



INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

NEWS RELEASE

For immediate release

IIAC writes about the winds of change in the Canadian debt markets

November 2, 2007 (Toronto, Canada) – Canadian debt markets have calmed down since the late-summer asset-backed commercial paper liquidity crunch. Summer credit woes in the U.S. subprime mortgage markets spread globally when investors lost confidence that the loans were sufficiently collateralized, had triggered a sell-off and increased volatility. The Investment Industry Association of Canada (IIAC) released its periodical, *An Issue of Debt: Inside Canada's Debt Markets*. It recaps the mispricing of credit risk that led to problems earlier in the year and discusses the strong corporate bond issuance activity in the first two quarters of 2007.

The publication also spotlights covered bonds – the latest European import. While frequently backed by mortgages, covered bonds differ from mortgage- and other asset-backed securities. Ian Russell, IIAC President and CEO, states, “With the Office of the Superintendent of Financial Institutions’ June green light to covered bonds, major federally regulated firms have started to announce plans to issue covered bonds – one of the oldest financial instruments although new to Canada.” He continued, “They offer investors a high-quality investment with a return above that on government bonds and give issuers a new long-term funding source to match long-term assets.”

An Issue of Debt: Inside Canada's Debt Markets provides a further update on Maples and their contribution to the \$24.1 billion increase in debt issuance in the first half of 2007. Having matched government financings in the first quarter, corporate financings (including Maples) blew past government issuance in the second quarter by 11.5 per cent. While corporate bond trading remains a fraction of overall bond trading, trading in Maples increased by 108.1 per cent by the end of the first half over the same period last year.

Ian Russell said: “We are happy to see Maple bonds – foreign bonds issued in Canadian dollars and settled in Canada – taking off. Market-led improvements, with successful efforts of the IIAC's Maple Bond Working Group to reduce regulatory barriers, means investors have excellent opportunities to acquire debt of foreign companies, allowing Canadians to diversify geographically without currency risk.”

[Click here](#) for the Association's commentary and statistics in its publication ***An Issue of Debt Inside Canada's Debt Markets***.

The Investment Industry Association of Canada, formerly the industry association arm of the Investment Dealers Association of Canada (IDA), advances the position of the Canadian investment industry on regulatory and public policy issues. As the professional association for the industry, the Investment Industry Association has a mandate to promote efficient, fair and competitive capital markets for Canada while helping its member firms across the country succeed in the industry.

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