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April 22, 2014

BY ELECTRONIC MAIL
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Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
The Manitoba Securities Commission
Ontario Securities Commission
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Superintendent of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Northwest Territories
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Dear Sirs/Mesdames:

Re: Notice of Publication and Request for Comment on the Proposed Amendments to National Instrument 45-106 *Prospectus and Registration Exemptions* Relating to the Short-term Debt Prospectus Exemption and Proposed Securitized Products Amendments

RBC Capital Markets ("**RBC**") has reviewed the Proposed Amendments to National Instrument 45-106 *Prospectus and Registration Exemptions* Relating to the Short-term Debt

Prospectus Exemption and Proposed Securitized Products Amendments (the "**Proposed Securitized Products Amendments**"), as contained in the Publication and Request for Comments issued by the Canadian Securities Administrators ("**CSA**") on January 23, 2014. We are pleased to have the opportunity to participate in the review process by providing comments on the proposals as contained in the attached document.

RBC fully supports regulatory reform initiatives that will further enhance the short-term securitized products market's integrity, efficiency and transparency. In particular, we share the goal of ensuring a consistent level and quality of upfront and ongoing disclosure.

With the Canadian short-term securitized product ("ABCP") market now consisting of only traditional asset types, we believe that the proposed amendments that will govern the ABCP market need to be proportionate to the low risk and strong historic performance of this type of investment product. The amendments also need to strike the right balance between providing sufficient information to investors through regular reporting while recognizing the primary role that the global style liquidity provided by major Canadian financial institutions and the multiple ratings required to be held by all bank sponsored ABCP programs play in the short-term securitized product market.

In addition to the response provided herein, RBC also participated in and supports the separate comment letters submitted by IIAC and SFIG.

We welcome the opportunity to discuss with you the Proposed Securitization Product Amendments at your convenience to better assist staff as they formulate the final amendments. We strongly support regulatory reform initiatives but also believe that the amendments need to properly reflect the quality and security of the types of securitized product available in the Canadian market.

Yours truly,

N. Khan

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CSA – Proposed Amendments to Short-Term Debt Exemption and Proposed Securitized Product Rules

RESPONSE TO REQUEST FOR COMMENT

April 22, 2014

RBC Capital Markets®

This response document was prepared exclusively for the benefit and internal use of the Canadian Securities Administrators ("CSA") in order to provide comments on the Proposed Amendments to National Instrument 45-106 *Prospectus and Registration Exemptions* Relating to the Short-term Debt Prospectus Exemption and Proposed Securitized Products Amendments as outlined in the Request for Comment dated January 23, 2014. Neither this document nor any of its content may be used for any other purpose without the prior written consent of the Royal Bank of Canada ("RBC").

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Introduction

Overview of Response

RBC Capital Markets ("RBC") has reviewed the proposed amendments relating to securitized products (the "Proposed Securitized Product Amendments") and the short-term debt exemption, as contained in the Notice of Publication and Request for Comment issued on January 23, 2014 by the Canadian Securities Administrators ("CSA"). RBC's comments on the Proposed Securitized Product Amendments and the amendments to the short-term debt exemption are contained in our responses to each of the questions posed by the CSA and through general commentary in regards to the amendments. RBC would like to reaffirm the global nature of the ABCP market, but has responded in the context of the exemption available within the Canadian market.

As mentioned in the covering letter, RBC is fully supportive of regulatory reform initiatives and believes that the right balance can be found between providing sufficient and appropriate disclosure to investors while recognizing the support that banks provide to traditional ABCP programs. RBC believes that the end goal should be to ensure that investors have access to the right information in order to assess the credit risk of an ABCP conduit and make an informed and educated investment decision. When trying to determine the appropriate level of disclosure, RBC believes it is important to keep in mind that conduit sponsors and providers of liquidity and credit enhancement facilities have significant exposures to the underlying asset pools and, therefore, their interests are completely aligned with investors' interests. RBC also notes that the current disclosure it provides with respect to its ABCP conduits has been constructed in large part to be responsive to the requirements of current investors, and where we have referred to disclosure as unnecessary or inappropriate in our responses it is informed by our experience in giving investors the type of disclosure they have historically been comfortable with.

RBC's perspective on the proposals comes from over 23 years experience in the Canadian securitized product market, as an originator, servicer, arranger, and sponsor. RBC took part in the establishment and growth of the Canadian securitized product industry, witnessed the emergence and decline of the non-bank-sponsored CDO conduits, and took a lead role in the restoration of trust in the securitized product market after the credit crisis.

With the clear exception of the non-bank sponsored CDO conduits, the Canadian securitized product industry has delivered on its promise of providing investors with a low-risk alternative to government securities, while providing asset originators with a predictable and affordable means of financing. This mainstream sector of the market, which includes securitized product backed by auto and equipment loans and leases, trade receivables, credit card receivables and residential mortgages, drove the growth in this industry through 2005, and now comprises 100% of the securitized product available in Canada. Since the inception of this sector of the market in the late 80's, no investor has ever experienced a default or loss on these traditional assets.

Following the events that occurred with the non-bank CDO conduits in 2007 and 2008, the Canadian securitized product market evolved to limit the possibility of a repeat occurrence. Changes have been as follows:

- Increased disclosure on an upfront and ongoing basis for all types of securitized products
- Greater diligence on the part of investors
- Disappearance of CDOs and other structured credit products as an asset class
- Cessation of all non-bank sponsored ABCP conduits
- Transition to "global-style" liquidity back-up lines, which can be drawn down at any time, except in the case of bankruptcy, and for any reason to repay outstanding ABCP

- Emergence of multiple credit ratings on ABCP

In this environment, some of the recommendations of the Proposed Securitized Product Amendments seem to be disproportionate to the risks associated with the current Canadian market. Based on RBC's experience and feedback from securitized product investors, RBC is of the opinion that some of the proposed additional reporting requirements in the mandatory Information Memorandum, the Monthly Disclosure Report and the timely disclosure report go beyond what investors need or have historically required to assess the credit quality of a bank sponsored traditional asset ABCP conduit. In addition, RBC believes that investors rely heavily on the structural features of the conduit itself, including bank sponsorship, global style liquidity and multiple ratings and in the case of RBC's conduits, Program Wide Credit Enhancement (which is a global standard that has not been universally adopted in Canada) and the first loss provider, rather than the specific structural features of transactions with underlying originators. RBC is also concerned that some of the proposed required reporting could cause Canadian issuers and originators to forego this market due to the increased costs and complexity associated with securitized product and the need to disclose business level information which may be confidential or otherwise sensitive, which may have a real economy impact on the availability of credit.

