Annex D

Summary of Comments

List of Commenters
BMO Capital Markets
The Canadian Advocacy Council for Canadian CFA Institute Societies
Canadian Foundation for Advancement of Investor Rights
CIBC
Canadian Tire Corporation, Limited
DBRS
First National LP
Investment Industry Association of Canada
Moody's Investors Service
RBC Capital Markets
Scotia Capital Inc.
Stikeman Elliott
Structured Finance Industry Group
TD Securities

A. GENERAL COMMENTS ON THE USE OF CREDIT RATINGS

Issue	Comment	Response
Continued Use of Credit Ratings as a Condition in the Proposals	Two commenters raised similar concerns with credit ratings being the primary conditions for the exemptions. They were concerned that having credit ratings in legislation lends an air of legitimacy to credit raters' opinions and could mislead investors into thinking that a security with those ratings is an appropriate investment. One commenter thought that the use of credit ratings in the proposals is inconsistent with the objective of reducing mechanistic use of credit ratings in regulation. It recommended that the CSA eliminate rating-based eligibility criteria in line with the Financial Stability Board's (**FSB**) *Principles to Reduce Reliance on Credit Ratings*. It raised concerns that: • the credit rating requirements and the credit ratings provided thereunder could create the inappropriate impression that they act as a substitute for transparency; • the widespread incorporation of credit ratings into regulation could give rise to the commoditization of credit ratings; and • credit ratings are current opinions of relative credit risk and do not	We have considered the use of credit ratings in the Short-term Debt Prospectus Exemption and the Short-term Securitized Products Prospectus Exemption and determined that they serve an appropriate policy purpose. In the case of the Short-term Debt Prospectus Exemption, we continue to take the view that that it is appropriate to use the Rating Threshold Condition and the Modified Split Rating Condition to establish parameters for the credit quality of short-term debt such as CP that can be issued on a prospectus-exempt basis. We have not identified specific alternatives or additional conditions to credit ratings that would materially enhance investor protection or financial stability in the CP market. Nor have we identified undue or inappropriate reliance on credit ratings in the CP market. In the case of the Short-term Securitized Products Prospectus

Issue	Comment	Response
	measure other risk, and should not be used as a proxy for liquidity risk, price volatility or marketability. One commenter said use of third party credit ratings strikes the right balance between appropriate investor protection and market efficiency functions, and that at this time, credit ratings are the best readily available metric for determining credit quality standards for CP. One commenter acknowledged the formal regulatory framework for credit rating agencies in Canada that is also recognized internationally, and believed it is not inappropriate for ratings to continue to serve as a condition for the relevant exemptions. It did not think such use is counter to the G20 and FSB's commitment to reduce the mechanistic reliance on ratings. At present, there are no viable tested alternatives to credit ratings, and they are but one risk management tool available to investors in their decision-making. One commenter was concerned about legislating reliance on DROs and thought investors might be better served by increased disclosure about liquidity arrangements. In respect of additional factors that could reduce reliance on credit ratings, one commenter supported initiatives to potentially impose fiduciary duty on registrants. Two commenters strongly supported imposing a statutory best interest standard on registered dealers providing advice to clients.	Exemption, there are a number of conditions regarding liquidity support, restrictions on underlying assets and disclosure in addition to credit ratings requirements. We also note that NI 25-101 contains a framework for regulation of designated rating organizations (**DROs**) that wish to have their credit ratings referred to within securities legislation. All the DROs whose ratings are included in the exemption are designated and regulated in Canada under this framework. Whether a statutory best interest standard should be imposed on registrants is beyond the scope of this project. We note that in October 2012, the CSA published Consultation Paper 33-403 - *The Standard of Conduct for Advisers and Dealers: Exploring the Appropriateness of Introducing a Statutory Best Interest Duty When Advice is Provided to Retail Clients.* This is a separate initiative of the CSA.

B. COMMENTS ON THE SHORT-TERM SECURITIZED PRODUCTS PROSPECTUS EXEMPTION

1. General Comments

Issue	Comment	Response
Perceived Risk of Short-term Securitized Products	Several commenters expressed concerns that the proposed amendments single out ABCP as being riskier than CP. They stated that this unwarranted because credit enhancements make the potential for actual loss remote and liquidity is guaranteed by an OFSI-regulated bank. One commenter was concerned that the higher credit ratings in the exemption could unfairly stigmatize ABCP relative to other forms of short-term debt.	We have modified the credit rating requirements so that only one of the two credit ratings for ABCP must be at the highest short-term rating category of a DRO. The second required credit rating has been revised to be in line with the ratings used for the Short-term Debt Prospectus Exemption. The requirements are also in line with current Canadian market practices. They do not preclude further improvements in market practice or alignment

