

2006 BCSECCOM 311

April 11, 2006

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Securities Act s. 48, 76 Other - Exemption from registration and prospectus requirements for situations other than a corporate acquisition or reorganization; trades to business associates; debt settlements; or trades involving employee investment plans and consultants - Trades in short-term debt securities that have more than one rating with only one rating being an approved rating - The issuer issues short term debt that has at least one rating at an approved rating, as defined in NI 81-102; the issuer has another rating below an approved rating; the issuer will only issue short-term debt that is not convertible or exchangeable other than into short-term debt; the issuer will have at least one approved rating; the decision will terminate on the earlier of three years after the date of the decision or 90 days after NI 45-106 is amended

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 34, 48, 61 and 76

In the Matter of
the Securities Legislation of
Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and
Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward
Island, Québec, Saskatchewan and Yukon (the Jurisdictions)

and

In the Matter of
the Mutual Reliance Review System for Exemptive Relief Applications

and

In the Matter of
Volkswagen Canada Inc.
(VW Canada)

and

In the Matter of
VW Credit Canada, Inc.
(VCCI, and with VW Canada, the Filers)

MRRS Decision Document

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Background

The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application of the Filers for a decision under the securities legislation of the Jurisdictions (the Legislation) that trades of commercial paper (Commercial Paper) of the Filers be exempt from the dealer registration and prospectus requirements of the Legislation (the Requested Relief).

Under the Mutual Reliance Review System for Exemptive Relief Applications:

- (a) the Ontario Securities Commission is the principal regulator for this application, and
- (b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 - *Definitions* have the same meaning in this decision unless they are defined in this decision.

Representations

This decision is based on the following facts represented by the Filers:

1. VW Canada is a corporation under the *Canada Business Corporations Act*. VW Canada is not a reporting issuer in any Jurisdiction.
2. VCCI is a corporation under the *Canada Business Corporations Act*. VCCI is not a reporting issuer in any Jurisdiction.
3. Subsection 2.35(1)(b) of National Instrument 45-106 *Prospectus and Registration Exemptions* (NI 45-106) provides an exemption from the dealer registration and prospectus requirements of the Legislation for short-term debt (the Short Term Debt Exemption) is available only where such short-term debt “has an approved credit rating from an approved credit rating organization”. NI 45-106 incorporates by reference the definitions for “approved credit rating” and “approved credit rating organization” that are used in National Instrument 81-102 *Mutual Funds* (NI 81-102).
4. The definition of an “approved credit rating” in NI 81-102, requires, among other things, that (a) the rating assigned to such debt must be “at or above” certain prescribed short-term ratings, and (b) such debt must not have been assigned a rating by any “approved credit rating organization” that is not an “approved credit rating”.

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5. Each of the Filers' Commercial Paper has received an "R-1(low)" rating from Dominion Bond Rating Service Limited (DBRS), which meets the prescribed threshold in NI 81-102.
6. Each of the Filers' Commercial Paper does not, however, meet the "approved credit rating" in NI 81-102 because it has a rating of "A-2" from Standard & Poor's (S&P) and a rating of "P-2" from Moody's Investors Service, Inc. (Moody's), each of which is a lower rating than required by the Short Term Debt Exemption. Accordingly, section 2.35 of NI 45-106 is not available to the Filers.

Decision

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met.

The decision of the Decision Makers under the Legislation is that the Requested Relief is granted provided that the Commercial Paper:

- (a) matures not more than one year from the date of issue;
- (b) is not convertible or exchangeable into or accompanied by a right to purchase another security other than Commercial Paper; and
- (c) has a rating issued by one of the following rating organizations, or any of their successors, at or above one of the following rating categories or a rating category that replaces a category listed below:

Rating Organization	Rating
Dominion Bond Rating Service Limited	R-1 (low)
Fitch Ratings Ltd.	F2
Moody's Investors Service	P-2
Standard & Poor's	A-2

For each Jurisdiction, this decision will terminate on the earlier of:

- (a) 90 days after the coming into force of any rule, other regulation or blanket order or ruling under the Legislation of the Jurisdiction that amends section 2.35 of NI 45-106 or provides an alternate exemption; and
- (b) three years from the date of this decision.

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Robert W. Davis
Commissioner
Ontario Securities Commission

David L. Knight
Commissioner
Ontario Securities Commission