduit to maintain liquidity that satisfies the GLS (or otherwise satisfies the Rating Agency Condition).[10]

Total Amount of Liquidity

Typically, liquidity facilities are sized at least 102% of each individual 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 are expected to 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 are expected to be at least 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.

Term of the Liquidity Agreement

- The term of the liquidity agreement is expected to not be shorter than a 364-day term with a minimum of at least one months' prior written notice of non-renewal to both the Conduit and DBRS.
- DBRS expects the Conduit's documents to provide that it may not 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 generally 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 at a price not less than the face amount of the related ABCP, 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 may be retained in a cash collateral account, if necessary, 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.

10 If a 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 Conduit does not maintain liquidity that satisfies the GLS.

Liquidity Provider Considerations

- DBRS expects a Liquidity Provider to have a minimum rating of at least A (high) or R-1 (middle) by DBRS or otherwise satisfy the Rating Agency Condition.
- Within 30 days[11] 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 (in form and substance that satisfies the relevant DBRS criteria and methodologies):
  - Assign 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 irrevocable, unconditional guarantee 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) to be 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 expected to be subordinated to payments of principal and interest to the holders of related ABCP.
- DBRS expects that the liquidity agreement contemplates that excess funds[12] in relation to interest and other fees and expenses payable to the Liquidity Provider over and above principal and interest at a rate equivalent to that paid on the ABCP, are only paid to the Liquidity Provider after the related ABCP has been repaid in full.

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 generally expects material amendments, waivers and consents (as determined by the Conduit and its counsel) in related transaction documents to be subject to satisfaction of the Rating Agency Condition.

Events of Default

- DBRS expects the events of default applicable to a Conduit under the liquidity agreement to be limited to failure by the Conduit to pay its obligations when due and payable or the insolvency or bankruptcy of the Conduit.

11 All references to days in this Methodology are to calendar days unless otherwise noted.
12 "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.

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

This Schedule outlines DBRS's approach to rating (or confirming the rating of) a series of Canadian ABCP supported by Program-Wide Credit Enhancement (PWCE) or Series-Wide Credit Enhancement (SWCE). 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/SWCE) may receive a rating lower than R-1 (high)(sf), DBRS may consider modifying some of the considerations commensurate with the rating level assigned. 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 the *Rating Canadian ABCP and Related Enhancement Features* methodology.

Purpose of PWCE/SWCE

DBRS views PWCE/SWCE 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/SWCE is typically drawn after the transaction-specific credit enhancement, as detailed in the transaction documentation, has been exhausted and the liquidity supporting a transaction has been fully drawn in accordance with its terms prior to any draw under the PWCE/SWCE. For greater clarity, with respect to transaction(s) supported by Enhanced Liquidity or Full Wrap Liquidity,[13] the Enhanced Liquidity or Full Wrap Liquidity, as applicable, is expected to be fully drawn prior to any draw under the PWCE/SWCE.

DBRS understands that the transaction-specific credit enhancement acts as the "first loss" level of enhancement and the PWCE/SWCE is typically regarded as the "second loss" level of enhancement (without taking into account Enhanced Liquidity or Full Wrap Liquidity). With respect to transactions supported by Enhanced Liquidity, PWCE is regarded as the "third loss" enhancement.

Form of PWCE/SWCE

DBRS expects PWCE/SWCE to be irrevocable during its term. The PWCE/SWCE 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.

Rating of Each Transaction

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

PWCE/SWCE Provider

1. DBRS expects each PWCE/SWCE Provider to have a minimum rating of at least A (high) or R-1 (middle) (by DBRS) or otherwise satisfy the Rating Agency Condition.[14]
2. As part of its transaction assessment, DBRS gives consideration to default correlation which may exist between the PWCE/SWCE Provider and the related series of ABCP or the Conduit (to the extent the PWCE/SWCE Provider performs multiple roles with respect to the Conduit or is the Originator).
3. Upon a downgrade or withdrawal (by DBRS) of the rating of the PWCE/SWCE Provider below the rating threshold noted above (or if the initial PWCE/SWCE Provider no longer satisfies the Rating Agency Condition), within 30 calendar days of the rating event, DBRS expects the PWCE/SWCE Provider to assign/transfer its obligations under the PWCE/SWCE, on substantially the same terms, to a suitable replacement PWCE/ SWCE Provider (that meets the rating threshold noted above).
4. In the event the PWCE/SWCE Provider fails to find a suitable replacement PWCE/SWCE Provider within 30 calendar days of the rating event, and PWCE/SWCE 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/SWCE is no longer available to the Conduit (whether or not the PWCE/SWCE has actually terminated according to its terms) and determines whether any rating action or public disclosure is warranted.

