

**CSA Notice of Amendments
Relating to Designated Rating Organizations**

**Amendments to
National Instrument 31-103 *Registration Requirements, Exemptions and
Ongoing Registrant Obligations*,
National Instrument 33-109 *Registration Information*,
National Instrument 41-101 *General Prospectus Requirements*,
National Instrument 44-101 *Short Form Prospectus Distributions*,
National Instrument 44-102 *Shelf Distributions*,
National Instrument 45-106 *Prospectus Exemptions*,
National Instrument 51-102 *Continuous Disclosure Obligations*,
National Instrument 81-102 *Investment Funds*
and
National Instrument 81-106 *Investment Fund Continuous Disclosure*
and
Changes to
Companion Policy 21-101CP *Marketplace Operation*
and
Companion Policy 81-102CP *Investment Funds***

March 29, 2018

Introduction

The Canadian Securities Administrators (the **CSA** or **we**) are making amendments (the **Amendments**) to:

- National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**),
- National Instrument 33-109 *Registration Information* (**NI 33-109**),
- National Instrument 41-101 *General Prospectus Requirements* (**NI 41-101**),
- National Instrument 44-101 *Short Form Prospectus Distributions* (**NI 44-101**),
- National Instrument 44-102 *Shelf Distributions* (**NI 44-102**),
- National Instrument 45-106 *Prospectus Exemptions* (**NI 45-106**),
- National Instrument 51-102 *Continuous Disclosure Obligations* (**NI 51-102**),
- National Instrument 81-102 *Investment Funds* (**NI 81-102**), and
- National Instrument 81-106 *Investment Fund Continuous Disclosure* (**NI 81-106**).

We are also making changes (the **Changes**) to:

- Companion Policy 21-101CP *Marketplace Operation* (**21-101CP**), and

- Companion Policy 81-102CP *Investment Funds (81-102CP)*.

The Amendments and the Changes relate to designated rating organizations (**DROs**) and credit ratings of DROs. The text of the Amendments and the Changes is contained in Annexes C to M of this notice.

The Amendments and the Changes are expected to be made by each member of the CSA. In some jurisdictions, Ministerial approvals are required for the Amendments. Provided all necessary ministerial approvals are obtained, the Amendments and the Changes are effective on June 12, 2018. Where applicable, Annex N provides information about each jurisdiction's approval process.

Substance and Purpose

The Amendments and the Changes relate to an application by Kroll Bond Rating Agency, Inc. (**Kroll**) for designation as a DRO.

We are amending NI 44-101 and NI 44-102 to recognize credit ratings of Kroll, but only for the purposes of the alternative eligibility criteria in section 2.6 of NI 44-101 and section 2.6 of NI 44-102 for issuers of asset-backed securities (**ABS**) to file a short form prospectus or shelf prospectus, respectively (the **ABS Short Form Eligibility Criteria**).

The Amendments and Changes also address the following matters (the **Other Matters**):

- To ensure that Kroll credit ratings are only recognized for purposes of the ABS Short Form Eligibility Criteria, we included 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 included certain "housekeeping" revisions in the Amendments and the Changes.

Background

Currently, there are four DROs in Canada: S&P Global Ratings Canada (**S&P**), Moody's Canada Inc. (**Moody's**), Fitch Ratings, Inc. (**Fitch**) and DBRS Limited (**DBRS**).

Kroll has filed an application for designation as a DRO. The Ontario Securities Commission (**OSC**) is the principal regulator for the Kroll application. Kroll mainly operates in the United States.

Subject to confirmation and completion of certain matters by Kroll, staff are recommending that Kroll be designated as a DRO, but only for purposes of the ABS Short Form Eligibility Criteria. We are making the Amendments and Changes so that Kroll credit ratings are only recognized for purposes of the ABS Short Form Eligibility Criteria.

See Annex A for further background on, and explanation of, the Amendments and Changes relating to the Kroll application for designation as a DRO.

Summary of Written Comments Received by the CSA

On July 6, 2017, we published a Notice and Request for Comment relating to the Amendments and the Changes (the **July 2017 Materials**). The comment period for the July 2017 Materials ended on October 4, 2017. We received written submissions from one commenter. We have considered the comments received and thank the commenter for their input. The name of the commenter is contained in Annex B of this notice and a summary of their comments, together with our responses, are contained in Annex B of this notice. The comment letter can be viewed on the websites of each of:

- the Alberta Securities Commission at www.albertasecurities.com,
- the Autorité des marchés financiers at www.lautorite.qc.ca, and
- the Ontario Securities Commission at www.osc.gov.on.ca.

