

Annex B

Summary of Proposed Amendments and Proposed Changes Relating to Kroll Application for Designation as a DRO and Other Matters

Overview

As described earlier in this notice,

- We propose to amend NI 44-101 and NI 44-102 to recognize credit ratings of Kroll, but only for the purposes of the ABS Short Form Eligibility Criteria.
- The Proposed Amendments and Proposed Changes also address the Other Matters:
 - To ensure that Kroll credit ratings are only recognized for purposes of the ABS Short Form Eligibility Criteria, we propose to include clarifying language in provisions of NI 31-103, NI 33-109, NI 41-101, NI 45-106, NI 81-102, NI 81-106 and 21-101CP that refer to DROs or credit ratings of DROs.
 - We have included certain “housekeeping” revisions in the Proposed Amendments and the Proposed Changes.

Drafting approach

The Proposed Amendments and Proposed Changes relating to the Kroll application for designation as a DRO and the Other Matters reflect the following drafting approach:

1. We sought to primarily amend existing definitions, rather than introduce interpretative provisions.
2. In order to reduce the number of future rule amendments when we have another DRO Applicant similar to Kroll, we sought (where appropriate) to have the definitions of “designated rating” and “designated rating organization” in various rules refer to the amended definitions in NI 44-101. This approach may result in us only having to amend the definitions in NI 44-101 when we have another DRO applicant like Kroll.
3. As a housekeeping matter, we replaced references to:
 - “Fitch, Inc.” with “Fitch Ratings, Inc.”, and
 - “Standard & Poor’s Ratings Services (Canada)” with “S&P Global Ratings Canada”.

Proposed Amendments

The Proposed Amendments relating to the Kroll application for designation as a DRO and the Other Matters may be further detailed as follows:

*NI 31-103*¹

We revised:

- The definition of “designated rating” to provide that it has the same meaning as in paragraph (b) of the definition of “designated rating” in NI 81-102.

¹ On July 7, 2016, the CSA published for comment proposed amendments to NI 31-103, including proposed amendments to subparagraph (a)(i) of Schedule 1 of Form 31-103F1. It is expected that these amendments will be finalized before the Proposed Amendments.

- The definition of “designated rating organization” to provide that it has the same meaning as in NI 44-101.
- Subparagraph (a)(i) of Schedule 1 of Form 31-101F1 to:
 - Include the applicable long term and short term credit ratings of DBRS and Fitch.
 - Include the applicable short term credit ratings of S&P and Moody’s.

NI 33-109²

We revised subparagraph (a)(i) of Schedule 1 of Schedule C of Form 33-109F6 to:

- Include the applicable long term and short term credit ratings of DBRS and Fitch.
- Include the applicable short term credit ratings of S&P and Moody’s.

NI 41-101

We revised:

- The definition of “designated rating” to provide that it has the same meaning as in NI 44-101.
- Section 7.2 so that the relevant provision only applies to Kroll credit ratings for a distribution of ABS.

NI 44-101

We revised the definition of “designated rating”.

- Paragraph (a) of the definition applies for the ABS Short Form Eligibility Criteria and includes the applicable credit ratings of Kroll and the existing four DROs.
- Paragraph (b) of the definition applies for a security referred to in any other provision of NI 44-101 and only includes the applicable credit ratings of the existing four DROs.
- As a housekeeping matter, we replaced the reference to the applicable credit rating of Moody’s for preferred shares.

We revised the definition of “designated rating organization”. Paragraph (a) of the definition includes Kroll and the existing four DROs.

NI 44-102

We revised the definition of “designated rating”.

- Paragraph (a) of the definition applies for the ABS Short Form Eligibility Criteria and provides that it has the same meaning as in paragraph (a) of the definition of “designated rating” in NI 44-101.
- Paragraph (b) of the definition applies for a security referred to in any other provision of NI 44-102 and provides that it has the same meaning as in paragraph (b) of the definition of “designated rating” in NI 44-101.

² On July 7, 2016, the CSA published for comment proposed amendments to NI 33-109, including proposed amendments to subparagraph (a)(i) of Schedule 1 of Schedule C of Form 33-109F6. It is expected that these amendments will be finalized before the Proposed Amendments.

NI 45-106

We revised:

- The definition of “designated rating” to provide that it has the same meaning as in paragraph (b) of the definition of “designated rating” in NI 81-102.
- The definition of “designated rating organization” to provide that it has the same meaning as in NI 44-101.
- Subsection 2.35(1) and section 2.35.2 to address the Other Matters.

NI 51-102

We deleted the definitions of “designated rating organization” and “DRO affiliate” since NI 51-102 no longer refers to “designated ratings” or “designated rating organizations”.

NI 81-102

We revised the definition of “designated rating”.

- Paragraph (a) of the definition applies for a security referred to in paragraph 4.1(4)(b) of NI 81-102 and provides that it has the same meaning as in paragraph (b) of the definition of “designated rating” in NI 44-101.
- Paragraph (b) of the definition applies for a security referred to in any other provision of NI 81-102 and only includes the applicable credit ratings of the existing four DROs.

We revised the definition of “designated rating organization” so that it only applies to the existing four DROs.

We deleted subsection 4.1(4.1) since the subject matter of that provision is covered by paragraph (a) of the definition of “designated rating” in NI 81-102.

NI 81-106

We added a definition of “designated rating” which provides that it has the same meaning as in paragraph (b) of the definition of “designated rating” in NI 81-102.

We revised subsection 1.3(2) to add the phrase “if not defined in section 1.1”.

Proposed Changes

The Proposed Changes are summarized as follows:

21-101CP

We revised subsection 10.1(6) of 21-101CP to address the Other Matters. We also included definitions of “designated rating organization” and “DRO affiliate” for purposes of that subsection.

81-102CP

We deleted section 3.1 of 81-102CP. We believe that this guidance is no longer necessary since filers can apply for relief from any provision in NI 81-102.