

## Maple ABS – New Investors for U.S. and European Asset-Backed Securities

Following a recent change to investment eligibility rules, Canadian investors have begun to purchase specially designed tranches of foreign asset-backed securities.

In June 2005, Canada repealed a 30% cap on the amount of foreign debt that certain Canadian investors could hold. Since then, non-Canadian issuers have raised more than \$22 billion in Canadian dollar “Maple bonds”, and swapped the proceeds back to their home currency.

Maple bonds often form part of an international offering, and exhibit certain common features:

- Issued to Canadian institutional “accredited investors” (similar to 144A offerings in the U.S.)
- Issued under a simple disclosure “wrap” attached to a global offering document
- Issued in C\$ at a fixed interest rate or a spread over Canadian bankers acceptances
- Settled through CDS (the Canadian equivalent of DTC or Euroclear).

The international ABS market has now begun to issue Maple bonds, and we recently acted on the first non-Canadian securitizations to issue C\$ tranches to Canadian investors:

- Bayview Commercial Asset Trust 2006–CAD1: C\$124 million offering backed by commercial mortgage loans
- GCO Education Loan Funding Master Trust–II: C\$280 million tranche backed by student loans (part of a US\$1.5 billion ABS offering)
- Permanent Master Issuer Plc: C\$350 million tranche backed by U.K. residential mortgages (part of a £5.4 billion ABS offering)

We expect that the next stage of Maple ABS will see U.S. and European conduits access Canada’s \$100 billion dollar asset-backed commercial paper market.

If you have any questions with respect to the foregoing, please contact:

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