Summary of Changes

We revised the July 2017 Materials in relation to the Amendments and the Changes to include references to successor credit rating organizations if designated under securities legislation. These revisions will allow for future reorganizations of DROs without having to effect further rule and policy amendments. The revisions are reflected in the Amendments and the Changes we are publishing concurrently with this notice. As these changes are not material, we are not republishing the Amendments and the Changes for a further comment period.

Update on proposed amendments to National Instrument 25-101

The July 2017 materials also included proposed amendments to National Instrument 25-101 *Designated Rating Organizations* (**NI 25-101**). We are still considering the proposed amendments to NI 25-101 as a result of the written submissions we received from four commenters, including three existing DROs.

The proposed amendments to NI 25-101 were intended to reflect new requirements for credit rating organizations (**CROs**) in the European Union (**EU**) that must be included in NI 25-101 by June 1, 2018 in order for:

- the EU to continue to recognize the Canadian regulatory regime as “equivalent” for certain regulatory purposes in the EU (**EU equivalency**), and
- credit ratings of a Canadian office of a DRO to continue to be available for use for certain regulatory purposes in the EU.

The proposed amendments to NI 25-101 were also intended to reflect new provisions in the March 2015 version of the Code of Conduct Fundamentals for Credit Rating Agencies of the International Organization of Securities Commissions.

Recent EU developments

The EU regulation on credit rating agencies (the **EU CRA Regulation**) allows credit ratings issued outside the EU to be used for regulatory purposes in the EU when they are either:

- “endorsed” by CROs established in the EU, or
- issued by “certified” CROs.

After the end of the comment period for the July 2017 Materials, on November 17, 2017, the European Securities and Markets Authority (**ESMA**) published final technical guidance on the application of the EU's methodological framework for assessing third country legal and supervisory frameworks for purposes of the EU endorsement regime and the EU equivalence/certification regime (the **Fall 2017 ESMA Publications**).

- In the Fall 2017 ESMA Publications, ESMA indicated that ESMA is now of the view that it is less onerous for a third country's regulatory regime for CROs to meet the requirements for the EU endorsement regime than the EU equivalence/certification regime.
- This represents a change in ESMA's approach to EU equivalency matters under the EU CRA Regulation.
- We have asked ESMA for a formal decision that the current version of NI 25-101 is sufficient for the Canadian regime for DROs to continue to be recognized for the EU endorsement regime after the EU equivalency deadline of June 1, 2018.
- Since the existing DROs in Canada are only relying on the EU endorsement regime, such a formal decision would mean that the CSA would not have to finalize the proposed amendments to NI 25-101 before the EU equivalency deadline of June 1, 2018.
- Consequently, we plan to delay the proposed amendments to NI 25-101 until a later date in 2018. Those amendments would be required in order for the Canadian regime for DROs to be recognized for the EU equivalence/certification regime. Since the existing DROs in Canada are not relying on the EU equivalence/certification regime, there is no urgency to finalize the proposed amendments to NI 25-101 before the EU equivalency deadline of June 1, 2018.

Contents of Annexes

This notice includes the following annexes:

- Annex A sets out background on the Amendments and Changes relating to the Kroll application for designation as a DRO,
- Annex B sets out the name of the commenter and a summary of their comments, together with our responses,
- Annex C sets out the Amendments to NI 31-103,
- Annex D sets out the Amendments to NI 33-109,
- Annex E sets out the Amendments to NI 41-101,
- Annex F sets out the Amendments to NI 44-101,
- Annex G sets out the Amendments to NI 44-102,
- Annex H sets out the Amendments to NI 45-106,
- Annex I sets out the Amendments to NI 51-102,
- Annex J sets out the Amendments to NI 81-102,
- Annex K sets out the Amendments to NI 81-106,
- Annex L sets out the Change to 21-101CP, and
- Annex M sets out the Change to 81-102CP.

Where applicable, Annex N provides additional information relevant for local jurisdictions.