Issue	Comment	Response
	One commenter expressed concerns that certain requirements (including ratings, liquidity and disclosures) in the exemption would be inconsistent with market practice and international developments.	with international developments. We also have added guidance in CP 45-106 that short-term securitized products that satisfy the conditions in the exemption relating to liquidity support, series or class seniority and asset pool composition may not necessarily satisfy the credit rating conditions; particularly the requirement that one of the two credit ratings be at the highest rating category.
Risk Retention	One commenter recommended that the CSA adopt Recommendation 1 of the International Organization of Securities Commissions' (**IOSCO**) final report on *Global Developments in Securitisation Regulation* (the **IOSCO Risk Retention Report**) and mandate risk retention for securitized products because the measures that originators have in place to retain risk are not mandatory (e.g. over-collateralization and excess spread allocation to investors).	The IOSCO Risk Retention Report did not mandate any particular approach to credit risk retention but recommended that all jurisdictions evaluate and formulate their approach to aligning incentives of originators and investors, including through mandating credit risk retention where appropriate. We have completed our evaluation of incentive alignment. As noted in the January 23, 2014 Notice of Publication and Request for Comment, the Canadian securitization market is by-and-large free from the types of incentive misalignment that raised major investor protection and systemic risk concerns during the financial crisis of 2007-2008. We are enhancing transparency with respect to incentive alignment by requiring disclosure in the Information Memorandum of a conduit's approach to interest alignment and credit risk retention. Other requirements relating to liquidity support, permitted assets and disclosure address the features of non-bank ABCP that reflected misaligned incentives and caused problems during the financial crisis.
Innovation	One commenter was concerned about the risk associated with prescriptive regulations which would not allow for innovation or structural differences. One commenter recommended that a regulatory regime that anticipates future market developments should be put in place. One commenter expressed concern that innovation would be limited by making the exemption unavailable for transactions involving *pari passu* or subordinate short-term securitized products and asset classes not listed in the proposed exemption.	We are not prohibiting the issuance of innovative or differently-structured short-term securitized products. However, we think that certain minimum conditions must be met in order for short-term securitized products to be issued in the same manner as CP is issued under the Short-term Debt Prospectus Exemption. We have made the exemption available for conduits to distribute more than one series or class of short-term securitized products if the series or classes are *pari passu* in respect of any underlying asset pool.

Issue	Comment	Response
Regulation Based on ABCP Type	One commenter cautioned that the CSA must be careful not to regulate based on classifications of the type of ABCP (e.g. bank-sponsored or non-bank-sponsored) as a clear distinction may not be able to be made.	The exemption does not distinguish between bank or non-bank sponsored ABCP or short-term securitized products. It sets out minimum conditions for credit ratings, liquidity support, permitted assets and disclosure.
Implementation/ Grandfathering	One commenter recommended that amendments only be applied prospectively so existing transactions would not be penalized.	We have added transitional provisions to address this concern.
Market has Self-Corrected	One commenter noted that many of the issues with the ABCP market have been self-corrected. For example, currently there are no non-bank sponsored conduits and "market disruption liquidity" has been replaced with global-style liquidity support.	We recognize that a number of improved practices have been adopted in the market. The requirements in the exemption are intended to ensure that those improved practices are consistently maintained.
Limited Retail Investor Participation/Suggestion to Create a New Prospectus Exemption for Sophisticated Investors	Two commenters thought that the proposed amendments are largely targeted towards protecting retail investors whose participation in the ABCP market is limited. Two commenters proposed the creation of an alternative exemption for sophisticated investors. They suggested that the following conditions be met under such an exemption: (i) a minimum cash purchase price of $150,000 by the purchaser (who is not an individual); (ii) the securitized product has two prescribed minimum short-term ratings; and (iii) the securitized product is backed by a global style liquidity provider, having at least two prescribed minimum short-term ratings. They recommended that only the conduit sponsor be required to file quarterly exempt distribution reports, and reports of each distribution of ABCP under such an exemption not be required. They also proposed no resale restrictions be applied to ABCP distributed under this exemption.	We recognize that the ABCP market is predominantly an institutional investor market. However, one of the objectives of the exemption is to address systemic risk concerns, which are present (and may be even greater) in predominantly institutional markets. For example, one of the key elements of the new exemption is the disclosure requirement. An important rationale for mandating disclosure is to increase market transparency, which in turn can mitigate systemic risk. At this time, we do not propose to introduce other prospectus exemptions that may be used to distribute short-term securitized products.

2. Specific Questions in the CSA Notice

Question	Comment	Response
1.(a) Should certain short-term securitized products not be allowed	Three commenters recommended that all types of short-term securitized products be permitted to be sold under other prospectus exemptions (such as the accredited investor and minimum investment amount exemptions).	The accredited investor and minimum amount prospectus exemptions will continue to be available for short-term securitized products.

Question	Comment	Response
to be sold on a prospectus- exempt basis?		
1.(b) Is it likely that short-term securitized products would be sold under other prospectus exemptions?	Three commenters believed that it is unlikely that short-term securitized products would be sold under other prospectus exemptions because of the administrative burden of filing exempt distribution reports and associated fees. They recommended modifying the fee structure and reporting requirements of these other prospectus exemptions to accommodate the short-term nature of the product. One commenter expressed concern that because certain transactions currently funded by ABCP conduits would not be able to use the Short-term Securitized Products Prospectus Exemption due to the list of permitted assets, conduits would have to use different prospectus exemptions, increasing the administrative burden for conduits and the cost of funding for originators.	We have made a number of changes to the Short-term Securitized Products Prospectus Exemption to better align the exemption with current market practices. We therefore do not think it is necessary at this time to modify the fee structure and reporting requirements of other prospectus exemptions to facilitate the issuance of short-term securitized products under other prospectus exemptions. We have modified the list of permitted assets to include any real or personal property securing or forming part of an asset pool to address situations where assets go into default. We believe the list of permitted assets and the above modification address current transactions funded by ABCP conduits.
1.(c) Are there other types of relevant products that would not be covered by the definition of "securitized product"?	Three commenters think the definition of "securitized product" is broad enough to capture all structured products in the current marketplace. One commenter, however, recommends the inclusion of a basket provision to allow for exemptive relief of novel products that may be introduced in the future.	We have not made any significant changes to the definition of "securitized product". Securities legislation contains provisions that allow for issuers to apply for discretionary exemptive relief.
2. Are the credit rating requirements for short-term securitized products appropriate?	There was broad support for the introduction of the requirement of two credit ratings. However, many commenters felt the prescribed minimum ratings were prohibitive because they are set at the highest short-term rating of each rating agency. One commenter supported the two-rating requirement, but questioned whether there is a need to prescribe such a standard as market participants can better address this. Although the two-rating requirement is part of the eligibility criteria for the Bank of Canada's Standing Liquidity Facility, one commenter suggested that this criteria was originally developed under unique circumstances to address a particular issue, and furthermore could be amended at any time (unlike a condition to a prospectus exemption). Several commenters recommended that the credit rating requirements for	The proposal for two credit ratings has been maintained. However, we now require that only one of the two credit ratings be at the highest short-term rating of a DRO. Please also refer to our response to the issue of using credit ratings as a condition of the Short-term Debt Prospectus Exemption and Short-term Securitized Products Prospectus Exemption. We agree that some of the complexities associated with securitization structures stem from mechanisms put in place to reduce risk. However, some of the complex features of pre-financial crisis non-bank ABCP structures increased risk and were difficult to assess from a credit rating perspective. For that reason, it is appropriate to have a more stringent set of credit rating requirements in the Short-term Securitized Products