RBC suggests that the mandatory Information Memorandum and Monthly Disclosure Report should include separate and distinct information. It is RBC's recommendation that the mandatory Information Memorandum include static information on a conduit level basis and the Monthly Disclosure Report include high-level information on specific transactions within the conduit and how they have performed over the monthly reporting period. In this scenario, the mandatory Information Memorandum would only be changed or updated if material amendments have been made at the conduit level. RBC believes that investor outreach is a very important aspect of the ABCP market and offers to meet with all investors in person or over the phone at least twice in every 18 month period. In addition, RBC continues to make available the mandatory Information Memorandum and the Monthly Disclosure Reports, along with the most recent rating reports and other pertinent information on RBC's conduit password protected website. If requested by an investor, access through a password is promptly provided.

RBC's detailed responses to the specific questions are contained in the following section.

General Questions

1. Question 1

Question:

We are not prohibiting short-term securitized products that do not satisfy the conditions in the Short-Term Securitized Products Prospectus Exemption (e.g. credit arbitrage ABCP) from being distributed in reliance on other prospectus exemptions such as the accredited investor and minimum investment amount exemptions.

(a) Should certain types of short-term securitized products not be allowed to be sold on a prospectus-exempt basis?

Comments from RBC:

RBC does not believe there should be any exclusion of certain types of short-term securitized products from being sold on a prospectus-exempt basis. By definition, prospectus exemptions such as accredited investor and minimum investment limit purchasers to sophisticated investors with the knowledge and means to make informed investment decisions, and to exclude certain types of securities from these exemptions could unfairly stigmatize such securities and would be without precedent in Canada.

(b) Is it likely that short-term securitized products would be sold under other prospectus exemptions besides the Short-Term Securitized Products Prospectus Exemption, and if so, which ones? What factors affect the probability of this occurring?

Comments from RBC:

As noted in response 11 in our accompanying list of responses, a conduit could distribute asset backed commercial paper under the "accredited investor" or $150,000 minimum prospectus exemption. However, those exemptions will subject the asset backed commercial paper to resale restrictions and may require filing of a private placement form and payment of a private placement fee (none of which would have been required if the asset-backed commercial paper had continued to be sold under the short form debt rule). Should the "accredit investor" or $150,000 minimum prospectus exemption remain in place for short-term securitized products, the form filing and fee structure would have to be amended to be more accommodating for the short-term nature of the product.

(c) Are there other types of structured or structured finance products that would not be captured by the definition of "securitized product", but that also should not be issued under the Short-Term Debt Prospectus Exemption? Should we broaden the types of products to be excluded from the Short-Term Debt Prospectus Exemption to encompass all structured finance short-term debt instruments?

Comments from RBC:

RBC is not aware of any structured finance products currently sold in the Canadian market that would not be captured by the definition of "securitized product", and RBC sees no need to expand the definition.

2. Question 2

Question:

Are the credit rating requirements (two credit ratings at a prescribed minimum level) for short-term securitized products sold under the Short-Term Securitized Products Prospectus Exemption appropriate?

Comments from RBC:

RBC supports the introduction of two credit ratings on the short-term securitized product as a requirement for use of the Short-Term Securitized Products Prospectus Exemption. This requirement is consistent with the Bank of Canada's criteria for accepting ABCP as collateral under its standing liquidity facility and with the requirements of other jurisdictions, such as the U.S. However, as noted in response 3 in our accompanying list of responses, RBC is of the view that the higher rating requirement with respect to short-term securitized product vis-à-vis other forms of short-term debt could potentially unfairly stigmatise securitized products. The requirement for higher ratings for short-term securitized products appears to be premised on (i) an observation that the greater complexity of such products inherently brings with it higher risk and (ii) the possible mismatch between note maturities and the timing of payments on the underlying assets. In connection with point (i), it must be observed that many of the complexities of securitization structures, such as the use of a bankruptcy-remote vehicle to hold asset interests, cash trapping, requirements with respect to overcollaterization, the use of interest rate and currency hedges and termination events are mechanisms to reduce risk to investors. As for the concern raised in point (ii), the global style liquidity that will be required to be in place for conduits under the amended Section 2.35.2(a)(iii) addresses the possible mismatch risk. Absent a compelling rationale for higher ratings requirements for short-term securitized products, this differentiation seems unwarranted.

3. Question 3

Question:

We have prescribed a number of liquidity support requirements to address liquidity risk arising from the maturity mismatch in ABCP.

(a) The Bank of Canada's eligibility policies for collateral under its Standing Liquidity Facility require that sponsors of ABCP conduits have certain credit ratings, as opposed to the liquidity provider. Should there also be requirements in the Short-Term Securitized Products Prospectus Exemption as to the types of entities that can sponsor ABCP conduits (including credit ratings of those entities)?

Comments from RBC:

RBC is of the view that the ratings requirements for the liquidity provider provide adequate protection for investors in short-term securitized product, provided that the liquidity provider is an OSFI regulated entity or regulated with respect to deposit-taking by a similar provincial regulatory authority with equivalent standards to OSFI, and that there should be no corresponding ratings requirement for sponsors.

(b) How common is it for a sponsor to not also be the liquidity provider?

Comments from RBC:

As far as RBC is aware, it is not common that a sponsor is not also the liquidity provider.

(c) In order to reduce the risk associated with relying on a single credit rating of one DRO, we are proposing that two credit ratings be required for the liquidity provider. Do you agree with this approach?