Questions

Please refer your questions to any of the following:

Michael Bennett
Senior Legal Counsel, Corporate Finance
Ontario Securities Commission
(416) 593-8079
mbennett@osc.gov.on.ca

Nazma Lee
Senior Legal Counsel, Corporate Finance
British Columbia Securities Commission
(604) 899-6867
nlee@bcsc.bc.ca

Lanion Beck
Senior Legal Counsel, Corporate Finance
Alberta Securities Commission
(403) 355-3884
lanion.beck@asc.ca

Alexandra Lee
Senior Policy Adviser, Corporate Finance
Autorité des marchés financiers
(514) 395-0337, ext. 4465
alexandra.lee@lautorite.qc.ca

Annex A

Background on Amendments and Changes Relating to Kroll Application for Designation as a DRO

Kroll application

Kroll has filed an application for designation as a DRO. The OSC is the principal regulator for the Kroll application.

Kroll's application is significant and novel since it is the first designation application from a credit rating organization whose credit ratings have:

- not previously been referred to in CSA rules and policies, and
- not generally been used in the Canadian marketplace.

Kroll mainly operates in the United States, where it is registered as a “nationally recognized statistical rating organization” with the United States Securities and Exchange Commission.

Regulatory approach to Kroll application

Under applicable securities legislation, the OSC can only make a designation for the purpose of allowing an applicant credit rating organization (a **DRO Applicant**) to satisfy:

- a requirement in securities law that a credit rating be given by a DRO, or
- a condition for an exemption under securities law that a credit rating be given by a DRO, (collectively, **Credit Rating Provisions**).

The Credit Rating Provisions serve a “minimum standards” function by establishing minimum levels of credit quality of securities for certain regulatory purposes (e.g., the availability of an exemption or an alternative process in a rule). The Credit Rating Provisions currently refer to specific credit ratings of the four existing DROs. It is therefore appropriate for the principal regulator to consider whether a DRO Applicant's credit ratings can satisfy this minimum standards function for specific Credit Rating Provisions.

This requires the principal regulator to consider the following as part of its designation decision:

- whether the DRO Applicant has sufficient experience and expertise in rating the particular types of securities and issuers covered by specific Credit Rating Provisions; and
- the appropriate credit rating level for the specific Credit Rating Provisions.

As a result, the principal regulator should only make its final designation order in conjunction with appropriate rule and policy amendments being made to the relevant Credit Rating Provisions.

Analysis of Kroll application

Based on the information provided by Kroll, it appears that Kroll has sufficient expertise and experience in rating ABS for purposes of the ABS Short Form Eligibility Criteria. Consequently, subject to confirmation and completion of certain matters, staff anticipate recommending that Kroll be designated as a DRO, but only:

- for the purposes of the ABS Short Form Eligibility Criteria, and
- following Ministerial approval of the Amendments.

At this time, staff do not anticipate recommending that Kroll be designated as a DRO for purposes of other Credit Rating Provisions.

Appropriate rating categories of Kroll for ABS Short Form Eligibility Criteria

Based on the information provided by Kroll, it appears that a Kroll long term credit rating of “BBB” and a Kroll short term credit rating of “K3” are the appropriate rating categories for purposes of the ABS Short Form Eligibility Criteria.

- Under the ABS Short Form Eligibility Criteria, an ABS issuer must have a “designated rating” from a DRO, which would include a long term credit rating at or above “BBB” (for DBRS, Fitch and S&P) or “Baa” (for Moody’s).
- As part of its work in determining the appropriate rating categories of Kroll, staff compared a large number of credit ratings of Kroll for numerous ABS issuers in the United States against those of DBRS, Fitch, S&P and Moody’s for the same issuers. This work allowed staff to consider whether Kroll regularly gave higher or lower credit ratings than its competitors.

Staff considered the experience of Kroll in rating ABS issuers in the United States to be relevant in determining the appropriate rating categories of Kroll for purposes of the ABS Short Form Eligibility Criteria.

Annex B

Summary of Comments and CSA Responses

We received written submissions from one commenter (The Canadian Advocacy Council for Canadian CFA Institute Societies) on the Amendments and the Changes.