Question	Comment	Response
	ABCP be consistent with those applicable to CP or with the minimum ratings of liquidity providers as the methodology used by many DROs does not allow ABCP to have a higher credit rating than that of the liquidity provider. One commenter noted that ABCP investors are in a much better position to limit their risk exposure to the operating entities that are related to the conduit because, as a SPE, each conduit has a prescribed purpose, is authorised to carry on a very limited scope of activities and is bankruptcy remote from its sponsor and originators. Moreover, there is a true sale of assets to the conduit in the case of ABCP, which puts the conduits and investors in a better position from an enforcement perspective than if they merely had an ownership interest in collateral. One commenter noted that many of the complexities in ABCP structures stem from mechanisms put in place to reduce risk, while concerns about liquidity mismatch will be addressed by the requirement for global-style liquidity.	Prospectus Exemption along with specific conditions relating to liquidity, permitted assets and disclosure.
Other Comments on Rating Thresholds	One commenter was concerned that the proposed credit rating thresholds for DBRS credit ratings were R-1(high), while other DROs had lower ratings. It suggested that the credit rating thresholds should be: • DBRS Limited – R-1(low)(sf) • Standard & Poor's Ratings Services (Canada) – A-1(Low)(sf) • Moody's Canada Inc. – P-1(sf) • Fitch, Inc. – F1sf	The ratings of the various DROs do not exactly correspond or correlate. We have set the ratings at what we consider to be appropriate levels for ABCP to be issued under the Short-term Securitized Products Prospectus Exemption.
3. Liquidity Support Requirements - General Comments	One commenter thought that the granular and prescriptive nature of the proposed liquidity requirements would compromise the ability of DROs to maintain their criteria as they deem appropriate on a going-forward basis. It suggested that meaningful disclosure to investors, as opposed to prescriptive liquidity requirements, would better equip investors to carry out any due diligence they may deem necessary. One commenter generally thought the level of specificity in the liquidity support requirements was inappropriate and overly prescriptive, and the minimum rating requirements would ensure appropriate liquidity arrangements are in place.	Global-style liquidity is the appropriate standard for liquidity support. However, issuers and investors should not assume that global-style liquidity will be sufficient for a DRO to rate short-term securitized products at the highest credit rating levels. Credit ratings are based on a DRO's specific rating methodology. Depending on that methodology, global-style liquidity may not be sufficient to obtain the highest credit rating. Greater liquidity support or credit protection (e.g. program-wide credit enhancement) may be necessary. The Information Memorandum requires disclosure of the standard liquidity support arrangements the conduit has entered or anticipates entering into.

Question	Comment	Response
3.(a) In addition to the credit rating requirements for liquidity providers, should there be similar requirements for sponsors? **3.(b)** How common is it for the sponsor to also be the liquidity provider?	Two commenters thought that the credit rating requirements for liquidity providers provide adequate protection to investors (provided the liquidity provider is regulated by OFSI or provincially regulated). They also stated that a corresponding credit rating requirement for conduit sponsors is unnecessary. Several commenters noted that the conduit sponsor is usually also the liquidity provider. Only one Canadian ABCP issuer was identified where the sponsor does not provide a liquidity line.	We have maintained the credit rating requirement for the liquidity provider and have not added a credit rating requirement for a conduit sponsor.
3.(c) Do you agree with the two credit rating approach for the liquidity provider?	Three commenters supported this requirement. One commenter did not agree with legislating reliance on DROs and thought investors might be better served by increased disclosure about liquidity arrangements. It is redundant to have a minimum credit rating for both the ABCP and the liquidity provider because the credit rating for the liquidity provider is considered in rating ABCP. The commenter also noted that the requirement that <u>each</u> liquidity provider meet the proposed minimum credit ratings is problematic in the context of a syndicated liquidity line. It recommended that where a liquidity provider suffers, or is at risk of suffering, a credit rating downgrade below the prescribed minimum level, there should be a reasonable grace period to allow the liquidity commitment to be prefunded, assigned or restructured to comply with the Short-term Securitized Products Prospectus Exemption.	We have maintained the requirement for two credit ratings. The conditions are in line with current market practice. If further accommodations are required, an application for discretionary exemptive relief may be made to the securities regulatory authorities.
3.(d) Are the proposed minimum credit rating levels for the liquidity provider in 2.35.2(a)(iv)(C) of the proposed rules appropriate?	Two commenters believed that the proposed minimum long-term credit rating levels for liquidity providers are appropriate, while one commenter thought they were too stringent. Three commenters recommend the inclusion of short-term equivalents.	We have changed the type of ratings required from long-term ratings to short-term ratings.