13 For more information on DBRS's approach to Enhanced Liquidity, please refer to Schedule C: The DBRS Approach to Rating Canadian ABCP Supported by Enhanced Liquidity and for more information on DBRS's approach to Full Wrap Liquidity, please refer to Schedule D: The DBRS Approach to Rating Canadian ABCP Supported by Full Wrap Liquidity.

14 If PWCE/SWCE is in the form of deeply subordinated notes, the credit enhancer/PWCE/SWCE Provider holding the subordinated notes is not expected to maintain a minimum rating by DBRS.

Terms of PWCE/SWCE

1. DBRS generally expects any decreases in the PWCE/SWCE 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/SWCE commitment.

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

3. PWCE/SWCE Draws:

- DBRS expects the recourse available to the PWCE/SWCE Provider (against the Conduit) to be limited to a contractual obligation of the Conduit to repay the drawn PWCE/SWCE amounts.
- DBRS understands that funding of a PWCE/SWCE 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/SWCE (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/SWCE 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/SWCE until all outstanding ABCP has been repaid in full.
- DBRS also expects that PWCE/SWCE is not drawn to pay down any amounts outstanding under the liquidity facilities available to a Conduit.

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

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

6. To the extent a PWCE/SWCE 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 minimum ratings as indicated above, 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/SWCE facility.[15]

PWCE/SWCE Capacity

To the extent PWCE/SWCE 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 existing transactions, DBRS monitors the remaining capacity of the PWCE/SWCE available to a series of ABCP or a Conduit. Consideration is given to the draws made under the PWCE/SWCE and the total amount of remaining PWCE/SWCE available to support a series of ABCP or a Conduit, recognizing any restrictions or limitations on the amount of PWCE/SWCE (under the terms of the PWCE/SWCE) that may be available with respect to a transaction or the series of ABCP.

15 If the administrative agent of the PWCE/SWCE also acts as an agent of the Conduit (i.e., Financial Services 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 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 rating level assigned. 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 the *Rating Canadian ABCP and Related Enhancement Features* methodology.

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 PWCE/SWCE.[16]

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 Condition.

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

1. DBRS expects each Enhanced Liquidity Provider to have a minimum rating of at least A (high) or R-1 (middle) (by DBRS) or otherwise satisfy the Rating Agency Condition.

2. 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).

3. 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 calendar days of the rating event, DBRS expects the Enhanced Liquidity Provider to (in form and substance that satisfies DBRS's relevant criteria and methodologies):

- 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.

16 For more information on DBRS's approach to PWCE/SWCE, please refer to Schedule B: The DBRS Approach to Rating Canadian ABCP Supported by Program-Wide Credit Enhancement or Series-Wide Credit Enhancement.

Terms of Enhanced Liquidity

1. 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.

2. DBRS generally 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.

3. 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 or 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, is expected to be made available to the Conduit. DBRS expects to receive prompt notice of funding requests under the Enhanced Liquidity.

4. 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 is expected to be dynamically adjusted during the term of the transaction whereby the Conduit is 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 are expected to rank no higher than 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.

5. Enhanced Liquidity principal repayment is expected to be subordinated to principal repayment to holders of ABCP. DBRS expects that only after holders of ABCP have been repaid in full will funds received from a transaction supported by Enhanced Liquidity be redirected to repay the unpaid principal under the Enhanced Liquidity.

6. 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.

7. If the Enhanced Liquidity Provider terminates the agreement prior to the original expiration date without providing at least one 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 underlying assets of the Conduit to which the Enhanced Liquidity relates 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.

8. 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.

9. 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 minimum ratings indicated above, 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.[17]

17 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 and Related Enhancement Features* methodology. With this new approach, DBRS may rate Canadian ABCP (or one or more underlying structured finance transaction) upon reliance on (1) a form of full wrap liquidity (Full Wrap Liquidity) that complies with the considerations and expectations set out below (Eligible Full Wrap Liquidity) and (2) 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 Amount[18] 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 are expected to be properly documented to DBRS's satisfaction to determine whether the Full Wrap Liquidity is 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 expects 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 Condition.

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 relevant 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 relevant 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 under the circumstances and may take such rating action at that time.

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 has an short-term rating at least equal to the rating of the ABCP); 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*) for use by the Conduit to repay the related ABCP supported by Full Wrap Liquidity; 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.

18 "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.