No.	Subject	Summarized Comment	CSA Response
Specific questions relating to Kroll application for designation as a DRO			
1	Do you agree that a Kroll long term credit rating of “BBB” and a Kroll short term credit rating of “K3” would be the appropriate rating categories for purposes of the ABS Short Form Eligibility Criteria?	<p>The commenter submitted that:</p> <ul style="list-style-type: none"> • The ratings grid relating to the proposed amendments to the definition of “designated rating” in section 1.1 of NI 44-101 seems to imply that a credit rating from one of the DROs is equivalent to the same credit rating from Kroll. • Nonetheless, we do not have sufficient information with respect to the assumptions used by Kroll and the DROs in their rating methodologies for ABS to comment as to whether a Kroll long term rating of “BBB” and a Kroll short term rating of “K3” is equivalent to the credit ratings from the existing DROs. • However, based on its certifications, standards, experience with ABS and its transparency (for example, it makes available on its web site the methodologies and framework used for rating ABS securities), Kroll would appear to be an appropriate choice to rate ABS in Canada. 	<p>We thank the commenter for their input.</p> <p>As noted in the July 2017 Materials,</p> <ul style="list-style-type: none"> • Based on the information provided by Kroll, it appears that a Kroll long term credit rating of “BBB” and a Kroll short term credit rating of “K3” are the appropriate rating categories for purposes of the ABS Short Form Eligibility Criteria. • Under the ABS Short Form Eligibility Criteria, an ABS issuer must have a “designated rating” from a DRO, which would include a long term credit rating at or above “BBB” (for DBRS, Fitch and S&P) or “Baa” (for Moody’s). • As part of its work in determining the appropriate rating categories of Kroll, staff compared a large number of credit ratings of Kroll for numerous ABS issuers in the United States against those of DBRS, Fitch, S&P

No.	Subject	Summarized Comment	CSA Response
			<p>and Moody's for the same issuers. This work allowed staff to consider if Kroll regularly gave higher or lower credit ratings than its competitors.</p> <ul style="list-style-type: none"> • Staff considered the experience of Kroll in rating ABS issuers in the United States to be relevant in determining the appropriate rating categories of Kroll for purposes of the ABS Short Form Eligibility Criteria.
2	<p>We have considered the experience of Kroll in rating ABS issuers in the United States in determining the appropriate rating categories of Kroll for purposes of the ABS Short Form Eligibility Criteria. Do you agree that this U.S. experience is relevant to the Canadian marketplace?</p>	<p>The commenter submitted that Kroll's experience in the U.S. is relevant in the Canadian marketplace, especially since the market for ABS securities in the U.S. (particularly residential mortgage backed securities and commercial mortgage backed securities) experienced a more severe turmoil in the financial crisis than its Canadian counterpart (save for the asset-backed commercial paper sub-market).</p>	<p>We thank the commenter for their input.</p>
3	<p>Do you think there is an increased potential for rating shopping by ABS issuers if the Proposed Amendments are implemented? If so,</p>	<p>The commenter does not think there is an increased potential for rating shopping by ABS issuers. On the contrary, the commenter submitted that if Kroll is designated as a DRO, it will offer Canadian investors an additional and alternative credit perspective on ABS securities.</p> <p>The commenter also submitted that:</p> <ul style="list-style-type: none"> • The commenter released a survey of its members in the Americas region 	<p>We thank the commenter for their input.</p> <p>At this time, we do not propose to introduce requirements similar to those in SEC Rule 17g-5.</p>

No.	Subject	Summarized Comment	CSA Response
	why or why is that a concern?	<p>with a primary investment practice of fixed income in June 2014, which indicated that 24% of its members believe that removing regulatory requirements for financial firms to rely on ratings altogether would have the biggest positive impact on the reliability of credit ratings.</p> <ul style="list-style-type: none"> • In addition, 11% of its members believed that new entrants in the market had the biggest positive impact on the reliability of credit ratings. • Approximately 60% of participants in the survey indicated that all rating agency models have conflicts of interest (resulting in part from the issuer-pay model), and that increased transparency and competition would be the best solution. <p>The commenter noted that:</p> <ul style="list-style-type: none"> • In the U.S., SEC Rule 17g-5 requires NRSROs and certain “arrangers”, including issuers of structured finance products, to disclose to other rating organizations that the arranger is in the process of determining an initial credit rating, and each arranger must make the same information provided to the credit rating organization it hired available to the other rating organizations. • The SEC rule is intended in part to deal with the issue of rate shopping. • More prescriptive disclosure with respect to ratings under consideration, similar to what is specifically mandated by the SEC rule, could assist with additional transparency to the marketplace. 	