Question	Comment	Response
3.(e) Would requiring liquidity providers to be regulated by OFSI or provincially cause any issues?	Two commenters did not have any issues with liquidity providers being prudentially regulated by OFSI or provincial regulators and are unaware of any foreign banks, not regulated by OFSI, that act as liquidity providers to Canadian conduits. One commenter did not have any concerns, but thought that this requirement would limit the ability to restructure liquidity provisions during an extreme market condition where numerous Canadian banks' ratings are downgraded.	We have changed the conditions so that a deposit-taking institution can be a liquidity provider if it is regulated by or has been approved to carry on business in Canada by OSFI or a provincial regulator. The effect of this change is that a Schedule III bank can be a liquidity provider. We think that a foreign deposit-taking institution that OSFI or a provincial regulator regulates or has approved to carry on business should be allowed to be a liquidity provider, provided it satisfies all the other conditions relating to liquidity support.
3.(f) Is it appropriate to allow foreign banks (not regulated by OFSI) to act as liquidity providers? What if they are subject to Basel III?	Three commenters do not think foreign banks should be permitted to act as liquidity providers because they are not subject to the same oversight and regulatory regime. Even if foreign banks are subject to Basel III, there may be differences in how Basel III is applied by other regulators.	Please see above.
3.(g) Are the proposed circumstances when a liquidity provider is permitted not to advance funds appropriate?	Three commenters support the exceptions to the liquidity provider's obligation to advance funds in the case of bankruptcy of insolvency of the conduit. Two commenters note that certain conduits have liquidity arrangements which are transaction-specific.	We have revised the drafting to accommodate transaction-specific liquidity arrangements.
4. Is it appropriate to extend the Short-term Securitized Products Prospectus Exemption to short-term securitized products that are convertible or exchangeable into, or accompanied by a right to purchase, another qualifying short-term securitized product?	Two commenters agreed that the exemption should be available for short-term securitized products that are convertible or exchangeable into, or accompanied by a right to purchase, another short-term securitized product that would qualify for the exemption.	The exemption will continue to be available for short-term securitized products that are convertible or exchangeable into, or accompanied by a right to purchase, another qualifying short-term securitized product.

Question	Comment	Response
5. Are there assets in addition to those listed in 2.35.2(c) that the conduit should be allowed to hold? Are they currently in the Canadian ABCP market?	Several commenters expressed concern about prescribing a list of eligible assets and proposed alternatives such as a negative pledge not to fund "non-traditional assets", a list of ineligible assets or the addition of a catch-all phrase at the end of the eligible asset list, which would permit funding of assets that are substantively similar to those enumerated (while still excluding non-traditional assets).	We have maintained a prescribed list of assets. The list has been modified to include any property securing or forming part of the asset pool. We believe the list captures all relevant traditional assets.
6. Do the proposed triggers for timely disclosure reports cover all relevant material events?	Several commenters had concerns that the triggers were overly broad. Requiring disclosure of changes in the information required in the most recent Monthly Disclosure Report would be overly burdensome, as transactions within a conduit program change almost on a daily basis. Disclosure should not be required where deal-level structural protections are triggered and investors get the full benefits of those structural protections. The commenters recommended requiring timely disclosure only when there is a "material change", such as a liquidity event, a significant default or a change reasonably expected to impact these events.	We have modified the triggers for timely disclosure to be one of the following events: • a downgrade in one or more of the conduit's credit ratings; • a default on the payment obligations of the conduit; or • a change or event that the conduit would reasonably expect to have a significant adverse effect on such obligations
7. Should the Short-Term Securitized Products Prospectus Exemption and the new forms be in a stand-alone rule?	One commenter thought the new exemption should remain part of NI 45-106.	The exemption will be part of NI 45-106.
8. What information should be available to regulators to monitor market trends and the build-up of risk? And by what means and how frequently should it be reported?	Three commenters believe monthly rating agency reports and monthly investor reports should provide the CSA with sufficient information for monitoring purposes.	We thank the commenters for their responses.

3. Specific Conditions of the Exemption

Section	Comment	Response
2.35.2(a)(ii) and 2.35.2(a)(iv)(D) – Reasonable Expectation of Results of Ratings Review	Three commenters recommended removal of requirements that the issuer determine whether it reasonably expects that an announced ratings review of the ABCP will result in a rating being withdrawn or downgraded below the threshold requirements or that an announced ratings review of a liquidity provider will result in a rating being withdrawn or downgraded below the threshold requirements. These requirements place an unfair onus on issuers and are excessively punitive.	We have revised the exemption to remove the requirement for a conduit to make this assessment.
2.35.2(b) – Unavailability of Exemption for *pari passu* or Subordinate Short-term Securitized Products	Several commenters believed that so long as investors are provided with adequate disclosure (on seniority, among other things), they should be permitted to make an informed decision on whether to invest in such products. One commenter gave as an example of where this restriction would be inappropriate a trust or SPE that issues different series of notes and the assets of each are firewalled under the indenture.	We continue to take the view that the exemption should only be available for the highest ranked series. We have made the exemption available for *pari passu* short-term securitized products if each series satisfies all other conditions of the exemption.
2.35.3 – Exceptions Relating to Liquidity Providers/Agreements	Two commenters sought clarification on how to determine the "aggregate value" of assets under 2.35.3(2). One commenter suggested modifying 2.35.3(2)(a) by adding the term "non-defaulted" so it reads "aggregate value of the non-defaulted assets in the asset pool". It also questioned whether this level of detail was needed, in light of the protection provided by the rating requirements for ABCP and liquidity providers. One commenter recommended modifying the language of 2.35.3(2) to speak to obligations to fund that do not exceed the aggregate value of the particular assets that are the subject of the related liquidity arrangements, rather than the entire asset pool. One commenter suggested that 2.35.3 be deleted or simplified as the investor protection function that is targeted here will be achieved by the rating and liquidity requirements. One commenter believed that it was unnecessary to codify liquidity arrangements as rating agencies publish detailed criteria outlining the rating principles they apply to all issuers and trying summarize these requirements into a couple of paragraphs could result in unnecessarily restrictive rules that	Our intention was that non-defaulted assets be excluded under 2.35.3(2). We have clarified the drafting in this respect. Please also see our response above regarding the interaction of the liquidity requirements with the rating methodologies of DROs.