2. The commitment under the Eligible Full Wrap Liquidity is expected to not be less than the greater of (a) the aggregate amount of the Conduit's commitment under to the relevant Canadian structured finance transaction, and (b) 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. Material waivers, consents or assignments[19] under, and material amendments[20] to (each as determined by the Eligible Full Wrap Liquidity Provider and its counsel), the Eligible Full Wrap Liquidity are expected to be subject to at least ten business days' prior written notice to DBRS. Additionally, DBRS expects that any increase or extension of the Conduit's commitment under the relevant Canadian structured finance transaction will have a corresponding modification or adjustment to the terms of the Eligible Full Wrap Liquidity, if necessary (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 is expected to absorb such risks so 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.[21]

5. The scheduled commitment termination date under an Eligible Full Wrap Liquidity is expected to not be before the earlier of the maturity of all related ABCP or 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,[22] prior to its early termination, DBRS expects the Full Wrap Liquidity Provider to (in form and substance that satisfies DBRS's relevant criteria and methodologies):
   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*) for use by the Conduit to repay the related ABCP supported by Full Wrap Liquidity; 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) are expected to 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 are expected to be subject to the terms of the relevant payment waterfall and on a limited recourse basis.

8. DBRS expects that funding will 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, is expected to be made available to the Conduit.[23] DBRS expects to receive prompt notice of funding requests under the Eligible Full Wrap Liquidity.

9. DBRS expects that the 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, each will not be a bar to funding under the terms of the Eligible Full Wrap Liquidity.

19 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 assesses 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.

20 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).

21 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 expects any such risks to be addressed (for instance, by way of legal opinions or other forms of mitigants to address any such concerns based on the particulars of the transaction).

22 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.

23 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.

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 (minimum) information about that transaction, such as information on the nature of the underlying asset class, name of the Originator and servicer, and size and term of the commitment of the Conduit under the related transaction (or other information that assists DBRS in developing an understanding of the credit strength of the proposed pool composition).

For purposes of monitoring the performance of the underlying pool of assets supported by Full Wrap Liquidity 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 some minimal guidance to DBRS on the performance of the relevant underlying assets). Based on that information, DBRS intends to provide limited ongoing disclosure on the performance of each Fully Wrapped ABCP Transaction[24] 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.

Schedule E: The DBRS Approach to Rating ABCP Enhancement Features

This Schedule outlines DBRS's rating approach to credit enhancement or liquidity lines provided in support of Canadian ABCP. This may include subordinated notes, PWCE, SWCE, GLS, Enhanced Liquidity, Full Wrap Liquidity and other forms of enhancement or liquidity used to support Canadian ABCP. For purposes of this Schedule and for ease of reference, each type of enhancement or liquidity is generally referred to as ABCP Enhancement.

The rating of ABCP Enhancement is an opinion on the probability that the Conduit will meet its payment obligations to the ABCP Enhancement provider in accordance with the repayment terms of the ABCP Enhancement after it has been drawn or issued, as the case may be. DBRS applies its long-term rating scale to determine the appropriate rating on the ABCP Enhancement when the ABCP Enhancement term is for 365 days or longer, and will apply its short-term rating scale if the ABCP Enhancement term is less than 365 days.

DBRS generally applies a weakest link approach to rate ABCP Enhancement. The approach is based on the transaction assessments DBRS assigns to the transactions entered into by the Conduit at any given time whether funded or not, as well as an analysis of the means by which the Conduit intends to meet interest payments on the subordinated notes or other type of ABCP Enhancement, if any, according to their terms. The analysis considers the proposed form and terms of the ABCP Enhancement, the provider of the ABCP Enhancement (the Enhancement Provider), as well as the transactions entered into by the Conduit that back its notes, including the ABCP, to determine the probability that the Conduit will meet its payment obligations with respect to the ABCP Enhancement.

In the weakest link approach, DBRS assumes that the only assets available to the Conduit for repayment of its obligations, including the ABCP and the ABCP Enhancement, are the cash flows from the transactions entered into by the Conduit that back the ABCP. This approach does not take into account additional support provided for the ABCP, such as any type of liquidity, PWCE, SWCE or subordination, but only focuses on the cash flows the Conduit receives from the transactions it has entered into.

Subordination

One form of ABCP Enhancement is subordination, whereby the Conduit issues long-term notes that are subordinated in terms of payment and priority according to the Conduit's constitutional documents, and therefore act as enhancement for the ABCP. The subordinated notes are backed by the underlying assets supporting the ABCP and absorb any losses prior to the ABCP notes, to the extent there are any. There may be other support provided for the ABCP as well, such as liquidity and/or PWCE or SWCE, which may absorb losses before any of the debt obligations of the ABCP issuer, including any subordinated notes. DBRS reviews the entire Conduit structure and all of its obligations in order to determine the appropriate rating for the ABCP Enhancement

The weakest link approach is best explained by way of an example, as the weakest link is the starting point in determining the rating on the subordinated notes issued as ABCP Enhancement. For example, if a Conduit's short-term notes are backed by ten transactions,