**Amendments to
National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing
Registrant Obligations***

1. ***National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations is amended by this Instrument.***

2. ***Section 1.1 is amended by replacing the definition of “designated rating” with the following:***

“designated rating” has the same meaning as in paragraph (b) of the definition of “designated rating” in National Instrument 81-102 *Investment Funds*;

3. ***Section 1.1 is amended by replacing the definition of “designated rating organization” with the following:***

“designated rating organization” has the same meaning as in National Instrument 44-101 *Short Form Prospectus Distributions*;

4. ***Section 1.1 is amended by adding the following definition:***

“successor credit rating organization” has the same meaning as in National Instrument 44-101 *Short Form Prospectus Distributions*;

5. ***Schedule 1 of Form 31-103F1 Calculation of Excess Working Capital is amended by replacing subparagraph (a)(i) with the following:***

(i) Bonds, debentures, treasury bills and other securities of or guaranteed by the Government of Canada, of the United Kingdom, of the United States of America or of any other national foreign government (provided those foreign government securities have a current credit rating described in subparagraph (i.1)) maturing (or called for redemption):

within 1 year: 1% of fair value multiplied by the fraction determined by dividing the number of days to maturing by 365

over 1 year to 3 years: 1% of fair value

over 3 years to 7 years: 2% of fair value

over 7 years to 11 years: 4% of fair value

over 11 years 4% of fair value

- (i.1) A credit rating from a designated rating organization listed below, from a DRO affiliate of an organization listed below, from a designated rating organization that is a successor credit rating organization of an organization listed below or from a DRO affiliate of such successor credit rating organization, that is the same as one of the following corresponding rating categories or that is the same as a category that replaces one of the following corresponding rating categories:

Designated Rating Organization	Long Term Debt	Short Term Debt
DBRS Limited	AAA	R-1(high)
Fitch Ratings, Inc.	AAA	F1+
Moody's Canada Inc.	Aaa	Prime-1
S&P Global Ratings Canada	AAA	A-1+

6. This Instrument comes into force on June 12, 2018.



**Amendments to
National Instrument 33-109 *Registration Information***

1. ***National Instrument 33-109 Registration Information is amended by this Instrument.***
2. ***Schedule C of Form 33-109F6 Firm Registration is amended, under the heading “Schedule 1 of Form 31-103F1 Calculation of Excess Working Capital”, by replacing subparagraph (a)(i) with the following:***
 - (i) Bonds, debentures, treasury bills and other securities of or guaranteed by the Government of Canada, of the United Kingdom, of the United States of America or of any other national foreign government (provided those foreign government securities have a current credit rating described in subparagraph (i.1)) maturing (or called for redemption):

within 1 year: 1% of fair value multiplied by the fraction determined by dividing the number of days to maturing by 365

over 1 year to 3 years: 1% of fair value

over 3 years to 7 years: 2% of fair value

over 7 years to 11 years: 4% of fair value

over 11 years 4% of fair value
 - (i.1) A credit rating from a designated rating organization listed below, from a DRO affiliate of an organization listed below, from a designated rating organization that is a successor credit rating organization of an organization listed below or from a DRO affiliate of such successor credit rating organization, that is the same as one of the following corresponding rating categories or that is the same as a category that replaces one of the following corresponding rating categories:

Designated Rating Organization	Long Term Debt	Short Term Debt
DBRS Limited	AAA	R-1(high)
Fitch Ratings, Inc.	AAA	F1+
Moody's Canada Inc.	Aaa	Prime-1
S&P Global Ratings Canada	AAA	A-1+

3. This Instrument comes into force on June 12, 2018.



**Amendments to
National Instrument 41-101 *General Prospectus Requirements***

1. ***National Instrument 41-101 General Prospectus Requirements is amended by this Instrument.***
2. ***Section 1.1 is amended by replacing the definition of “designated rating organization” with the following:***

“designated rating organization” has the same meaning as in National Instrument 44-101 *Short Form Prospectus Distributions*;
3. ***Section 1.1 is amended by adding the following definition:***

“successor credit rating organization” has the same meaning as in National Instrument 44-101 *Short Form Prospectus Distributions*;
4. ***Section 7.2 is amended,***
 - (a) ***in subsection (2), by adding “and subject to subsection (2.1),” after “Despite subsection (1),”,***
 - (b) ***in subsection (2), by replacing “received a rating” with “received a credit rating”, and***
 - (c) ***by adding the following subsection after subsection (2):***
 - (2.1) If the only credit ratings of the securities referred to in subsection (2) are from Kroll Bond Rating Agency, Inc., its DRO affiliate, any successor credit rating organization of Kroll Bond Rating Agency, Inc. or any DRO affiliate of any successor credit rating organization of Kroll Bond Rating Agency, Inc., subsection (2) does not apply unless the distribution is of asset-backed securities..
5. ***Subsection 19.1(3) is amended by adding “Alberta and” before “Ontario”.***
6. This Instrument comes into force on June 12, 2018.



