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SECURITIZATION ACTIVITY IN CANADA: MARKET DEVELOPMENTS

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SECURITIZATION ACTIVITY IN CANADA: MARKET DEVELOPMENTS

I. Background

1. Securitization is one of the more prominent developments to emerge in financial markets over the past 30 years or so. In Canada this activity started relatively small and expanded in stages, in both volume and scope. By mid-2009 securitized credit market receivables made up close to 20% of total credit market debt[1]; and, securitized consumer credit and mortgage debt represented 12.2% and 30.7% of these markets, respectively. On the other side of the ledger, asset-backed securities[2] accounted for 46.6% of non-government debt securities outstanding[3]. Aside from the growth of this market, securitization also played an important role in the transmission of 2007 global credit concerns due to the breadth of international transactions in asset-backed securities.

2. Nevertheless, there is nothing intrinsically risky about the securitization process. Securitization is an innovation which enables companies (often the originators of securitized credit market receivables) to raise funds through the issuance of debt (asset-backed securities) that is secured by some form of collateral. For investors, asset-backed securities can often offer a balance of safety and return that rival other traditional high-quality fixed-income investments[4].

3. Securitization activity in Canada is measured primarily from a survey of issuers of asset-backed securities (IABS), initiated in 1996[5]. Except for a few years prior to 1996, securitization had been confined to the insured mortgage market when it began in 1987, and for which there was a comprehensive source of administrative information[6]. In the early 1990s securitization expanded into other markets, led by the activities of sales finance companies and banks. By 1996, this gave rise to a need for a survey of

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1 This is a percentage of the credit market debt of Canadian private non-financial sectors, specifically persons and unincorporated businesses and non-financial private corporations. In Canada, governments and their enterprises do not securitize assets.

2 These include mortgage-backed and asset-backed securities, as well as collateralized mortgage obligations (CMO), collateralized debt obligations (CDO) and structured credit products such as synthetic CDO.

3 This is a percentage of the debt securities (bonds and short-term paper) of non-government and non-government business enterprise sectors.

4 The increased bundling of US sub-prime mortgages into mortgage-backed securities (MBS) eroded investor confidence globally after the default rate on these sub-prime mortgages began to rise in 2007. Sub-prime mortgages were much less common in Canada. This is one reason why the MBS market has continued to expand in Canada into 2009, while it levelled off and declined recently in the US.

5 Statistics Canada's Quarterly *Survey of Securitized Receivables and Asset-Backed Securities* require respondents (special purpose entities) by law to report their financial activity to Statistics Canada. Information is collected under authority of the Statistics Act, revised Statutes of Canada, 1985, c.S-19, and is shared with the central bank (Bank of Canada) through a Section 12 data-sharing agreement under the aforementioned Act.

6 For more information on Canada's National Housing Act Mortgage-Backed Securities, including reports detailing amounts of new issues and remaining principal balances outstanding, please see Canada Housing and Mortgage Corporation (CMHC) at http://www.cmhc.ca/en/hoficlincl/mobase/index.cfm

issuers of asset-backed securities, given that the vast majority of securitization activity was off-balance sheet of the originators ─ meaning that securitized receivables were removed and sold to a special purposes entity (a trust) who then issues the asset-backed securities.

4. Securitization was soon dominated by banks and their associated investment dealers, securitizing both their own receivables as well as those of other companies. As a consequence, securitization activity eventually expanded to include more types of securitized receivables as well as both short and long-term asset-backed debt. Further this eventually evolved to include newer, non-traditional, synthetic securitizations[7]. The IABS survey has been re-designed on more than one occasion in order to capture the changing nature of securitization[8].

5. The quarterly survey collects both balance sheet and income statement information from respondents. The major financial assets collected are securitized receivables − that is, mortgage loans, credit card receivables, automobile loans, lines of credit, commercial loans including leases), other investments (cash and deposits, bonds, derivatives). In addition, short and long-term liabilities, along with detail on interest revenue and expenses, including derivative gains and losses are also collected. There are provisions in place to share survey information with the central bank.

6. In the production of the quarterly estimates included in the Financial and Wealth Accounts of the Canadian SNA, the IABS survey results are supplemented by information received from credit rating agencies on their rated securities. Survey results are also confronted with data and supplementary information collected from the banking sector.

