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DELIVERED BY E-MAIL

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Dear Sirs/Mesdames:

Re: Proposed Amendments to National Instrument 45-106 Prospectus and Registration Exemptions Relating to the Short-term Debt Prospectus Exemption and Proposed Securitized Products Amendments (the "Proposed Amendments") – Notice of Publication and Request for Comment (the "Notice and Request for Comment")

This comment letter is submitted in response to the Notice and Request for Comment published by the Canadian Securities Administrators (the "**CSA**") on January 23, 2014, in connection with the Proposed Amendments.

These submissions represent my personal comments (and not those of the firm or any client) and are submitted without prejudice to any position taken or that may be taken by our firm on its own behalf or on behalf of any client.

I am supportive of efforts to codify the credit ratings requirement that short-term debt securities must satisfy in order to be distributed under the short-term debt prospectus exemption in section 2.35 of NI 45-106 (the "**Short-Term Debt Prospectus Exemption**").

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This letter only addresses the proposed amendments to the Short-Term Debt Prospectus Exemption (the "**Proposed Short Term Debt Amendments**") as set out in the Notice and Request for Comment.

A. Background

The Notice and Request for Comment efficiently summarizes the characteristics of commercial paper ("**CP**") and its role in the Canadian debt capital markets. I agree with the position of the CSA that changes to the securities regulation of CP are not necessary at this time.

The Split Rating Condition (as defined in the Notice and Request for Comment) has caused issues for many blue-chip issuers of CP and has impacted market fairness and efficiency. Exemptive relief from the Split Rating Condition has become common and has been issued routinely since 2006 (the "**Existing CP Ratings Relief**"). The codification of such relief is a welcome advancement towards market fairness and efficiency in this regard.

As set out in the Notice and Request for Comment, the Proposed Short Term Debt Amendments are intended to:

- remove the regulatory disincentive for some CP issuers to obtain an additional credit rating;
- provide consistent treatment of CP issuers with similar credit risk; and
- maintain the current credit quality of CP distributed under the Short-Term Debt Prospectus Exemption.

It is my view that the Proposed Short Term Amendments adequately address the second and third goals. However, and as discussed below, the regulatory disincentive to obtain additional credit ratings has not been properly addressed with the Modified Split Ratings Condition (as defined in the Notice and Request for Comment) and, I submit, would be more appropriately addressed by codifying the Existing CP Ratings Relief. Such codification satisfies all of the goals set out above and would be consistent with regulation of the CP market since early 2006 when the Existing CP Ratings Relief was first granted.

B. Responses to Questions 1 and 4 on the Proposed Short-Term Debt Amendments

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?*

   A Modified Split Rating Condition is not necessary to achieve the objective of maintaining minimum credit quality standards for CP issued through the Short-Term Debt Prospectus Exemption.

The ratings thresholds set out in the Existing CP Ratings Relief are very high on a relative basis and are only applied to securities of strong credit quality. CP issuers that obtain one of these ratings are recognized as being of strong creditworthiness and, accordingly, should satisfy the objective of maintaining minimum credit quality standards for CP issued through a the Short-Term Debt Prospectus Exemption.

The Modified Split Rating Condition would create a regulatory disincentive for CP issuers obtaining additional ratings. From a practical perspective, if a CP issuer was to have a satisfactory rating in the first instance, but was going to receive a subsequent rating that did not satisfy the minimum standard, that issuer would be less likely to seek such additional rating. This would result in the CP issuer being able to continue to make use of the Short Term Debt Prospectus Exemption, but the market would not have the benefit of the information in respect of the lower credit rating.

The Existing CP Ratings Relief should be codified. The Modified Split Rating Condition is not required and does not remove the regulatory disincentive for CP issuers to obtain additional ratings.

Based on the CSA's analysis of exemptive relief orders, the large majority of issuers that have obtained the Existing CP Ratings Relief would be able to rely on the Short-Term Debt Prospectus Exemption as amended by the Proposed Short-Term Debt Amendments. Further, the CSA provides that issuers of CP that would not satisfy the Short-Term Debt Prospectus Exemption as amended could apply for exemptive relief which would be considered on a case-by-case basis. One must assume that this relief would be issued to address a situation where an issuer has a rating below those set out in the Proposed Short Term Debt Amendments. Given that the CSA acknowledge that some issuers currently benefitting from the Existing CP Ratings Relief would not qualify under the Proposed Short-Term Debt Amendments, I do not see why such issuers should be forced to apply for relief, particularly given the CSA have not identified any reasons why such issuers should not be able to continue to rely on the Short Term Debt Prospectus Exemption. This occurred in 2005 with the introduction of the current requirements which were immediately determined to be contrary to the market practice, necessitating relief which has, over time, effectively replaced the existing regime with respect to the Short-Term Debt Prospectus Exemption. It has taken almost 9 years to address this issue with the Existing CP Ratings Relief issued on a regular basis to bridge the gap between the rules and practical market realities. Presumably the CSA does not want to exclude existing CP issuers on the basis of a Modified Split Rating Condition and would issue the necessary relief. If that is the case, it would be much more expedient and equitable to codify the Existing CP Ratings Relief and treat relief applications on a much more stringent basis.

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*

No. An announcement that a credit rating is under review should not trigger the loss of the Short-Term Debt Prospectus Exemption. Until a credit rating is actually downgraded, no regulatory consequences should occur.

• *that downgrade would result in the CP no longer satisfying both the Rating Threshold Condition and the Modified Split Rating Condition?*

As set out above, I am of the opinion that the Existing CP Ratings Relief should be codified rather than the implementation of the Proposed Short Term Debt Amendments.

Please do not hesitate to contact the undersigned if you have any questions or would like to discuss this letter.

Yours Truly,

"Timothy McCormick"

Timothy McCormick