Section	Comment	Response
	do not reflect current standards.	

4. Disclosure

(a) General

Issue	Comment	Response
Disclosure in the Information Memorandum vs. the Monthly Disclosure Report	Several commenters were concerned that many of the requirements in the Information Memorandum were too transaction-specific and would require issuers to update the disclosure on an on-going basis. They believed that the Information Memorandum should be a relatively static document and focus on program-level disclosure, whereas the Monthly Disclosure Report should capture any material updates and provide transaction-specific disclosure, without repeating disclosure that would already be in the Information Memorandum.	We have made several revisions to the Information Memorandum as follows: • focused the disclosure so that it is in respect of the conduit's structure and operations; • moved disclosure about specific asset transactions and asset pools to the Monthly Disclosure Report; • clarified certain requirements; and • eliminated duplicative disclosure. The requirement to disclose information regarding interest alignment and risk retention has been moved from the Monthly Disclosure Report to the Information Memorandum.
Identification of Parties	Several commenters noted that to the extent the proposed disclosure required identification of principal obligors, originators, sellers and servicers, these would raise confidentiality and competitive concerns while being of limited value to investors. • One commenter noted that financial institutions that are reporting issuers are not required to disclose the names of borrowers. • One commenter noted that to date investors have not been requiring such disclosure as a pre-condition to purchasing ABCP and it is not required in other markets. • One commenter recommended that only the identities of parties relevant to the structure of the conduit be required One commenter believed that the identity of originators should be fully disclosed and that the disclosure in Recommendation 5 of the IOSCO Risk Retention Report should be required so that investors have the necessary information to make an informed investment decision.	We have modified the disclosure to focus on disclosure of parties responsible for a significant role in the conduit's structure and operations. We have limited the disclosure requirements in respect of the seller to its industry and whether or not the seller's credit rating is investment grade. Consistent with Recommendation 5 of the IOSCO Risk Retention Report, we have: • considered how issuers who distribute short-term securitized products under the exemption should be required to provide investors with information necessary to make an informed investment decision; and • formulated an approach for point of sale and ongoing disclosure that is consistent with the disclosure framework under securities legislation.

Issue	Comment	Response
Making Disclosure Available	A commenter sought clarification on the meaning of "make reasonably available" in connection with required disclosure. Several commenters suggested that the Monthly Disclosure Report should be made reasonably available 30 days rather than 45-60 days from the end of the month to which it relates. This longer time is necessary for the conduit to receive the information needed to prepare the form. Two commenters recommended that the time frame for providing timely disclosure be two business days, subject to certain modifications to the required disclosure. One commenter suggested making the time frame consistent with the timing of a material change report.	Posting materials to the conduit's website would be sufficient to meet this requirement. We have modified this condition so that the Monthly Disclosure Report must be made reasonably available within 50 days. The time frame for timely disclosure has been revised to two business days.
Negative Answers or Inapplicable items	Two commenters recommended that an instruction be added clarifying that negative answers to prescribed items or inapplicable items need not be included in the Information Memorandum or the Monthly Disclosure Report.	We have revised the instructions in the Information Memorandum and the Monthly Disclosure Report to clarify that negative answers are not required unless specifically stated otherwise.
Amount and Cost of Disclosure	Two commenters were generally concerned that too much disclosure is required. Two other commenters were concerned with the increased administrative burden and costs that will be borne by conduit sponsors in complying with the proposed disclosure requirements.	We have revised the disclosure requirements to address the various comments. We think the revised disclosure requirements achieve an appropriate balance between the administrative burden and costs borne by conduits and the need for information to support investor protection and market transparency.

(b) Information Memorandum

Item	Comment	Response
1.2 – Reporting of Originator and Principal Obligor Past Defaults	Three commenters recommended this item be deleted. Reasons given were: • it is too broad and is not relevant; • it places an inappropriate duty on conduits as there is no practical way for conduits to ensure compliance of originators and principal obligors; and • past default reporting by the sponsor and liquidity provider based solely upon their identity may be misleading, and such reporting should only be required where the default was caused by their actions or inactions.	We have eliminated this requirement.