Comments from RBC:

RBC supports the existence of two credit ratings on the liquidity provider as a requirement for use of the Short-Term Securitized Products Prospectus Exemption. This requirement is consistent with the Bank of Canada's criteria for accepting ABCP as collateral under its standing liquidity facility and with the requirements of other jurisdictions, such as the U.S.

(d) Are the proposed minimum credit rating levels for the liquidity provider appropriate?

Comments from RBC:

RBC is of the view that the proposed minimum credit rating levels for a liquidity provider are appropriate.

(e) We have proposed that the liquidity provider be prudentially regulated by OSFI or a provincial regulatory authority. Would this cause problems for current ABCP programs? To what extent do foreign banks, not regulated by OSFI, act as liquidity providers to Canadian conduits?

Comments from RBC:

The proposal that the liquidity provider be prudentially regulated by OSFI or by a provincial regulatory authority would not cause any problems with respect to RBC's ABCP programs. RBC is not aware of any foreign banks, not regulated by OSFI, acting as liquidity providers to Canadian conduits.

(f) If we were to allow foreign banks (not subject to OSFI oversight) to act as liquidity providers, to what extent would it be appropriate to require that they be subject to Basel III? What concerns exist with respect to allowing U.S. banks to act as liquidity providers if they are not subject to Basel III?

Comments from RBC:

RBC feels every liquidity provider in the Canadian ABCP market should be subject to OSFI oversight or similar oversight, with equivalent standards to OSFI, with respect to deposit-taking at the provincial level in order to ensure a consistent regulatory standard is applied to all participants. It is also worth noting that, even in circumstances where a foreign bank is subject to Basel III, discrepancies arise between how regulators implement such requirements, with OSFI tending to adopt a more stringent implementation standard.

(g) Are the proposed circumstances when a liquidity provider is permitted not to advance funds appropriate?

Comments from RBC:

RBC agrees with the exception in Section 2.35.3(1) that the liquidity provider not be required to provide funding in the case of the bankruptcy or insolvency of the conduit. With respect to the exception in Section 2.35.3(2), while RBC agrees in principal that the liquidity provider should not be required to provide funding that is not supported by assets and/or credit enhancement, some conduits have liquidity arrangements that are deal-specific. Therefore, the wording in Section 2.35.3(2) would benefit from being revised to also refer to those portions of the asset pool that are specific to the particular liquidity arrangement rather than the entire asset pool in such circumstances.

4. Question 4

Question:

The Short-Term Securitized Products Prospectus Exemption is available for short-term securitized products that are convertible or exchangeable into or accompanied by a right to purchase another short-term securitized product that would qualify for the exemption. Is this appropriate?

Comments from RBC:RBC agrees with the approach in section 2.35.1 that the Short-Term Securitized Products Prospectus Exemption not be available for short-term securities products that are convertible or exchangeable into or accompanied by a right to purchase another short-term securities product that would not qualify for the exemption.

5. Question 5

Question:

Are there assets in addition to those listed in section 2.35.2(c) of the proposed Short-Term Securitized Products Prospectus Exemption that a conduit should be allowed to hold? Are these assets currently found in the Canadian ABCP market?

Comment from RBC:

RBC is not aware of any assets that a conduit should be allowed to hold that would not be captured by the list in section 2.35(c). However, as noted in response 6 in our accompanying list of responses, in order to prevent a situation where a type of asset has been unintentionally omitted from the list of assets provided, RBC suggests adding a catch-all for "other types of financial assets, other than credit derivatives or highly structured or leveraged credit products, that by their terms convert into cash within a finite period, and any rights or other assets designed to assure the servicing or the timely distribution of proceeds to security holders". This would be consistent with the definition of "asset-backed security" in National Instrument 51-102 and respects the stated purpose of the CSA in providing the list of permitted assets, namely "to prevent a conduit from relying on the exemption if its asset pool includes credit derivatives or highly structured or leveraged credit products".

6. Question 6

Question:

Do the proposed triggers for timely disclosure reports cover all material events of which investors would want to be informed?

Comment from RBC:

As noted in response 9 in our accompanying list of responses, RBC is of the view that the triggers for timely disclosure reports are too broad and uncertain as currently drafted and that they could be revised to require disclosure only when there is either a liquidity event (i.e. downgrade or loss), or significant default (i.e. failure to make payment).

7. Question 7

Question:

Given its length and the introduction of two associated forms, would it be more user-friendly to have the Short-Term Securitized Products Prospectus Exemption and the new forms in a stand-alone rule instead of as part of NI 45-106?

Comment from RBC:

RBC expresses no preference as to whether the Short-Term Securitized Products Prospectus Exemption and the new forms are contained in a stand-alone rule instead of as part of NI 45-106.

8. Question 8

Question:

The Proposed Securitized Products Amendments do not require that issuers that distribute ABCP under the proposed Short-Term Securitized Products Prospectus Exemption report those distributions to securities regulators. For the purposes of monitoring market trends and the build-up of risk:

(a) what information should be available to securities regulators and other systemic risk regulators regarding ABCP distributed, outstanding, or traded;

Comment from RBC:

The CSA has indicated that comprehensive regulatory intervention is not necessary for the securitized market in Canada and that systemic risk concerns and investor protection concerns have been mitigated and/or addressed in the current market. Given these mitigants, RBC is of the view that monthly reporting of the total amount of outstanding commercial paper for conduits, in the case of RBC-administered conduits – in the monthly Investor Report, should be sufficient. RBC is able to provide regulators with access to the password protected website in order for them to review the information that is provided on a monthly basis. In addition, RBC would be willing to provide regulators with information on RBC's conduits' then current issuances to retail investors when requested.

(b) what would be the most effective or efficient means of reporting for ABCP issuers; and

Comment from RBC:

As stated in our response to question 8(a) above, RBC is of the view that monthly reporting of the total amount of outstanding commercial paper for conduits, in the case of RBC-administered conduits – in the monthly Investor Report, should be appropriate and sufficient.