**Amendments to
National Instrument 44-101 *Short Form Prospectus Distributions***

1. ***National Instrument 44-101 Short Form Prospectus Distributions is amended by this Instrument.***
2. ***Section 1.1 is amended by replacing the definition of “designated rating” with the following:***

“designated rating” means the following:

- (a) for the purposes of paragraph 2.6(1)(c), a credit rating from a designated rating organization listed in this paragraph, from a DRO affiliate of an organization listed in this paragraph, from a designated rating organization that is a successor credit rating organization of an organization listed in this paragraph or from a DRO affiliate of such successor credit rating organization, that is at or above one of the following corresponding rating categories or that is at or above a category that replaces one of the following corresponding rating categories:

Designated Rating Organization	Long Term Debt	Short Term Debt	Preferred Shares
DBRS Limited	BBB	R-2	Pfd-3
Fitch Ratings, Inc.	BBB	F3	BBB
Kroll Bond Rating Agency, Inc.	BBB	K3	BBB
Moody’s Canada Inc.	Baa	Prime-3	Baa
S&P Global Ratings Canada	BBB	A-3	P-3

- (b) except as described in paragraph (a), a credit rating from a designated rating organization listed in this paragraph, from a DRO affiliate of an organization listed in this paragraph, from a designated rating organization that is a successor credit rating organization of an organization listed in this paragraph or from a DRO affiliate of such successor credit rating organization, that is at or above one of the following corresponding rating categories or that is at or above a category that replaces one of the following corresponding rating categories:

Designated Rating Organization	Long Term Debt	Short Term Debt	Preferred Shares
DBRS Limited	BBB	R-2	Pfd-3
Fitch Ratings, Inc.	BBB	F3	BBB
Moody's Canada Inc.	Baa	Prime-3	Baa
S&P Global Ratings Canada	BBB	A-3	P-3

3. **Section 1.1 is amended by replacing the definition of “designated rating organization” with the following:**

“designated rating organization” means,

- (a) if designated under securities legislation, any of
 - (i) DBRS Limited, Fitch Ratings, Inc., Kroll Bond Rating Agency, Inc., Moody's Canada Inc. or S&P Global Ratings Canada,
 - (ii) a successor credit rating organization of a credit rating organization listed in subparagraph (i), or
- (b) any other credit rating organization designated under securities legislation;.

4. **Section 1.1 is amended by adding the following definition:**

“successor credit rating organization” means, with respect to a credit rating organization, any credit rating organization that succeeded to or otherwise acquired all or substantially all of another credit rating organization's business in Canada, whether through a restructuring transaction or otherwise, if that business was, at any time, owned by the first-mentioned credit rating organization;.

5. **Subsection 8.1(4) is amended by adding “Alberta and” before “Ontario”.**

6. This Instrument comes into force on June 12, 2018.



**Amendments to
National Instrument 44-102 *Shelf Distributions***

1. ***National Instrument 44-102 Shelf Distributions is amended by this Instrument.***

2. ***Subsection 1.1(1) is amended by adding the following definition:***

“designated rating” has,

- (a) for the purposes of section 2.6, the meaning ascribed to that term in paragraph (a) of the definition of “designated rating” in NI 44-101, and
- (b) except as described in paragraph (a), the meaning ascribed to that term in paragraph (b) of the definition of “designated rating” in NI 44-101;.

3. ***Subsection 11.1(2.1) is amended by adding “Alberta and” before “Ontario”.***

4. This Instrument comes into force on June 12, 2018.



**Amendments to
National Instrument 45-106 Prospectus Exemptions**

1. ***National Instrument 45-106 Prospectus Exemptions is amended by this Instrument.***
2. ***Section 1.1 is amended by replacing the definition of “designated rating” with the following:***

“designated rating” has the same meaning as in paragraph (b) of the definition of “designated rating” in National Instrument 81-102 *Investment Funds*;
3. ***Section 1.1 is amended by replacing the definition of “designated rating organization” with the following:***

“designated rating organization” has the same meaning as in National Instrument 44-101 *Short Form Prospectus Distributions*;
4. ***Section 1.1 is amended by adding the following definition:***