Item	Comment	Response
1.5 – Performance Inspections or Verifications	One commenter recommended this item be clarified to specify that it requires a general description of the issuer/servicer.	We have made this clarification.
3.1 – Material Investment Criteria and Underwriting Guidelines	Several commenters recommended more general disclosure and noted that there are generally no concentration limits at the conduit level.	We have changed the requirement to make it more general in nature.
3.3 – Asset Acquisition Methods and Nature of Property Interests	One commenter did not believe this item is necessary given the required disclosure in item 3.1	This item has been revised to more clearly delineate the disclosure requirements for eligible assets and asset transactions.
3.5 – Exposure to Credit Derivatives or Highly Structured or Leveraged Credit Products	One commenter recommended that the language used by the Bank of Canada in its eligible collateral guidelines for its Standing Liquidity Facility be adopted. One commenter was concerned that standard hedging arrangements could fall within the meaning of "credit derivatives" and it would not be appropriate to present them in bold text. It recommended "(other than standard interest rate and currency hedges)" be added after "credit derivatives" in this item.	This requirement has been revised to only require a brief description of how derivatives will be used for hedging. Bold text is not required.
5.1 – Property Interest of Holders of Short-term Securitized Products.	One commenter requested clarification on whether "risk factor" disclosure (similar to a prospectus) is necessary.	That type of risk factor disclosure is not required for this item.
5.3, 5.4 and 5.5 – Priority of Claims	Two commenters recommended items 5.4 and 5.5 be removed because the disclosure required thereunder is captured in item 5.3.	We have revised this item and removed the text in items 5.4 and 5.5.
6 – Compliance or Termination Events	One commenter suggested item 6.1 be revised to focus on events that will impact investors. Three commenters recommended issuers only be required to provide a general description rather than transaction-specific details.	We have revised item 6.1 to more specifically address what would constitute an event of default or require the conduit to stop issuing short-term securitized products. Items 6.2 and 6.3 have been revised to clarify that only general descriptions are required.

Item	Comment	Response
7 – Description of Product and Offering	One commenter believed the disclosure of denominations in which short-term securitized products certificates will be issued under item 7(d) is unnecessary and should be removed. One commenter sought to clarify that disclosing minimum denominations and integral multiples (as it currently does) will be sufficient to meet the disclosure obligations in item 7(d). One commenter recommended revising item 7(g) to contemplate an uncapped maximum amount of outstanding short-term securitized products by adding "or a statement that the maximum aggregate principal amount of short-term securitized products to be outstanding at any one time is unlimited."	Disclosure of minimum denominations and integral multiples would be sufficient for this requirement. We have incorporated the suggested drafting.
8 – Additional Information on Conduit	One commenter thought disclosure of whether the use of financial leverage is anticipated under item 8.1 is unnecessary. One commenter sought clarification on the meaning of "financial leverage" in item 3.5, particularly because it could be interpreted to include CP. One commenter sought clarification on whether disclosure of the issuance of, or anticipated issuance of, other securities in item 8.2 included other firewalled series of securities such as medium-term notes and subordinated ABCP.	Item 8.1 has been deleted. Disclosure required by this item (now item 8.1) includes disclosure of such securities.
9 – Material Agreements	Three commenters thought that the disclosure required under this item would result in disclosure of too many agreements (many of which would be of little or no value to investors) because the definition of "significant parties" is too broad. Further, this requirement should be limited to program-level disclosure of material program agreements for the conduit. One commenter also recommended revising this item to require only disclosure of the principal ABCP conduit agreements (e.g. declaration of trust, financial services agreement, trust indenture, liquidity agreement and agency/distribution agreement).	We have revised the requirement to only require agreements material to the conduit's structure and operations to be disclosed. For example, the following agreements would have to be disclosed: • declaration of trust; • financial services agreements; • trust indenture; • liquidity agreements; and • agency/distribution agreements.

(c) Monthly Disclosure Report

Item	Comment	Response
1.2 – Structural Diagram	One commenter suggested that no updates to the Information Memorandum disclosure should be made in the Monthly Disclosure Report unless there is a material change to the structure of the conduit.	The Monthly Disclosure Report has been revised to require disclosure only about asset transactions and asset pools, rather than the conduit's structure and operations as a whole.
2 – Program Information	Two commenters recommended that item 2(a) be revised to remove the requirement that interest payable at maturity be disclosed. One commenter noted that such disclosure would be impractical because the interest payable at maturity changes daily, resulting in continual updating, and a monthly snapshot would not be useful to investors and could be misleading. Another commenter noted that disclosure of the face amount and interest payable should also not be required under item 2(a), as it is the total amount of short-term securitized products outstanding that is relevant to investors. One commenter proposed that item 2(b)(ii) only require disclosure of the amounts or percentages of liquidity available, rather than both. Three commenters recommended that the requirement to disclose average maturity in days in item 2(d) be deleted because it can change on a daily basis and is not pertinent to investors.	This item has been revised to require only the total face value of the securitized product outstanding to be disclosed. Disclosure of standard liquidity arrangements is now found in the Information Memorandum. We have deleted this requirement.
4 – Asset Pool	One commenter recommended that item 4.2(c), which requires disclosure of the amount of assets obtained from each issuer, be removed because the information can otherwise be calculated and it is unnecessary for issuers to summarize the calculations. One commenter suggested that this item be revised to also allow for disclosure in tabular form.	This requirement has been revised.
5 – Second-Level Assets	Two commenters recommended removal of this requirement because such information would be disclosed in item 4.	We have removed this requirement.
6 – Asset Pool Changes	Three commenters did not believe disclosure of new asset interests required in item 6(a) is necessary because any new assets would be reported under item 8 and a comparison against the previous month's Monthly Disclosure Report can be done. They also think disclosure on assets that are no longer part of the pool, as required by item 6(b), is irrelevant to investors. One commenter recommended not requiring disclosure of the reasons certain assets are added or removed from the asset pool in item 6(c)	These requirements have been removed.