(c) what would be an appropriate reporting frequency for issuers, that balances the resources that would be needed to prepare a report with the importance of having up-to-date information?

Comment from RBC:

The Investor Report, which is prepared monthly, discloses the total amount of outstanding commercial paper for RBC-administered conduits, and RBC is of the view that that reporting is appropriate and sufficient in terms of frequency and content.

Proposed Amendments to National Instrument 45-106 *Prospectus and Registration Exemptions*

The following are RBC's additional comments on the proposed amendment to National Instrument 45-106, the Information Memorandum Form and the Monthly Disclosure Report form.

Section 1

1. In the amendment to Section 1, RBC suggests that the words "of short term securitized product" could be added after the word "issuer" in the definition of "conduit" so that a trust issuing a funding note to a conduit would not be caught by the definition.
2. In the amendment to Section 1, RBC suggests that the words "or an ownership interest in an asset pool" could be added after words "asset pool" in definition of "securitization transaction" to account for structures where a conduit acquires a co-ownership interest in the assets rather than the assets themselves.

Section 2.35

3. With respect to the amended Section 2.35.2(a)(i), RBC is of the view that the higher rating requirement with respect to short-term securitized product vis-à-vis other forms of short-term debt could potentially unfairly stigmatise securitized products. The requirement for higher ratings for short-term securitized products appears to be premised on (i) an observation that the greater complexity of such products inherently brings with it higher risk and (ii) the possible mismatch between note maturities and the timing of payments on the underlying assets. In connection with point (i), it must be observed that many of the complexities of securitization structures, such as the use of a bankruptcy-remote vehicle to hold asset interests, cash trapping, requirements with respect to overcollaterization, the use of interest rate and currency hedges and termination events are mechanisms to reduce risk to investors. As for the concern raised in point (ii), the global style liquidity that will be required to be in place for conduits under the amended Section 2.35.2(a)(iii) addresses the possible mismatch risk. Absent a compelling rationale for higher ratings requirements for short-term securitized products, this differentiation seems unwarranted.
4. In the amended Section 2.35.2(a)(i)B, brackets should be added around "sf" after F1+ to be consistent with the presentation in Sections 2.35.2(a)(i)(A), (B) and (C).
5. The amended Section 2.35.2(b) would preclude a class of securities issued by a conduit from being sold under the short-term securitized product exemption if it ranks pari passu with another class issued by the same conduit. RBC does not believe that the CSA intended to prevent the distribution of such pari passu series under the short-term securitized product exemption. To allow for the distribution of such pari passu series, RBC is of the view that, at the very least and subject to our further commentary in this response 5, Section 2.35.2(b) should be revised to replace "rank higher" with "rank no lower". The amended Section 2.35.2(b) would also preclude a class of securities issued by a conduit from being sold under the short-term securitized product exemption if it ranks subordinate to another class issued by the same conduit. As discussed in response 3 above, RBC is of the view that distribution of short-term securitized product pursuant to the short-term securitized product exemption should be subject to note rating requirements consistent with the rating requirements for other short-term debt. This would allow for issuance of short-term securitized product with different ratings levels, with the lower-rated short-term securitized product potentially

being subordinate to the higher-rated short-term securitized product. RBC is of the view that if the subordinated nature of the subordinate short-term securitized product is disclosed to investors, distribution of short-term securitized product pursuant to the short-term securitized product exemption that meets to the rating requirements (as modified as outlined in response 3) should not be precluded and that Section 2.35.2(b) should be deleted.

6. With respect to the amended Section 2.35.2(c), in order to prevent a situation where a type of asset has been unintentionally omitted from the list of assets provided, RBC suggests adding a catch-all for "other types of financial assets, other than credit derivatives or highly structured or leveraged credit products, that by their terms convert into cash within a finite period, and any rights or other assets designed to assure the servicing or the timely distribution of proceeds to security holders". This would be consistent with the definition of "asset-backed security" in National Instrument 51-102 and respects the stated purpose of the CSA in providing the list of permitted assets, namely "to prevent a conduit from relying on the exemption if its asset pool includes credit derivatives or highly structured or leveraged credit products".

7. With respect to requirement in the amended Section 2.35.4(3)(b) that the securities regulator receive an undertaking within 10 days following any distribution, this would essentially require that the conduit would be providing a new undertaking every 10 days as it is often rolling commercial paper every day. RBC suggests that the undertaking only be required to be delivered at the time of the first distribution of a class of short-term securitized product by the conduit.

8. With respect to the timing of the monthly disclosure report referred to in the amended Section 2.35.4(5)(c), based on when the relevant information is made available to the RBC-administered conduits from the applicable originators, the conduits will need 50 days to make the monthly disclosure report available to investors. RBC publishes all their conduit monthly investor reports, in Canada and the US, on the 15th day, or next good business day, in the second month following the reporting period. For example, for the reporting period ending December 31, 2013, RBC's conduit investor reports were published on February 18th, which is a total of 49 days from December 31, 2013. Therefore, RBC suggests that the 30 day reference should be revised to reference 50 days.

9. With respect to the triggers for monthly disclosure reports in Section 2.35.4(6), RBC is of the view that investors should not be overburdened with unnecessary disclosures. Section 2.34.4(6)(a) is very broad and with the requirement for timely disclosure of events in Section 2.34.4(6)(b), as suggested below, RBC is of the view that it is unnecessary and should be removed. RBC believes that Section 2.34.4(6)(b) is currently too subjective regarding what is to be disclosed and that it should be revised to focus on material events that could impact investors. RBC suggests that items (i) and (ii) could be revised to require a timely disclosure report if there is (i) a liquidity event (i.e. downgrade or loss), or (ii) significant default (i.e. failure to make payment).

10. With respect to timing of the timely disclosure report referred to in the amended Section 2.35.4(7)(b), RBC suggests that the timing of a timely disclosure report could be consistent with the timing of a material change report under Section 7.1(b) of National Instrument 51-102 (which would be applicable to a reporting issuer distributing asset-backed securities by way of prospectus) and, to account for this, RBC suggests that the reference to "within 2 days" be revised to reference "as soon as practicable, and in any event within 10 days".