7. In addition to the IABS quarterly survey and supplementary sources which provide detailed asset and liability information, various other programs at Statistics Canada are used to help identify asset originators as well as the holders of the IABS debt securities (domestic and non-resident). For example, the use of various institutional investor surveys[9] facilitates a rudimentary supply-disposition analysis. The ability to confront IABS survey data with other related information helps ensure the quality of the estimates, as well as related outputs such as the credit market aggregates.

8. This note briefly examines the securitization process in Canada, and sheds light on the development of different securitization markets in the context of the Canadian Financial and Wealth Accounts. Data in this analysis are drawn from Canada's integrated system of national accounts, in particular, the quarterly *Financial Flow Accounts* and the quarterly *National Balance Sheet Accounts*.

II. Securitization process in Canada

9. The securitization process usually begins with the transfer of receivables to a special purpose entity (SPE), an entity which can be established by either the original lender or by another financial institution. By qualifying this transfer as a sale, the lender may remove the securitized assets from its

7 Synthetic collateralized debt obligation (CDO) structures dominate the Canadian CDO landscape. For a description of synthetic securitization products, please see the Dominion Bond Rating Service "Rating Canadian Structured Credit Transactions, Methodology, November 2008"

8 The universe of surveyed special purpose entities has tended to be more volatile than is the case with other financial surveys.

9 An example would be the Balance of Payments Coordinated Portfolio Investment Survey, or the survey of transactions of investment dealers.

balance sheet. To do so, the lender must transfer all interest, rights and title to the receivables and renounce any future recourse to the assets[10].

10. In almost all cases, the original lender is contracted to be the servicing agent with respect to the receivables. In other words, the lender continues to administer the collection of principal and interests payments, which are periodically remitted (net of a service fee) to the securitization vehicle. This enables the lender to generate additional revenue without adjusting their capital base or affecting customer relations.

11. Securitization vehicles in Canada have a number of unique features. SPEs may be structured as either single-sellers, which securitize the receivables of their "parent" company only; or as multi-sellers, which provide a financial service to other companies by securitizing their receivables for a fee. These vehicles are usually managed by a division of the parent company, or in the case of a bank, by an investment dealer subsidiary. In most cases, these vehicles are setup as trusts[11], which under Canadian tax laws may be both capital and income tax exempt.

12. To enhance the marketability of the asset-backed securities, the instruments are structured by an investment dealer and in most cases[12], evaluated by a national bond ratings agency. The ratings agency assigns an appropriate credit rating, which is determined by the quality of the underlying pool of assets and the level of investor protection[13]. These securities generally carry security features in the form of credit enhancements, such as: (i) reserve accounts, where collateral is held in the form of cash deposits or short-term investments; (ii) lines of credit, where a bank or insurance company provides third-party support; (iii) over-collateralization, where the balance of the securitized receivables exceeds that of the issued ABS; and (iv) spread accounts, where the SPV retains some of the proceeds from the issue as additional collateral. As a result of these enhancements, asset-backed securities ABS typically have high quality credit ratings.

13. Asset-backed securities are normally underwritten by an investment dealer and sold through public or private offer. Depending on the type of asset being securitized, the securities may take the form of short-term paper or long-term notes or bonds[14]. If the life span of the underlying pool of receivables is shorter than the selected maturity of the debt issue, the ABS may be setup as a revolving contract, where groups of assets are purchased by the trust on a periodic basis. These securities typically offer returns that are comparable or higher than government securities, with often less credit volatility than corporate debt. Safety is promoted through credit enhancements, and an over-the-counter market promotes the liquidity of

10 For a discussion of Canadian legal and accounting standards on securitization, see Mark Adams and Greg Nelson, "True Sales, the PPSA and Securitizations", Toronto: The Dominion Bond Rating Service, August 1997.

11 Various combinations of these trusts exist in Canada. Some are structured as flow-through vehicles, where all revenue (net of servicing and administrative expenses) flows to investors; others issue one or a series of securities with a defined coupon rate(s). In the latter case, all net incomes are remitted to a beneficiary (e.g. a charity or unitholders).

12 Non-rated asset-backed securities include those sold through private offer.

13 The rating is an important marketing feature as several investor industries, including life insurance companies and pension funds, are not permitted to purchase investments below a certain grade. One of the main bond rating agencies in Canada is the Dominion Bond Rating Service. For more information on how Canadian asset-backed securities are rated, see www.dbrs.com.