Item	Comment	Response
	because this information is not relevant to investors. One commenter was concerned such disclosure could reveal business-sensitive or confidential information with respect to originators, sellers and principal obligors. Two commenters also recommended item 6(d) be deleted because changes in commitment amounts can be obtained by doing a comparison against the previous month's Monthly Disclosure Report and commitment levels can fluctuate on a daily basis.	
7 – Program Compliance and Termination Events	Two commenters suggested that the required disclosure of events in items 7(a)(ii) and (iv) be limited to circumstances where it could be reasonably expected to adversely impact the repayment of the ABCP. One commenter requested clarification regarding whether it would be sufficient to report the Required Credit Enhancement and Available Credit Enhancement under item 8 to satisfy the requirement under item 7(c). One commenter noted that disclosure of program-wide credit enhancements under item 7(a)(iii) would be important to investors.	We have replaced the detailed disclosure required under of this item with a more general disclosure requirement (in item 5) that requires any events or circumstances that the conduit would reasonably expect to have a significant adverse effect on distributions of, or require the conduit to cease issuing, short-term-securitized products. Some of the disclosure requirements under this item (e.g. items 7(e) and (g)) have been moved to the Information Memorandum. Disclosure of program-wide credit enhancements has been maintained but is now required to be disclosed in the Information Memorandum.
8.2 – Securitization Transaction Summary	One commenter recommended amending item 8.2 to allow for disclosure by diagram or table. Two commenters suggested that item 8.2(b)(i), which requires disclosure of the average remaining term of assets (if material), be removed because it may not be possible for conduit administrators to disclose this information. Two commenters requested that item 8.2(d) (the number of obligors) be removed because this information changes frequently and may not be meaningful to investors. Two commenters questioned the relevance of disclosing the credit rating of the originators under item 8.2(f) and were concerned that such disclosure could reveal their identities.	The disclosure required in item 8.2 (now item 2) may be made by diagram or table, except for asset transaction performance (now item 4) which must be provided in tabular format. The disclosure requirement in item 8.2(b)(i) has been removed. The number of assets or obligors in the asset pool is only required to be disclosed if this information is available. The disclosure requirement in item 8.2(f) (now item 2.1(d)) has been revised to indicate whether or not the credit rating is investment grade.

Item	Comment	Response
	One commenter recommended simplifying disclosure of the performance of the assets in item 8.2(g) because different asset classes can have different performance metrics.	This disclosure has been streamlined and simplified.
8.3 – Securitization Transaction Credit Enhancement Provider	One commenter requested that the disclosure in item 8.3 be limited to the credit enhancement available to the transaction, as it is not clear what entities are to be captured under "transaction credit enhancement provider". One commenter thought that unless there is a material change to conduit-level credit enhancements, there should be no such disclosure in the Monthly Disclosure Report. The nature and amount of additional transaction-specific credit enhancement is determined on a deal-by-deal basis. The commenter recommended requiring deal-specific credit enhancements to be reported on a percentage basis in item 8.3(a). The commenter believed item 8.3(b) is misleading because any transaction-level credit enhancement would not be available generally to the entire class of short-term securitized products, so it should be revised to refer only to conduit structure credit enhancement. Three commenters questioned the relevance of the disclosure required in items 8.3(c) and 8.3(d) and suggested that such disclosure only be provided on a program-wide basis in the Information Memorandum.	We have revised the disclosure to clarify our intention to only require disclosure of credit enhancement available at the transaction level. We have also clarified that our expectation is that this would be disclosed as either a dollar amount or a percentage. These disclosure requirements have been modified and moved to the Information Memorandum.
8.4 – Financial Leverage	One commenter recommended item 8.4 be removed as it would only relate to structured finance or structured products, which are not permitted to be included in the asset pool. Similarly, one commenter sought clarity on what is meant by "financial leverage" and was concerned that it could be interpreted to include CP.	These disclosure requirements have been modified and moved to the Information Memorandum.
11 – Conflicts of Interest	One commenter stated that such disclosure is not required in a prospectus with respect to asset-backed securities, and there are no special considerations in this context that would warrant it.	These disclosure requirements have been deleted.