11. An alternative to a conduit using the short-term securitized product exemption is for the conduit to distribute asset backed commercial paper under the "accredited investor" or $150,000 minimum prospectus exemption. However, those exemptions will subject the asset backed commercial paper to resale restrictions and may require filing of a private placement form and payment of a private placement fee (none of which would have been required if the asset-backed commercial paper had continued to be sold under the short form debt rule). Should the "accredit investor" or $150,000 minimum prospectus exemption remain in place for short-term securitized products, the form filing and fee structure would have to be amended to be more accommodating for the short-term nature of the product.

Form 45-106F7 – *Information Memorandum for Short-term Securitized Products*

Item 1: Significant Parties to Securitization Transaction

12. With respect to item 1.1 and the need to identify "significant parties" in the context of the Information Memorandum ("IM"), conduit IMs in Canada have historically functioned as "shelf" type documents just covering parties relevant to the structure of the conduit, including any conduit-level liquidity and credit enhancement, and not deal-specific parties such as principal obligors, originators or servicers of assets or any deal-level liquidity providers or other parties providing funds or making commitments at the deal level. RBC suggests that IMs continue to provide disclosure on this basis and that the proposed rules could reflect this by defining "significant parties" for the purposes of IM disclosure to exclude such deal-specific parties. This would also apply to the references to liquidity providers, principal obligors and originators in items 1.2(b), (c) and (d), 1.4 and 3.1(d). As discussed below in response 30, RBC is also of the view that disclosure of deal-specific parties such as principal obligors, originators or servicers of assets or any deal-level liquidity and credit enhancement providers is not appropriate even in the context of the monthly disclosure report. To facilitate the distinction between conduit structure and deal-level disclosure, RBC recommends introducing another term such as "conduit structure" to be used when referring to conduit level disclosure and that the term "securitization transaction" be used only when referring to deal-level disclosure.

13. With respect to item 1.1 and the need to identify "significant parties", RBC is concerned that clauses (g) and (j) could capture third party service providers that are performing purely administrative services on behalf of a conduit or an originator. RBC believes that such parties should be explicitly carved out of the definition of "significant parties" or that the disclosure requirements be limited to those parties "primarily" responsible for the roles listed "under the terms of the securitization transaction documents". RBC's concern is that requiring disclosure of sub-servicing arrangements may provide sensitive and/or confidential information to competitors.

14. With respect to item 1.2, information on past defaults by other conduits may not be readily available to a conduit if the other conduit is administered by another financial institution or corporation. Moreover, with respect to past defaults by conduits into which originators sold assets or into which assets of principal obligors were sold, there is no practical way for RBC-administered conduits to ensure that they have received accurate information from such originators or principal obligors with respect to past defaults (and, in the case of principal obligors, the RBC-administered conduits have no direct communications with such principal obligors) and such parties may not even have complete information with respect to defaults by other conduits at the note payment level. Accordingly, RBC is of the view that clauses (c), (d) and (e) of item 1.2 should be deleted as there is no practical way for a conduit to ensure compliance. With respect to clauses (a) and (b) of item 1.2, past-defaults by other conduits may be due primarily to the structure of the deals in those conduits rather than any failure to perform by the parties listed in items 1.2 (a) and (b). As such, RBC is of the view that default reporting under items 1.2(a) and (b) based solely on the identity of the parties may be misleading and that reporting with respect to past defaults should only be required where the default was caused by the actions or failure to act by one of the parties listed under items 1.2(a) or (b).

15. RBC would like clarification on what item 1.2(e) is intended to capture that is not otherwise captured by item 1.2(d). RBC finds item 1.2(e) confusing and would like to understand what is intended.

16. With respect to item 1.5, as discussed in response 13 above, RBC suggests that the disclosure requirement be limited to those parties "primarily" responsible for the roles listed "under the terms of the securitization transaction documents", such that the disclosure requirement would not apply to

third party service providers providing purely administrative functions and having no contractual privity to the securitization transaction.

Item 2: Structure

17. With respect to the structural diagrams referred to in item 2, as the IM is intended to be a static document focussed on the conduit itself, RBC suggests that structural diagrams in the IM should be required only to address the structure of the conduit itself (including any conduit-level liquidity and credit enhancement and governing documents) and not specific deals to which the conduit is party. With respect to RBC-administered conduits, such diagrams are currently provided under Exhibits A and B to the IMs. For the reasons discussed below in responses 30 and 31, RBC believes that deal-specific structural diagrams are not appropriate even in the context of the monthly disclosure report.

Item 3: Eligible Assets

18. With respect to item 3.1(b), there are no concentration limits at the conduit level and RBC suggests that the disclosure requirement under item 3.1(b) be revised to refer to a general description of the conduit's approach to concentration limits. Such a description is provided in the IMs for RBC-administered conduits under "Transaction Credit Enhancement and Concentration Limits". Concentration limits for specific transactions will be determined on a deal-by-deal basis depending on the asset type and portfolio characteristics. However, for the reasons discussed below in response 30, RBC believes that disclosure of deal-specific concentration is not appropriate even in the context of the monthly disclosure report.
19. With respect to item 3.5, the IMs for RBC-administered conduits currently provide a statement that the conduits have never owned and have no intention of owning interests in highly structured or leveraged credit products and RBC has no objection to presenting this text in bold. However, the conduits also enter into standard hedging arrangements from time with respect to hedging of interest rate, currency and other risks related to traditional assets. These arrangements could fall within the meaning of "credit derivatives" as used in item 3.5. Given the standard nature of these arrangements, RBC is of the view that it would not be appropriate to present them in bold text as doing so may overstate the risk of such arrangements to investors and may confuse investors by including them in commentary along with references to highly structured or leveraged credit products. As such, RBC believes that the words "(other than standard interest rate and currency hedges)" be added after the words "credit derivatives" in item 3.5.