14 A distinction is made between short and long-term securities at the one-year mark. Asset-backed securities with terms less than 270 days are usually referred to as asset-backed commercial paper (ABCP).

ABS. These characteristics attract an extensive range of largely institutional investors in Canada, and more recently, abroad[15].

Aside: Incentives to securitization

14. From the perspective of lending institutions, securitization provides an alternative source of financing. Despite possible legal, rating and underwriting fees, this process can cost less than conventional borrowing from banks and other financial institutions. Lenders can also use this process to improve certain key financial ratios and to transfer some of their credit and interest rate risks to investors and/or third party guarantors[16]. Furthermore, securitization can increase profits through the reduction of capital taxes and potential increase in servicing fees and revenues. These benefits are particularly important to banks and other deposit-accepting intermediaries, given declines in their traditional source of funds – deposits – and their imposed capital constraints, which are based on risk.

15. From the perspective of an investor, asset-backed securities can offer returns that are typically higher than investments of comparable risk. These investments are often used to strategically reduce portfolio risk through diversification. Recent events have cast these securities in a less favourable light.

16. From the perspective of the economy, it can be argued that securitization enhances the overall efficiency of the Canadian financial system. This process enables lenders to un-bundle risks, which can transferred to investors more willing to assume these risks. In addition, securitization contributes to expanding the amount of credit available, thereby facilitating increased consumption and investment.

III. Trends and Developments in Canada

Overview of the evolution of the securitization market

17. Over the past two decades, the Canadian market for securitization has experienced significant growth. Outstanding securitized assets in Canada rose from under half a billion dollars in 1987 to over $606 billion by mid-year 2009. This expansion securitization activity can be thought of in terms of five development phases.

18. The first phase, from 1987-89, represented the initiation of the securitization market with the introduction of National Housing Act Mortgage Backed Securities (NHA MBS). The second phase, from 1989-96, was marked by the continued growth of NHA MBS and the introduction of other asset-backed securities (ABS). An acceleration in 1992 largely reflected a pick up in the issuance of mortgage-backed securities; however, the period from 1994-96 was marked by a decline in the issuance of NHA MBS, offset by continued growth in other ABS.

19. Originally, a tendency existed for financial institutions to shape the maturity and payments of the debt security to that of the underlying pool of assets. Since most types of securitized receivables do not expire within the time frame of a year, asset-backed securities were generally structured as medium and longer-term investments. By year-end 1994, longer-term ABS accounted for about ninety percent of the Canadian market for ABS debt instruments.

15 BOP survey data indicates an increasing amount of non-resident activity in these investments.

16 For example, the federal government assumes credit risks that debtors may default on their obligations linked to NHA MBS. For other types of securitizations, the lending institution is no longer subject to credit risks associated with debtor default against those assets.

20. The boom in the third phase, from 1997 to 2000, was led by securitizations of loans, credit card receivables and conventional residential mortgages, and included a modest recovery for NHA MBS issuances. This phase was widely defined by a surging market for asset-backed commercial paper (ABCP) in Canada, as financial institutions and their SPE began shifting toward shorter-term securitizations. This phenomenon stemmed in part from recognition of investor demand for money market instruments, given the reduction in the amount of Government of Canada Treasury bills outstanding. Another contributing factor was the robust growth in non-mortgage loan activity over this period. By year-end 2000, short-term asset-backed securities amounted to $62.2 billion, and had overtaken ABS bonds.

21. The fourth phase, from 2001 to mid 2007, was a period dominated by other types of financial assets being held as collateral of the SPE and strong issues of long and short-term asset-backed securities. This phase included increased layering of asset-backed securities, where a securitized receivable ends up having an impact on more than one IABS debt security. It also included the increased use of derivative instruments by issuers of asset-backed securities (often to create synthetic credit products).

22. The fifth and current phase is from the third quarter of 2007 to present, and can be referred to as the financial crisis phase and its recovery. In this phase, the asset backed commercial paper market experienced severe disruption, such that there have been no new net issuances of short term debt securities in any quarter since the end of 2007. Also, new non-residential (commercial) mortgage-backed securities issuances dried up.

23. At the same time, there was increased activity in high quality programs such as the NHA MBS. Investor demand for less risky products[17] and the subsequent lack of funding available to companies seeking funds through other securitization channels led to record growth in NHA MHS MBS activity.

24. For an in-depth perspective of the evolution of the Canadian securitization market, it is useful to look at the major types of asset-backed securities and their specific collateral.