“successor credit rating organization” has the same meaning as in National Instrument 44-101 *Short Form Prospectus Distributions*;
5. ***Subsection 2.35(1) is amended by replacing paragraphs (b) and (c) with the following:***
 - (b) the note or commercial paper has a credit rating from a designated rating organization listed below, from a DRO affiliate of an organization listed below, from a designated rating organization that is a successor credit rating organization of an organization listed below or from a DRO affiliate of such successor credit rating organization, that is at or above one of the following corresponding rating categories or that is at or above a category that replaces one of the following corresponding rating categories:
 - (i) R-1(low) - DBRS Limited;
 - (ii) F1 - Fitch Ratings, Inc.;
 - (iii) P-1 - Moody’s Canada Inc.;

- (iv) A-1(Low) (Canada national scale) - S&P Global Ratings Canada;
- (c) the note or commercial paper has no credit rating from a designated rating organization listed below, from a DRO affiliate of an organization listed below, from a designated rating organization that is a successor credit rating organization of an organization listed below or from a DRO affiliate of such successor credit rating organization, that is below one of the following corresponding rating categories or that is below a category that replaces one of the following corresponding rating categories:
 - (i) R-1(low) - DBRS Limited;
 - (ii) F2 - Fitch Ratings, Inc.;
 - (iii) P-2 - Moody's Canada Inc.;
 - (iv) A-1(Low) (Canada national scale) or A-2 (global scale) - S&P Global Ratings Canada..

6. The Instrument is amended by adding the following section immediately before section 2.35.2:

Definition applicable to section 2.35.2

2.35.1.1 For the purposes of paragraph 2.35.2(a), a reference to "designated rating organization" includes the DRO affiliates of the organization, a designated rating organization that is a successor credit rating organization of the designated rating organization and the DRO affiliates of such successor credit rating organization..

7. Section 2.35.2 is amended by replacing subparagraphs (a)(i) and (a)(ii) with the following:

- (i) it has a credit rating from not less than two designated rating organizations listed below and at least one of the credit ratings is at or above one of the following corresponding rating categories or is at or above a category that replaces one of the following corresponding rating categories:
 - (A) R-1(high)(sf) - DBRS Limited;
 - (B) F1+sf - Fitch Ratings, Inc.;
 - (C) P-1(sf) - Moody's Canada Inc.;
 - (D) A-1(High)(sf) (Canada national scale) or A-1+(sf) (global scale) - S&P Global Ratings Canada;

(ii) it has no credit rating from a designated rating organization listed below that is below one of the following corresponding rating categories or that is below a category that replaces one of the following corresponding rating categories:

- (A) R-1(low)(sf) - DBRS Limited;
- (B) F2sf - Fitch Ratings, Inc.;
- (C) P-2(sf) - Moody's Canada Inc.;
- (D) A-1(Low)(sf) (Canada national scale) or A-2(sf) (global scale) - S&P Global Ratings Canada;.

8. Section 2.35.2 is amended by replacing clause (a)(iv)(C) with the following:

(C) the liquidity provider has a credit rating from each of the designated rating organizations providing a credit rating on the short-term securitized product referred to in subparagraph 2.35.2(a)(i), for its senior, unsecured short-term debt, none of which is dependent upon a guarantee by a third party, and each credit rating from those designated rating organizations is at or above the following corresponding rating categories or is at or above a category that replaces one of the following corresponding rating categories:

- 1. R-1(low) - DBRS Limited;
- 2. F2 - Fitch Ratings, Inc.;
- 3. P-2 - Moody's Canada Inc.;
- 4. A-1(Low) (Canada national scale) or A-2 (global scale) - S&P Global Ratings Canada;.

9. This Instrument comes into force on June 12, 2018.



**Amendments to
National Instrument 51-102 *Continuous Disclosure Obligations***

1. ***National Instrument 51-102 Continuous Disclosure Obligations is amended by this Instrument.***
2. ***Section 1.1 is amended by repealing the definitions of “designated rating organization” and “DRO affiliate”.***
3. ***Subsection 13.1(3) is amended by adding “Alberta and” before “Ontario”.***
4. This Instrument comes into force on June 12, 2018.