Item 4: Liquidity Support and Credit Enhancement

20. With respect to item 4, for the reasons stated in response 12, RBC is of the view that the commentary with respect to liquidity support, liquidity providers, credit enhancements and structural mechanisms intended to materially reduce the risk of loss to investors in the IM be limited to liquidity support, credit enhancements and other support at the conduit level. With respect to RBC-administered conduits, this would consist of disclosure with respect to the Standby Credit Agreement, the Shared Credit Enhancement Agreement and the Liquidity Agreement, each as currently defined and described in the IMs. The nature and amount of additional liquidity support and credit enhancement for specific deals is determined on a deal by deal basis. However, for the reasons discussed below in responses 30 and 48, RBC is of the view that disclosure of such additional deal-specific liquidity support and credit enhancement is not appropriate even in the context of the monthly disclosure report other than as provided in response 48.

Item 6: Compliance or Termination Events

21. With respect to items 6.2 and 6.3, portfolio performance tests and material contractual provisions regarding the performance of asset pool and significant parties are already described in the IMs of RBC-administered conduits in general terms under the heading "Nature of Commitments; Termination Events". For the reasons stated in response 12, RBC suggests that specific portfolio performance tests and material contractual provisions re: performance of asset pool and significant parties is not appropriate in the context of the IM. Furthermore, for the reasons discussed below in response 30, RBC believes that more detailed disclosure of portfolio performance tests and material contractual provisions regarding performance of asset pool and significant parties is not appropriate even in the context of the monthly disclosure report.

Item 7: Description of Short-Term Securitzed Product and Offering

22. With respect to item 7(c), the discount or interest rate for any given note is negotiated with individual investors and changes over time. Disclosing such rates in the IM would therefore be impractical as there would be multiple rates with respect to outstanding notes at any given time and such rates would change on a daily basis and would therefore require daily updates to the IM. As discussed in response 12, RBC recommends that the IM be a "static" document and therefore, non-static information such as discount or interest rates would not be appropriate in the IM.
23. With respect to item 7(d), RBC would like to clarify that disclosing minimum denominations and integral multiples, as the RBC-administered conduits currently do under "The Notes – General" in the IMs, will be sufficient to meet the disclosure obligation in item 7(d) and that the actual denominations of the notes issued is not required. Subject to the minimum denominations and integral amounts disclosed in the IMs, there is no restriction on the denomination of notes.
24. With respect to item 7(e), term to maturity for any given note is determined on an investor-by-investor basis and will change over time at the aggregate level. Disclosing such terms to maturity in the IM would therefore be impractical as there would be multiple terms to maturity with respect to outstanding notes at any given time and the aggregate of such terms to maturity would change on a daily basis and would therefore require daily updates to the IM. Although the IMs for the RBC-administered conduits are currently silent on ability to extend maturity, RBC has no objection to disclosing whether maturity can be extended.
25. With respect to item 7(g), the current IMs for the RBC-administered conduits disclose the fact that the maximum amount of notes may be unlimited. RBC is of the view that item 7(g) should be revised to specifically contemplate such an uncapped maximum amount by adding the words "or a statement that the maximum aggregate principal amount of short-term securitized products to be outstanding at any one time is unlimited".

Item 8: Additional Information About the Conduit

26. With respect to item 8.1, RBC would like clarification on what is meant by the term "financial leverage". In particular, RBC is concerned that the term "financial leverage" could be interpreted to include commercial paper.

Item 9: Material Agreements

27. With respect to item 7, for the reasons stated in response 12, RBC is of the view that material agreements at the deal-specific asset purchase level are not appropriate in the context of the IM. Furthermore, for the reasons discussed below in response 30, RBC is of the view that detailed disclosure of material agreements at the deal-specific asset purchase level is not appropriate even in the context of the monthly disclosure report.

Item 10: Summary of Asset Pool

28. With respect to item 8, for the reasons stated in response 12, RBC believes that asset pool updates are not appropriate in the IM and should be made through the monthly disclosure reports.

Item 12: Representation that No Misrepresentation

29. With respect to item 10, given the approach to IM disclosure suggested in response 12, RBC suggests that the statement needs to be limited to material facts about the conduit and conduit-level liquidity and credit enhancement. It should specifically exclude material agreements at the deal level and deal-specific parties such as principal obligors, originators or servicers of assets or any deal-level liquidity providers or other parties providing funds or making commitments at the deal level. This deal-level information, based on our comments above, would not be required to be disclosed in the IM and would, therefore, potentially constitute an omission under clause (b) of the definition of “misrepresentation” as defined under the Securities Act (Ontario). RBC is also of the view that, since the IM will be a static document, that the statement should be made “as of the date hereof”.

Form 45-106F8 – *Monthly Disclosure Report for Short-term Securitized Products Distributed under Section 2.35.1*

Item 1: Significant Parties to Securitization Transaction

30. With respect to item 1.1, certain parties such as the custodian are typically set out in the IM but not the monthly disclosure report. RBC suggests that there should be no requirement to provide disclosure with respect to significant parties for which disclosure has been provided in the IM unless there has been a material change to such IM disclosure. Also with respect to item 1.1 and the need to identify "significant parties", "significant parties" that are deal-specific parties such as principal obligors, originators or servicers of assets or any deal-level liquidity providers or other parties providing funds or making commitments at the deal level, RBC notes that requiring disclosure of such parties is not typical in other jurisdictions and may breach confidentiality requirements and RBC is concerned that such disclosure may be detrimental to originators selling into ABCP conduits and the ABCP conduit business in general. Anonymity has long been a hallmark of the ABCP business globally and is something that is very important to most, if not all, originators using the ABCP market as a source of funding. Parties such as principal obligors, originators or servicers of assets or any deal-level liquidity providers or other parties providing funds or making commitments at the deal level have not historically been named in monthly disclosure reports for ABCP conduits in Canada and RBC is not aware of any other jurisdiction where securities legislation requires that they be named. The conduit and originators may be subject to contractual confidentiality restrictions with respect to divulging information with respect to these parties and, in the case of principal obligors that are individuals, there are legislative restrictions on divulging confidential information that may be relevant (such as the *Personal Information Protection and Electronic Documents Act* (Canada)). In most cases, Obligors are not notified of the assignment of their receivables to the conduit until the occurrence of certain adverse events and there may be issues with obtaining consents from Obligors and disclosure with respect to an Obligor's obligations may be advantageous to its competitors where the Obligor is a commercial entity. Originators and Principal Obligors that are reporting issuers may also have selective disclosure concerns with respect to having information regarding their businesses that has not been disclosed by them in their public disclosure documents disclosed in monthly disclosure reports of a conduit. Originators don't want their financing arrangements and the terms thereof or the nature and performance of their receivables revealed for their competitors and other interested parties that might have access to monthly disclosure reports of conduits. Moreover, Originators may have multiple deals in conduits administered by different banks and requiring disclosure of the specifics of such deals may limit the Originator's ability to negotiate deals with more or less favourable terms with different banks.