C. COMMENTS ON THE SHORT-TERM DEBT PROSPECTUS EXEMPTION

1. Specific Questions in the CSA Notice

Question	Comment	Response
1. We are proposing a Modified Split Rating Condition as part of the Proposed Short-term Debt Amendments in order to maintain minimum credit quality standards for CP that is issued through the Short-term Debt Prospectus Exemption. Do you agree that some type of Split Rating Condition is necessary to achieve this objective, and if so, is the Modified Split Rating Condition we propose appropriate?	Two commenters did not agree that the Modified Split Rating Condition is necessary to maintain minimum credit quality and suggest a prescribed credit rating from one DRO should be sufficient. One commenter thought that the pool of DROs is small and consists of well-known firms with global track records, which are subject to CSA regulation. This commenter added that if the CSA thinks a minimum floor is required, then the ratings proposed in the Modified Split Rating Condition are inappropriate and could cause investor confusion. This commenter noted that as proposed, the Modified Split Rating Condition would differ from equivalent ratings thresholds established by other regulators, such as OSFI. This commenter therefore thought that the appropriate credit rating for DBRS in the Modified Split Rating Condition should be R-2(high). Another commenter thought the ratings required in existing CP exemptive relief should satisfy the objective of maintaining minimum credit quality standards for CP issued through the short-term debt exemption. This commenter thought the Modified Split Rating Condition would create a regulatory disincentive for CP issuers to obtain additional credit ratings, in case any additional credit rating would not meet the minimum standards. This commenter also did not see why issuers who currently have exemptive relief, but would not meet the requirements in the proposed credit rating conditions, should be forced to apply for relief. One commenter supported the proposed criteria and noted that the proposed Rating Threshold Condition and Modified Split Rating Condition will capture all of the currently active programs in the Canadian market. The commenter thought introducing the Modified Split Rating Condition as a secondary measure would remove a regulatory disincentive to seek additional ratings while ensuring minimum credit quality standards are maintained. As for appropriate thresholds, this commenter recommended that the A-1(low) Canadian scale of Standard & Poor's should be the minimum credit rating that satisfies the Modified Split Rating Condition. This commenter also thought that there should be a grandfathering provision for the small subset of issuers who previously received exemptive relief and would not satisfy the Modified Split Rating Condition.	We continue to think minimum credit quality standards for CP are important and have maintained the Modified Split Rating Condition in the revised amendments. We think the Modified Split Rating Condition addresses the regulatory disincentive to obtain additional ratings while providing consistent treatment of CP issuers with similar credit risk and ensuring minimum credit quality standards for CP issued without a prospectus. With respect to appropriate thresholds in the Modified Split Rating Condition, we have clarified the minimum Standard & Poor's credit rating in the Modified Split Rating Condition on both the Canada national scale and the global scale. At this time, we are not revising the DBRS rating in the Modified Split Rating Condition. We think the credit ratings proposed in both the Modified Split Rating Condition and the Rating Threshold Condition reflect the current Canadian market for CP, capture most active CP programs and maintain the current credit quality of CP being actively issued into the market. With respect to inconsistency with credit ratings thresholds established by other regulators, including OSFI, it should be noted that securities regulators and prudential regulators use credit ratings for different purposes. The credit ratings in the Short-term Debt Prospectus Exemption serve an investor protection and gate-keeping function by permitting the issuance of high-quality CP without a prospectus. Issuers that do not meet the credit rating thresholds would only be able to issue CP under a prospectus or under another prospectus exemption that may have reporting requirements and resale restrictions. On the other hand, prudential or solvency regulators rely on credit ratings for capital adequacy calculations, liquidity or other prudential measures for financial institutions that they regulate. The rationale underlying the use of credit ratings differs for investor protection purposes as compared to prudential or solvency purposes and accounts for the different thresholds in prudential

Question	Comment	Response
	One commenter thought the CSA should clearly state which Standard & Poor's scale the requirements refer to, and that the Standard & Poor's scale should be the Canadian scale. The commenter also though the requirements should be set with reference to investment grade long-term ratings, and on this basis, suggested that the thresholds in the Modified Split Rating Condition for DBRS should be R-2(high) and for Standard & Poor's should be A-1(low) (Canadian scale).	regulation. We are aware that some issuers who currently have exemptive relief would not meet the revised criteria in the exemption given their current credit ratings. We will review these instances on a case-by-case basis. We will also continue to consider applications for exemptive relief in appropriate circumstances.
2. Is the Rating Threshold Condition in the Proposed Short-term Debt Amendments appropriate? Should the Short-term Debt Prospectus Exemption have a higher or lower rating threshold? If a lower threshold were adopted, would it raise investor protection concerns that lower-rated CP would be sold to less sophisticated or knowledgeable investors? If so, how could these concerns be addressed?	Three commenters agreed with the Rating Threshold Condition; however, one commenter suggested that the scale for Standard & Poor's should be the Canadian scale. One commenter thought the credit ratings required in existing CP exemptive relief are very high, and that issuers receiving these credit ratings are recognized as being of strong creditworthiness, which should satisfy the objective of maintaining minimum credit quality standards for CP issued through the exemption. The commenter felt it would be more expedient and equitable to codify the credit ratings required in existing CP exemptive relief and treat relief applications on a much more stringent basis. One commenter generally disagrees with using credit ratings, but supports requiring a minimum of two credit ratings, if minimum credit ratings must continue to be a condition to the exemption.	We think requiring at least one credit rating at or above the thresholds in the Rating Threshold Condition will maintain high credit quality standards for CP issued without a prospectus. With respect to appropriate thresholds in the Rating Threshold Condition, we agree with comments suggesting clarification of the Standard & Poor's scales. We have revised the thresholds to clarify that the minimum Standard & Poor's credit rating in the Rating Threshold Condition is the Canada national scale. The majority of issuers who currently have exemptive relief would be able to issue CP under the revised rating thresholds. As mentioned, we are aware that some issuers who currently have exemptive relief would not meet the revised criteria in the exemption given their current credit ratings. We will review these instances on a case-by-case basis.
3. The Short-term Debt Prospectus Exemption's primary condition relates to credit ratings. Do credit ratings in this	See **A. General Comments on the Use of Credit Ratings**.	See **A. General Comments on the Use of Credit Ratings**.

Question	Comment	Response
context serve appropriate investor protection and market efficiency functions? Are there alternative or additional conditions that would materially enhance investor protection or financial stability?		
4. Should the Short-term Debt Prospectus Exemption be unavailable if: • a DRO has announced that a credit rating it has issued for the CP is under review and may be downgraded; and • that downgrade would result in the CP no longer satisfying both the Rating Threshold Condition and the Modified Split Rating Condition?	One commenter thought the exemption should be unavailable if a DRO has announced a credit rating is under review and may be downgraded so that the CP would no longer satisfy both the Rating Threshold Condition and the Modified Split Rating Condition. Other commenters did not think the exemption should be unavailable if a DRO has announced a credit rating is under review and may be downgraded so that the CP would no longer satisfy both the Rating Threshold Condition and the Modified Split Rating Condition. One commenter added that these announcements often result in no action being taken. The commenter thought the potential negative consequences to an issuer far outweigh the investor protection this provision would potentially provide.	We have not included a "no announcement" condition in the Short-term Debt Prospectus Exemption.