**Amendments to
National Instrument 81-102 *Investment Funds***

1. ***National Instrument 81-102 Investment Funds is amended by this Instrument.***
2. ***Section 1.1 is amended by replacing the definition of “designated rating” with the following:***

“designated rating” means,

- (a) for the purposes of paragraph 4.1(4)(b), a designated rating under paragraph (b) of the definition of “designated rating” in National Instrument 44-101 *Short Form Prospectus Distributions*, or
- (b) except as described in paragraph (a), a credit rating from a designated rating organization listed below, from a DRO affiliate of an organization listed below, from a designated rating organization that is a successor credit rating organization of an organization listed below or from a DRO affiliate of such successor credit rating organization, that is at or above one of the following corresponding rating categories, or that is at or above a category that replaces one of the following corresponding rating categories, if
 - (i) there has been no announcement from the designated rating organization, from a DRO affiliate of the organization, from a designated rating organization that is a successor credit rating organization or from a DRO affiliate of such successor credit rating organization, of which the investment fund or its manager is or reasonably should be aware that the credit rating of the security or instrument to which the designated rating was given may be down-graded to a rating category that would not be a designated rating, and
 - (ii) no designated rating organization listed below, no DRO affiliate of an organization listed below, no designated rating organization that is a successor credit rating organization of an organization listed below and no DRO affiliate of such successor credit rating organization, has rated the security or instrument in a rating category that is not a designated rating:

Designated Rating Organization	Commercial Paper/Short Term Debt	Long Term Debt
DBRS Limited	R-1 (low)	A
Fitch Ratings, Inc.	F1	A
Moody's Canada Inc.	P-1	A2
S&P Global Ratings Canada	A-1 (Low)	A

3. **Section 1.1 is amended by replacing the definition of “designated rating organization” with the following:**

“designated rating organization” means, if designated under securities legislation, any of

- (a) DBRS Limited, Fitch Ratings, Inc., Moody's Canada Inc. or S&P Global Ratings Canada, or
- (b) a successor credit rating organization of a credit rating organization listed in paragraph (a);.

4. **Subsection 1.1 is amended by adding the following definition:**

“successor credit rating organization” means, with respect to a credit rating organization, any credit rating organization that succeeded to or otherwise acquired all or substantially all of another credit rating organization's business in Canada, whether through a restructuring transaction or otherwise, if that business was, at any time, owned by the first-mentioned credit rating organization;.

5. **Subsection 4.1(4.1) is repealed.**

6. This Instrument comes into force on June 12, 2018.



**Amendments to
National Instrument 81-106 *Investment Fund Continuous Disclosure***

1. ***National Instrument 81-106 Investment Fund Continuous Disclosure is amended by this Instrument.***
2. ***Section 1.1 is amended by adding the following definition:***

“designated rating” has the same meaning as in paragraph (b) of the definition of “designated rating” in National Instrument 81-102 *Investment Funds*;
3. ***Subsection 1.3(2) is amended by replacing “Terms defined” with “Unless defined in section 1.1 of this Instrument, terms defined”.***
4. This Instrument comes into force on June 12, 2018.



Change to
Companion Policy 21-101CP Marketplace Operation

1. *Companion Policy 21-101CP Marketplace Operation is changed by this Document.*
2. *Subsection 10.1(6) is replaced with the following:*

- (6) An “investment grade corporate debt security” is a corporate debt security that has a credit rating from a designated rating organization listed below, from a DRO affiliate of an organization listed below, from a designated rating organization that is a successor credit rating organization of an organization listed below or from a DRO affiliate of such successor credit rating organization, that is at or above one of the following corresponding rating categories or that is at or above a category that replaces one of the following corresponding rating categories:

Designated Rating Organization	Long Term Debt	Short Term Debt
DBRS Limited	BBB	R-2
Fitch Ratings, Inc.	BBB	F3
Moody’s Canada Inc.	Baa	Prime-3
S&P Global Ratings Canada	BBB	A-3

In this subsection,

“designated rating organization” has the same meaning as in National Instrument 44-101 *Short Form Prospectus Distributions*;

“DRO affiliate” has the same meaning as in National Instrument 25-101 *Designated Rating Organizations*; and

“successor credit rating organization” has the same meaning as in National Instrument 44-101 *Short Form Prospectus Distributions*.

3. This change becomes effective on June 12, 2018.



**Change to
Companion Policy 81-102CP *Investment Funds***

1. *Companion Policy 81-102CP Investment Funds is changed by this Document.*
2. *Section 3.1 is deleted.*
3. This change becomes effective on June 12, 2018.