31. With respect to item 1.2, as discussed under response 17, RBC suggests that structural diagrams in the IM address the structure of the conduit itself (including any conduit-level liquidity and credit enhancement and governing documents). There would be no need to further update such diagrams in the monthly disclosure report unless there is a material change to the structure and not specific deals to which the conduit is party. Furthermore, for the reasons set out above in response 30, RBC believes that disclosure of structural diagrams at the deal-specific asset purchase level is not appropriate even in the context of the monthly disclosure report.

32. With respect to item 1.3, for the reasons set out above in response 30, RBC is of the view that disclosure should not be required with respect to significant parties that are principal obligors,

originators or servicers of assets or any deal-level liquidity providers or other parties providing funds or making commitments at the deal level. RBC has no objection to providing disclosure with respect to other significant parties.

Item 2: Program Information

33. With respect to item 2(a), the face amount of total short-term securitized product can be disclosed, but interest payable to maturity changes frequently and disclosing such interest in the monthly disclosure report would therefore be impractical as such interest would change on a daily basis and would therefore require daily updates to the monthly disclosure report. Furthermore, RBC is of the view that snapshot monthly disclosure of interest payable to maturity may not be useful information to investors and may even be misleading to the extent that the maturity or interest profile of outstanding notes changes materially after the date of the monthly disclosure report.
34. With respect to item 2(b), a description of the conduit-level global style liquidity agreement will be provided in IM pursuant to items 4.1 and 4.2 of the IM and RBC suggests that it is unnecessary to repeat that disclosure in the monthly disclosure report unless there is a material change to the global style liquidity agreement.
35. With respect to item 2(c), a description of any conduit-level credit enhancement will be provided in IM pursuant to items 4.3 and 4.4 of the IM. In the case of RBC-administered conduits, such conduit-level credit enhancement consists of the Standby Credit Agreement and the Shared Credit Enhancement Agreement. A general description of the nature and form of deal-level credit enhancement is provided in the IMs under "Transaction Credit Enhancement and Concentration Limits" and the nature, amount and percentage of deal-level credit enhancement can be deduced from information already included in the monthly disclosure reports, but for the reasons set out above in response 30; RBC is of the view that disclosure should not be required with respect to material conditions or limitations of deal-level credit enhancement providers or the identity of third-party deal-level credit enhancement providers.
36. With respect to item 2(d), average maturity will change frequently over time given the ongoing maturity of outstanding notes. As a result, RBC is of the view that snapshot monthly disclosure of average maturity may not be useful information to investors and may even be misleading to the extent that the maturity profile of outstanding notes changes materially after the date of the monthly disclosure report.

Item 3: Flow of Funds

37. With respect to item 3, a description of conduit-level flow of funds will be provided in the IM. For RBC-administered conduits, such disclosure is currently provided in the IMs under "Payment Priorities". For the reasons set out above in response 30, RBC is of the view that disclosure should not be required with respect to deal-level flow of funds.

Item 4: Asset Pool

38. With respect to item 4.2, some of the information specified (e.g., dollar amount of each asset type and industry of seller) is presented in table form rather than diagram form with respect to RBC-

administered conduits. RBC suggests that item 4.2 be revised to add the words "or table" after the word "diagram" in the first line.

39. With respect to item 4.3, for the reasons set out above in response 30, RBC is of the view that disclosure should not be required with respect to the names of principal obligors.

40. With respect to item 4.4, the IMs for RBC-administered conduits indicate concentration risk is managed through credit enhancement and concentration limits; but for the reasons set out above in response 30, RBC suggests that disclosure should not be required with respect to deal-level concentration and correlation risks.

41. With respect to item 4.5, the IMs for RBC-administered conduits discuss the types of hedging arrangements that the conduit may enter into from time to time with respect to the acquisition of assets. However, for the reasons set out above in response 30, RBC is of the view that disclosure should not be required with respect to specific uses of hedging arrangements at the deal-level.

Item 6: Asset Pool Changes

42. With respect to item 6, asset additions and removals and commitment reductions and increases can be determined from comparing one month's monthly disclosure report against the previous month's and RBC is, therefore, of the view that it is unnecessary to specifically set out such information; for the reasons set out above in response 30, RBC is of the view that disclosure should not be required with respect to the reasons behind any such additions, removals or reductions. In particular, providing such reasons may require disclosure of business-sensitive or confidential information with respect to Originators, Sellers and Principal Obligors.

Item 7: Program Compliance and Termination Events

43. With respect to item 7(a)(iii), RBC-administered conduits are the only conduits in Canada that have program-wide credit enhancement. RBC believes that such program-wide credit enhancement is a global standard with respect to short-term securitized product outside of Canada and RBC agrees that disclosure of the existence of such program-wide enhancement is important for investors.

44. With respect to items 7(d), (e) and (g), as they apply to the conduit level, disclosure will be made in the IM pursuant to items 6.1, 6.2 and 6.3 respectively, of the IM form. For the reasons set out above in response 30, RBC is of the view that disclosure should not be required with respect to termination events, portfolio performance tests and other material contractual provisions at the deal level.

