

CSA Notice of

**Consequential Amendments to Registration, Prospectus and
Continuous Disclosure Rules**

**Related to National Instrument 25-101
*Designated Rating Organizations***

March 14, 2013

Introduction

We, the members of the Canadian Securities Administrators (**CSA**), are adopting consequential amendments to the instruments and policies included in the following appendices:

- Appendix B
 - Companion Policy 21-101CP *Marketplace Operation*
- Appendix C
 - National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*
 - Form 31-103F1 *Calculation of Excess Working Capital*
- Appendix D
 - Form 33-109F6 *Firm Registration*
- Appendix E
 - National Instrument 41-101 *General Prospectus Requirements*
- Appendix F
 - National Instrument 44-101 *Short Form Prospectus Distributions*
 - Form 44-101F1 *Short Form Prospectus*
 - Companion Policy 44-101CP *Short Form Prospectus Distributions*
- Appendix G
 - National Instrument 44-102 *Shelf Distributions*
 - Companion Policy 44-102CP *Shelf Distributions*
- Appendix H
 - National Instrument 45-106 *Prospectus and Registration Exemptions*

- Appendix I
 - National Instrument 51-102 *Continuous Disclosure Obligations*
- Appendix J
 - National Policy 51-201 *Disclosure Standards*
- Appendix K
 - National Instrument 81-101 *Mutual Fund Prospectus Disclosure*
- Appendix L
 - National Instrument 81-102 *Mutual Funds*
 - Companion Policy 81-102CP *Mutual Funds*
- Appendix M
 - National Instrument 81-106 *Investment Fund Continuous Disclosure*

(collectively, the **DRO Consequential Amendments**).

The DRO Consequential Amendments are also available on the websites of CSA members, including the following:

- www.bcsc.bc.ca
- www.albertasecurities.com
- www.osc.gov.on.ca
- www.lautorite.qc.ca
- www.msc.gov.mb.ca
- www.nbsc-cvmnb.ca
- www.gov.ns.ca/nssc

In some jurisdictions, ministerial approvals are required for the implementation of the DRO Consequential Amendments. Subject to obtaining all necessary approvals, the DRO Consequential Amendments will come into force on **May 31, 2013**.

Substance and Purpose of the DRO Consequential Amendments

The DRO Consequential Amendments are adopted in order to fully implement the regulatory framework set out in National Instrument 25-101 *Designated Rating Organizations (NI 25-101)*, which came into effect on April 20, 2012¹. NI 25-101 imposes requirements on those credit rating agencies or organizations (**CROs**) that wish to have their credit ratings eligible for use in securities legislation by requiring them to apply to become a “designated rating organization” (**DRO**) and adhere to rules

¹ Except in Saskatchewan where NI 25-101 came into force on August 15, 2012.

concerning conflicts of interest, governance, conduct, compliance, and required filings. This regulatory framework is consistent with international regimes applicable to CROs².

On October 31, 2012, the CSA designated each of DBRS Limited, Fitch, Inc., Moody's Canada Inc., and Standard & Poor's Rating Services (Canada) (the **Applicants**) pursuant to the requirements of NI 25-101³. The designation orders were granted on the basis that:

- The Applicants are in compliance in all material respects with NI 25-101 and the securities legislation applicable to credit rating organizations in each jurisdiction of Canada,
- The Applicants have filed all documentation required under NI 25-101, and
- Upon being designated as DROs, the Applicants are subject to the requirements set out in securities legislation in each jurisdiction of Canada.

Canadian securities legislation also includes a number of references to credit ratings. The DRO Consequential Amendments replace the current existing references to “approved rating organization”, and “approved credit rating organization” with “designated rating organization”. Similarly, the terms “approved rating” and “approved credit rating” are replaced with “designated rating”.

Summary of Written Comments Received by the CSA

The comment period for the DRO Consequential Amendments expired on October 24, 2012, and we received submissions from two commenters. We have considered these comments and we thank the commenters. A list of the commenters and a summary of their comments, together with our response, are contained in Appendix A to this notice.

Summary of Changes to the Proposed Materials

We have added additional guidance to Companion Policy 44-101CP *Short Form Prospectus Distributions (44-101CP)* and Companion Policy 81-102CP *Mutual Funds (81-102CP)* indicating that it is reasonable to interpret the predecessor terms “approved credit rating”, “approved rating” and “approved credit rating organization” as having the same meaning as their respective successor terms, “designated rating” and “designated rating organization”. This additional guidance is intended to clarify that the DRO

² On October 5, 2012, the European Commission granted a decision on the recognition of the legal and supervisory regime for CROs set out in NI 25-101 as equivalent to the requirements of *Regulation (EC) No 1060/2009 on credit rating agencies* for recognizing credit ratings issued by CROs outside of the European Union. A copy of the equivalence decision is available on the website of the Official Journal of the European Union at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:278:0017:0018:EN:PDF>.

³ The CSA also granted interim designation orders on April 30, 2012, to each Applicant, which designated the Applicant as a DRO and exempted the Applicant from the provisions of NI 25-101 for six months to allow the Applicant to review and amend, if necessary, its policies, practices, and internal controls in order to be compliant in all material respects with NI 25-101.

Consequential Amendments should not impact existing agreements, such as trust indentures or other private contracts, that were entered into before the date the DRO Consequential Amendments come into force.

Local Notices and Amendments

Certain jurisdictions are publishing other information required by local securities legislation or regarding amendments to local securities legislation in Appendix N to this notice.

Questions

If you have any questions, please refer them to any of the following:

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