National Housing Act Mortgage-Backed Securities

25. During its first year of operation in 1987, the NHA MBS program involved the participation of fourteen financial institutions. The majority of these participants were trust companies, followed by chartered banks. By 1998, the number of approved issuers had risen to over 65, including a wide selection of credit unions and life insurance companies. However, with the chartered banks' acquisition of various trust companies during the early nineties, most of this activity shifted to the banking sector. In September 2009, 38 approved issuers had mortgages securitized through the program currently outstanding.

26. The outstanding amount of securitized NHA-insured mortgages grew steadily from inception up to 1993. Over the next two years, the NHA MBS market declined by over 20 percent, coinciding with a slowdown in mortgage lending activity and reduced investor demand for these securities. Since the first quarter of 1997, this market has picked up, in line with a strengthening housing market. Still these instruments had lost considerable ground in terms of their relative share of the overall asset-backed debt securities market. This may have reflected a growing preference by lending institutions to securitize other types of assets.

27. The NHA MBS program registered significant growth from 1999 onward, reflecting the continuing strength in residential real estate investment. It also benefited from a new investor, the Canada

17 NHA MBS provide investors with an implicit central government guarantee of payment

Housing Trust (CHT). The CHT was created in 2001, and is a primary investor in NHA MBS[18]. The CHT sells non-amortizing Canada Mortgage Bonds (CMB)[19] to investors and uses the proceeds to purchase mortgages packaged in newly issued NHA MBS from approved sellers. Investor demand[20] was a determining factor for CMB creation, including foreign investors[21]. The CMB offer attractive opportunities for investment into Canadian residential mortgages, providing substantial funds to the Canadian residential mortgage market, helping to ensure Canadians have access to affordable mortgage financing.

28. In 2007q3, the NHA MBS program advanced as the asset backed commercial paper market in Canada froze in August 2007. Financial institutions sought out this well functioning and respected market for funding, as many of their other credit channels dried up in August 2007. Average quarterly flows increased 242 % in the four quarters from July 2007 to June 2008 from the same period on year prior.

29. The largest ever quarterly issuance of MBS occurred in the fourth quarter of 2008 ($51.5 billion, more than double any previous quarter). As conditions on worldwide credit markets deteriorated significantly after September 2008, the Canadian federal government created the Insured Mortgage Purchase Program (IMPP). In the IMPP the federal government, through one of its business enterprises invested in $61.1 billion in NHA MBS through October 2008 and July 2009. This provided substantial funds, or liquidity, to financial institutions that securitize mortgages through the NHA MBS program; the IMPP currently holds over one fifth of all NHA MBS outstanding.

Other Asset-Backed Securities

30. The first non-NHA MBS securitization was undertaken in 1989 by a major chartered bank. This transaction involved the creation of a multi-seller SPE trust, which offered other financial institutions the opportunity to sell (securitize) their commercial loans. The success of this multi-seller vehicle set off a wave of similar securitization programs by other financial institutions. To date, securitizations have been performed by over 146 different vehicles and have involved an extensive range of assets, including: agricultural and heavy equipment retail sales contracts; inventory credit; franchise loans; heavy equipment leases; office equipment leases; automobile leases; credit card balances; residential and commercial mortgages; and other miscellaneous receivables.

31. Other asset-backed securities flourished in the Canadian market and overtook NHA MBS in 1997, to account for 70 percent of the outstanding securitization debt in Canada by year end 2006. However, since the global disruption in securitization markets experienced in 2007, NHA MBS issuances have regained ground, now representing almost half of the Canadian securitization market.

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18 The CHT assets are primarily NHA MBS; the SPE can be described as a collateralized mortgage obligation (CMO). Both the CHT assets and liabilities are shown gross in the issuers of asset-backed securities sector in the Canadian financial flow and balance sheet accounts; this may differ from the treatment of CMO in other OECD countries' financial accounts. For example, our understanding is similar type entities in the U.S.A. Flow of Funds Accounts are presented mostly on a net concept, specifically agency and government sponsored enterprises-backed CMO and privately issued CMO.

19 For more information on Canada Mortgage Bonds and the SPE Canada Housing Trust, please see http://www.cmhc.ca/en/hoficlincl/in/camobo/index.cfm

20 To provide investors with a bullet bond like investment, the CHT transforms the monthly cash flows from NHA MBS pools into non-amortizing bond cash flows with fixed interest payments and principal at maturity.

