

## Canadian budget has implications for the structured finance market

MARK MCELHERAN (mmcelheran@stikeman.com)

The 2010 Canadian federal budget was delivered on March 4, 2010. The budget contains a number of interesting developments and implications for the Canadian structured finance market.

### CSCF ends amid signs of life in the securitization market

The budget confirmed that the Canadian Secured Credit Facility (CSCF) provided by the Business Development Bank of Canada (BDC) will, as originally contemplated, conclude at the end of March 2010. In the view of the federal government, the CSCF is having a positive impact on the availability and cost of financing for vehicles and equipment. BDC has posted details of completed transactions (all of which have been completed by way of public prospectus offerings) on the BDC website at [www.bdc.ca](http://www.bdc.ca).

### New financing initiative for equipment and vehicles

While the CSCF may be drawing to a close, the budget announced the creation of the Vehicle and Equipment Financing Partnership as part of the Business Credit Availability Program, which forms part of Canada's Economic Action Plan. This program will be funded and managed by the BDC with an initial allocation of \$500 million in funding. The program is intended to provide financing for small and medium-sized finance and leasing companies. Further details are to be announced in the coming weeks. Hopefully this program, in conjunction with an increasingly vibrant securitization market, will provide a much needed boost to this sector.

### Covered bonds

A number of Canadian banks have already entered the European and domestic covered bond market but news from the budget indicates that there may be increased activity ahead. The government has indicated that it intends on developing a legislative framework for the issuance of covered bonds in order to encourage investment and assist federally regulated financial institutions in diversifying their funding sources. There are no indications as of yet as to the anticipated timeline, but this is an encouraging sign for the covered bond market, which has a lengthy history in Europe but has only in recent years been accessed by Canadian issuers.

### A change in the GST landscape

Generally speaking, financial services are exempt from GST, whereas services in the nature of management, administration, marketing or promotional activities are subject to GST. The budget introduced proposed changes to the definition of "financial service" and specified certain "asset

This newsletter was prepared by members of the Structured Finance and Financial Products Group at Stikeman Elliott.

management services” that are expressly carved out of the definition of financial services. Asset management services are services rendered by a particular person in respect of the assets or liabilities of another person that is a service of (a) managing or administering the assets or liabilities, irrespective of the discretionary authority vested in the particular person; (b) providing research, analysis, advice or reports in respect of the assets or liabilities; (c) determining which assets or liabilities are to be acquired or disposed of; or (d) acting to realize performance targets or other objectives in respect of the assets or liabilities. While it remains to be seen how significant the impact of these changes will be, market participants are encouraged to review their agreements to determine whether any previously exempt services have become taxable.

For further information, please contact your Stikeman Elliott representative, the author listed above or any member of our Structured Finance and Financial Products Group listed at [www.stikeman.com](http://www.stikeman.com)