45. With respect to item 7(f), for the reasons set out above in response 30, RBC is of the view that specific disclosure should not be required with respect to termination or acceleration events, which are set at the deal level. The IMs for RBC-administered conduits provide general commentary under "Nature of Commitments; Termination Events" with respect to the types of termination that may be included in specific transactions.

Item 8: Securitzation Transaction Summary

46. With respect to item 8.2(b)(i), average remaining term of assets is not information that RBC-administered conduits always has with respect to all underlying assets. Moreover, given the mixture of revolving and amortizing asset pools, disclosure of the term of the assets is not something that can usefully be provided on any sort of aggregate basis given the different sorts of maturity profiles for

different types of assets. Accordingly, RBC believes that disclosure of available information would provide no materially useful information to investors and may even be misleading in the aggregate.

47. With respect to item 8.2(g), there are certain disclosures for the assets in the pools for RBC-administered conduits that differ from what is required under the proposed rules:

    (A) with respect to clause (iii), available credit enhancement is only provided on a percentage basis; the dollar amount can be calculated based on the percentage provided and the related Net Investment; in such circumstances, RBC believes that there should be no requirement to also set out the dollar amount of the available credit enhancement and that disclosure of the percentage should be appropriate and sufficient; RBC also believes that clause (iii) should be revised to replace the words “asset pool balance” with “net investment or asset pool balance” as our view is that net investment is the more accurate reference point as the value of assets may be discounted and could potentially be manipulated for reporting purposes;

    (B) with respect to clause (vii), monthly delinquencies are not provided as delinquency information is not available from all originators and sellers and there is no standard among sellers for when an obligation becomes delinquent. RBC believes that the default/loss disclosure that is provided under “Portfolio Loss Information” in the Investor Report for RBC-administered conduits, and which would be required to be disclosed under clause (vi) of item 8.2(g) is the more material reporting for investors; and

    (C) with respect to clause (viii), RBC-administered conduits do not currently report any performance ratios other than those listed in item 8.2(g). RBC is of the view that item 8.2(g)(viii) which refers generically to “other material performance ratios” should be deleted. If there are other specific performance ratios that the CSA would like to see reported, RBC can advise whether such disclosure could be provided and whether RBC is of the view that it would be relevant and appropriate.

48. With respect to item 8.3, for the reasons stated in responses 12 and 20, disclosure with respect to credit enhancements at the conduit level will be provided pursuant to item 4 of the IM (with respect to RBC-administered conduits, this will consist of disclosure with respect to the Standby Credit Agreement, the Shared Credit Enhancement Agreement and the Liquidity Agreement). RBC is of the view that there should be no requirement to provide disclosure with respect to conduit-level credit enhancements for which disclosure has been provided in the IM unless there has been a material change to such IM disclosure. With respect to disclosure of deal-level credit enhancement, RBC is of the view that:

    (A) the nature and amount of additional deal-specific credit enhancement for deals is determined on a deal by deal basis. Disclosure of the nature and amount of deal-specific credit enhancement, as contemplated in item 8.3(a), can be provided by reference to overcollateralization, cash collateral accounts, letters of credit and excess spread as currently provided in the Investor Reports for RBC-administered conduits. Item 8.3(a) should be revised to add the words “or percentage” after the word “amount” to allow for reporting of deal-specific credit enhancement on a percentage basis;

    (B) with respect to item 8.3(b), any deal level credit enhancement, to the extent provided, would not be available generally to the entire class of short-term securitized product, so measuring such deal level credit enhancement against the entire class of short-term securitized product would be misleading since a class of short-term securitized product may fund multiple deals; accordingly, item 8.3(b) should be revised to refer only to conduit structure credit enhancement;

    (C) with respect to item 8.3(c), the long-term rating of a credit enhancement provider is not material and is potentially misleading as enhancement is structured in such a way, consistent with rating agency methodologies, to support the ratings assigned to the short-term securitized product, and

the rating of the credit enhancement provider is often not reflective of the risk coverage of the credit enhancement itself; and

(D) for the reasons discussed above in response 30, disclosure of the material conditions to or limitations on such deal-level credit enhancement as required under item 8.3(d) is not appropriate even in the context of the monthly disclosure report.

49. With respect to item 8.4, RBC would like clarification on what is meant by the term "financial leverage". In particular, RBC is concerned that the term "financial leverage" could be interpreted to include commercial paper.

Item 9: Material Agreements

50. With respect to item 9, disclosure with respect to material agreements at the conduit level will be provided pursuant to item 9 of the IM. RBC suggests that there should be no requirement to provide disclosure with respect to conduit-level material agreements for which disclosure has been provided in the IM unless there has been a material change to such IM disclosure. Moreover, for the reasons discussed above in response 30, RBC believes that detailed disclosure of material agreements at the deal-specific asset purchase level is not appropriate in the context of the monthly disclosure report.

Item 10: Fees and Expenses

51. With respect to item 10, none of the amounts of fees and expenses contemplated are currently disclosed with respect to Canadian or global conduits and historically disclosure of such fees and expenses has not been required for any type of private market transaction. RBC is of the view that there are no special considerations with respect to such fees and expenses as they relate to short-term securitized product that would warrant requiring disclosure of such fees and expenses with respect to short-term securitized product in monthly discloure reports. Fees with third parties are subject to private negotiation and requiring disclosure of such fees would compromise such negotiation. Accordingly, RBC believes that the fees and expenses referred to in item 10 should not be required to be disclosed.

Item 11: Alignment of Interest and Conflict of Interest

52. With respect to item 11, disclosure with respect to alignment of interest and conflicts of interest is not required in a prospectus with respect to asset-backed securities and RBC is of the view that there are no special considerations with respect to alignment of interest and conflicts of interest with respect to short-term securitized product that would warrant requiring disclosure that would not otherwise be required under a prospectus. RBC notes, however, (A) that the Investor Reports for RBC-administered conduits provide disclosure on levels and types of deal-specific credit enhancement, and (B) that certain types of credit enhancement (overcollateralization, cash collateral accounts, excess spread) effectively represent risk retention for sellers.

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