21 22% of new CMB issued in 2008 were originally distributed in non-resident regions (source: CMHC, Canada Mortgage Bonds Fact Sheet).

Consumer credit: Credit card receivables, automobile loans and lines of credit

32. Next to NHA-insured mortgages, non-mortgage loans to individuals make up the second largest portion of the securitization market in Canada. Credit card securitization emerged in Canada during the winter of 1991. Initial issues were in the retail sector − essentially, by a retail department store whose foreign parent had considerable experience in the securitization markets. Other early entrants included Canadian chartered banks, which setup multi-seller SPE to securitize various assets from other companies. During the mid-nineties, the amount of securitized credit card receivables grew at a slow but steady rate. Since mid-1997, Canadian banks have increasingly developed securitization trusts for the specific purpose of securitizing credit card receivables from their own books, resulting in a significant increase in this activity. The amounts in securitized credit card receivables grew nine-fold from 1997 to 2000. By year-end 2008 securitized credit card receivables advanced a further 64% over year 2000 levels (reaching $28.2 billion).

33. The first automobile loan securitization was performed by a major chartered bank in 1991. Over the course of 1992 to 1993, a number of North American automobile companies created single seller trusts to securitize car loans held by their captive financing branches in Canada. Many of these securities were structured with terms of four and five years to reflect the maturities of the underlying loans. During the mid-nineties, many of these issues expired and demand for automobiles was increasingly met by leases as opposed to purchases. These factors contributed to a reduction in the number of automobile loan securitizations over this period. By the third quarter of 1996, the outstanding amount of securitized car loans had surpassed 1994 levels, resulting in part from the increased participation of the 'big five' banks in this market. Automobile loans securitized were $25 billion at the peak in 2007q3, more than doubling in amount from 2003. The financial crisis and decreased consumer demand for automobiles have taken its toll on new automobile loan securitizations, such that amounts outstanding in mid-year 2009 have returned to 2002 levels.

34. Between 2000 and 2009, borrowing by individuals using lines of credit was up, reflecting growth in the home renovation market overall and strengthened consumer demand. The securitization of lines of credit began in earnest in 2000, and amounts outstanding have fluctuated in the past decade.

Commercial Loans, Lease and Trade Receivables

35. The majority of the securitized commercial loan activity was split between the multi-seller programs of banks and near banks. Additional issues had also been undertaken by single-seller vehicles setup by large agricultural and heavy equipment manufacturers and mutual fund companies. Since 1993, the influx and expansion of both multi-seller and single-seller programs have increased the amount of securitized commercial loans, with sharp growth in 1997 to mid-1998. These securitized loans subsequently grew over 250% in the next decade.

36. The securitization of leases in Canada was also introduced by the banking industry. In July 1990, a chartered bank established a multi-seller trust to service other companies wishing to securitize automobile and equipment leases. Soon after, a number of other banks, near banks, automobile leasing and financing companies created their own special purpose vehicles. Approximately 40 percent of the $5.3 billion in outstanding securitized leases at year-end 1998 were automobile leases; the remaining portion consisted of heavy machinery, computer and office equipment leases. Trade credit receivables securitized have fluctuated with small amounts outstanding for most of the past decade, far less significant than corporate loans or lease receivables.

37. Between 2000 and 2007 securitized leases continued to increase, in line with a general upswing in consumer spending. The securitization of commercial loans remained strong in this period as well.

Overall, the amounts of commercial loans other than leases remained greater than the amounts of leases securitized.

38. After August 2007, securitization activity with respect to loans and leases was adversely affected by global credit concerns. The amounts of outstanding leases securitized have decreased 42% since mid 2007, while other commercial loans have fallen 48% in the same period.

Other mortgage-backed securities

39. The experience gained with the securitization of NHA-insured mortgages was extended to conventional residential mortgages in the early nineties. The initial participants were trust companies, some of which were subsequently acquired by chartered banks. The size of this market segment remained relatively small until late 1996, when several of the large banks began to heavily expand their multi-seller programs. The growth in residential mortgages securitized outside of the NHA MBS program has increased significantly since 1997. Levels peaked at $25.6 billion in mid-2007), up almost 25% from year end 2000. However, other residential mortgage-backed securities outstanding have declined since mid-2007, having dropped almost 30% at mid-year 2009.