24 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 Master 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 and Related Enhancement Features methodology may not be warranted in the context of Fully Wrapped ABCP Transactions.

seven of which have a transaction assessment of AAA, two of which have a transaction assessment of AA and one of which has a transaction assessment of "A," the starting point of the rating on the subordinated notes would be "A."[25] DBRS would then consider the waterfall in the Conduit's constitutional documents and the order in which the subordinated notes/ABCP Enhancement would be paid in comparison to the ABCP conduit's expenses, other enhancement providers, liquidity providers and any other payment obligations of the conduit, in order to determine the appropriate rating for the subordinated notes/ABCP Enhancement, according to their terms. As a result, the transaction assessment of the weakest transaction(s) entered into by the Conduit represents the ceiling of the rating that may be determined on the ABCP Enhancement, and the rating will be notched down as deemed appropriate by DBRS based on these other payment obligations and factors noted above.

In addition, DBRS reviews the Conduit's ability to meet regular interest payments, if any, that may be payable on the subordinated notes/ABCP Enhancement. This analysis will be completed on a case-by-case basis.

Generally speaking, the ability of the Conduit to meet its interest payments, if any, on the subordinated notes/ABCP Enhancement, as well as using the weakest link approach and a review of the ABCP conduit's general payment obligations, will be assessed by DBRS to determine the appropriate rating for the subordinated notes/ABCP Enhancement.

PWCE or SWCE

DBRS uses the same weakest link approach as described above under "Subordination," as well as a review of the priority of payments owing by the Conduit according to its constitutional documents, with a particular focus on the order in which losses will be absorbed according to the Conduit's documentation, to determine a rating on PWCE or SWCE. In other words, the rating on PWCE or SWCE will take into consideration whether the PWCE or SWCE is considered a second, third or fourth loss position in relation to the ABCP. In considering the priority in which losses are absorbed, DBRS considers the specific terms of the PWCE or SWCE, including to what degree risks are covered. DBRS also considers whether any interest may be due on PWCE or SWCE, as the case may be, using the same approach indicated above under "Subordination." And finally, DBRS takes into consideration the PWCE or SWCE Provider itself. DBRS determines the appropriate rating on the PWCE or SWCE, as the case may be, by notching down from the weakest link approach based on these factors, on a case-by-case basis.

DBRS notes that PWCE and SWCE can take any form, but have traditionally been in the form of an irrevocable loan, asset purchase, cash reserve or letter of credit.

PWCE and SWCE are usually sized as a fixed dollar amount or a percentage of either the conduit's aggregate funding commitments or total ABCP outstanding. The calculation of the amount of PWCE/SWCE will generally exclude funding commitments for fully supported transactions, based on the assumption that all risks for those transactions are already fully supported and do not require additional support from PWCE/SWCE.

GLS, Enhanced Liquidity and Full Wrap Liquidity

When determining a rating on any type of liquidity used as ABCP Enhancement, DBRS (1) uses the weakest link approach as described above under "Subordination," including a review of the priority of payments owing by the Conduit according to its constitutional documents (if appropriate), and (2) considers the following: (a) any interest payments/debt service owing to the liquidity providers that may rank ahead of repayment of principal under the liquidity arrangements, (b) the type of liquidity being provided (such as GLS, which is based on a "good asset test" or Full Wrap Liquidity, which is intended to cover all risks including credit risk), (c) the order in which losses are absorbed (in other words, the loss position of the liquidity compared to the ABCP itself) and (d) the short-term rating of the liquidity provider itself. In the event that the weakest link approach is not possible or appropriate under the circumstances, an alternative approach may be used to determine the rating on the liquidity as ABCP Enhancement. DBRS determines the appropriate rating on the liquidity used as ABCP Enhancement by notching down from the weakest link approach (or alternative method) based on the above factors, on a case-by-case basis.

DBRS notes that liquidity can take any form, but has traditionally been in the form of an asset purchase facility, note purchase facility or irrevocable loan agreement.

Exception to Weakest Link Approach

In the event that there is a separate set of assets, reserve or cash used to repay the ABCP Enhancement other than the transactions backing the ABCP, DBRS considers the terms in which such assets, reserve or cash, as the case may be, are available to repay the ABCP Enhancement in order to determine the rating on the ABCP Enhancement. In this case, the weakest link approach will not be used.

25 Note that since all Canadian ABCP conduits at the time of publication of this Schedule have issued notes rated R-1 (high), the latter three transactions in this particular example would have had additional enhancement of some sort, such as Full Wrap Liquidity or PWCE/SWCE, in order to achieve an overall AAA transaction assessment for purposes of confirming the ABCP conduit's rating at R-1 (high) when the transaction was entered into.

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