

## Note 7: Guarantees

In the normal course of business, we enter into a variety of guarantees. Guarantees include contracts where we may be required to make payments to a counterparty based on changes in the value of an asset, liability or equity security that the counterparty holds due to changes in an underlying interest rate, foreign exchange rate or other variable. In addition, contracts under which we may be required to make payments if a third party does not perform according to the terms of a contract and contracts under which we provide indirect guarantees of the indebtedness of another party are considered guarantees.

The most significant guarantees are as follows:

### Standby Letters of Credit and Guarantees

Standby letters of credit and guarantees represent our obligation to make payments to third parties on behalf of another party if that party is unable to make the required payments or meet other contractual requirements. The maximum amount payable under standby letters of credit and guarantees totalled \$15,270 million as at October 31, 2008 (\$12,395 million in 2007). Collateral requirements for standby letters of credit and guarantees are consistent with our collateral requirements for loans.

No amount was included in our Consolidated Balance Sheet as at October 31, 2008 and 2007 related to these standby letters of credit and guarantees.

### Backstop and Other Liquidity Facilities

Backstop liquidity facilities are provided to asset-backed commercial paper ("ABCP") programs administered by either us or third parties as an alternative source of financing in the event that such programs are unable to access ABCP markets or when predetermined performance measures of the financial assets owned by these programs are not met. The terms of the backstop liquidity facilities do not require us to advance money to these programs in the event of bankruptcy of the borrower. The facilities' terms are generally no longer than one year, but can be several years.

The maximum amount payable under these backstop and other liquidity facilities totalled \$32,806 million as at October 31, 2008 (\$39,428 million in 2007). As at October 31, 2008, \$1,143 million was drawn (\$16 million in 2007) in accordance with the terms of the backstop liquidity facilities, of which \$1,025 million (US\$851 million) (\$nil in 2007) related to the variable interest entities ("VIEs") discussed in Note 9.

### Credit Enhancement Facilities

Where warranted, we provide partial credit enhancement facilities to transactions within ABCP programs administered by either us or third parties. Credit enhancement facilities of \$6,243 million as at October 31, 2008 (\$5,449 million in 2007) are included in backstop liquidity facilities. These facilities include amounts that relate to our U.S. customer securitization vehicle discussed in Note 9.

### Senior Funding Facilities

We also provide senior funding support to our structured investment vehicles ("SIVs") and our credit protection vehicle. The majority of these facilities support the repayment of senior note obligations of the SIVs. As at October 31, 2008, \$5,761 million was drawn (\$350 million in 2007)

in accordance with the terms of the funding facilities related to the VIEs discussed in Note 9.

### Derivatives

Certain of our derivative instruments meet the accounting definition of a guarantee when we believe they are related to an asset, liability or equity security held by the guaranteed party at the inception of a contract.

Written credit default swaps require us to compensate a counterparty following the occurrence of a credit event in relation to a specified reference obligation, such as a bond or a loan. The maximum amount payable under credit default swaps is equal to their notional amount of \$71,977 million as at October 31, 2008 (\$43,004 million in 2007). The terms of these contracts range from two days to 10 years. The fair value of the related derivative liabilities included in derivative instruments in our Consolidated Balance Sheet was \$5,828 million as at October 31, 2008 (\$570 million in 2007).

Written options include contractual agreements that convey to the purchaser the right, but not the obligation, to require us to buy a specific amount of a currency, commodity, debt or equity instrument at a fixed price, either at a fixed future date or at any time within a fixed future period. The maximum amount payable under these written options cannot be reasonably estimated due to the nature of these contracts. The terms of these contracts range from less than one month to eight years. The fair value of the related derivative liabilities included in derivative instruments in our Consolidated Balance Sheet was \$1,853 million as at October 31, 2008 (\$662 million in 2007).

Written options also include contractual agreements where we agree to pay the purchaser, based on a specified notional amount, the difference between a market price or rate and the strike price or rate of the underlying instrument. The maximum amount payable under these contracts is not determinable due to their nature. The terms of these contracts range from nine months to 25 years. The fair value of the related derivative liabilities included in derivative instruments in our Consolidated Balance Sheet was \$113 million as at October 31, 2008 (\$118 million in 2007).

In order to reduce our exposure to these derivatives, we enter into contracts that hedge the related risks.

### Indemnification Agreements

In the normal course of operations, we enter into various agreements that provide general indemnifications. These indemnifications typically occur in connection with sales of assets, securities offerings, service contracts, membership agreements, clearing arrangements, derivatives contracts and leasing transactions. These indemnifications require us, in certain circumstances, to compensate the counterparties for various costs resulting from breaches of representations or obligations under such arrangements, or as a result of third-party claims that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnifications vary based on the contract, the nature of which prevents us from making a reasonable estimate of the maximum amount we could be required to pay to counterparties.

No material amount was included in our Consolidated Balance Sheet as at October 31, 2008 and 2007 related to these indemnifications.