40. Despite a significant commercial (non-residential) mortgage-backed securities (CMBS) market in the United States, this activity only became noteworthy in Canada in 1998. During the second quarter of 1998, a major life insurance company (in conjunction with a bank) securitized some small-ticket commercial mortgages. Following this, two other financial institutions created special purpose vehicles for this purpose (with initial offerings of securities held in the early months of 1999).

41. Commercial mortgage-backed securities became significant in Canada during 1999 and 2000. They grew 674% from end 2000 to the third quarter of 2007, to match the outstanding amounts for non-NHA residential MBS. However, there have been no changes in the amounts of CMBS securitized outstanding since then.

Other financial assets

42. Other financial assets are defined as assets held as collateral (investment) by IABS − that is, excluding mortgages, consumer credit, loans and leases and trade receivables. The major components in Canada are cash and deposits, other short-term paper, other bonds, and derivatives. It includes the other financial assets of IABS/SPE that hold mortgage-backed and asset-backed securities as the collateral backing their debt securities. For synthetic IABS/SPE it includes their eligible investments, made with the proceeds of their debt security issuance.[22]

43. Other financial assets grew moderately in the growth (third) phase of securitization in Canada, as IABS other financial assets went from representing just 6.8% of overall IABS financial assets at the beginning of 1997 to 11.8% at year end 2000. The inception of the CHT and the proliferation of issuers of synthetic asset-backed commercial paper resulted in substantial growth in other financial assets of SPE. Other financial assets represented over 35% of total financial assets for IABS at mid-year 2009. The bulk of the other financial assets held as collateral are mortgage-backed securities.

22 Synthetic securitization structures do not hold the referenced securitized assets (they remain on the books of the originators) but rather often hold some kind of deposit/bond type instrument as collateral, combined with derivative contracts (credit default swaps) to synthetically create a securitized product.

IV. The financial crisis

44. The global financial tribulations in 2007 and subsequent crisis by September of 2008 had ramifications on worldwide securitization markets. This led to structural changes in the Canadian securitization landscape.

45. After 14 straight quarters of growth, with net new issuances during that period exceeding $54 billion, the lively short-term asset-backed securities market in Canada ground to a halt in August 2007. This reflected concerns over possible exposure by some Canadian SPE to U.S. sub-prime mortgages. Given this situation, combined with overall transparency for many synthetic structures being questioned and termed inadequate, the asset-backed commercial paper (ABCP) market in Canada was severely disrupted.

46. As investor demand for ABCP collapsed, domestic and international investors quickly sought out other investments. Many Canadian financial institutions were able to securitize insured residential mortgages through the NHA MBS program. In 2007 q3, there was a then record $29 billion through the NHA MBS program. Investors, including the CHT and their investors in Canada Mortgage Bonds, turned to the safe haven of the Canadian insured residential mortgage market.

47. The fourth quarter of 2008 generated the largest ever quarterly issuance of NHA MBS ($50 billion). In this quarter, the Canadian federal government contributed to the global central government reaction to the financial crisis by purchasing $25 billion in NHA MBS (overall, the federal government purchased $61.1 billion from the 4th quarter of 2008 to mid 2009).

48. Since the 4th quarter of 2007, there have been no net new issuances of short-term asset backed securities. This is in conjunction with no net new securitization of consumer credit receivables or other commercial loans and leases. The only securitization markets showing positive new flows are the MHA MBS program as well as the CMB program.

V. Summary

49. The growing presence and changing nature of securitization in Canada is testament to the benefits it offers to both lending institutions and investors. This reality also presents ongoing challenges to compilers of financial statistics.

50. At the turn of the twenty-first century, securitization experienced a strong growth phase in Canada. This surge was led by chartered banks and by near banks. These institutions use securitization as an integral part of their portfolio and investment banking activities; securitization also offers companies an effective and efficient means to raise capital. Another key player was non-bank asset-backed commercial paper issuers, including issuers of synthetic securitization products. These institutions rapidly applied the experience of the American and global financial community to develop more diversified and synthetic issues of asset-backed securities in Canada.

51. However, as of mid 2009, the only securitization market still expanding in Canada is that for insured residential mortgages. The mortgage securitization market in Canada is now growing at a faster pace than that of the United States. The market for other components will likely recover in the not too distant future, along with prospects for further expansion of securitization activity in Canada. [23]

23 For example, see DBRS Canadian auto securitization market appears to have weathered storm Oct 2009.