

March 31, 2025

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission, New Brunswick
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Office of the Superintendent of Securities, Service Newfoundland and Labrador
Northwest Territories Office of the Superintendent of Securities
Office of the Yukon Superintendent of Securities
Nunavut Securities Office

c/o

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor, Box 55
Toronto, Ontario M5H 3S8

By email: comments@osc.gov.on.ca

KBRA Comments on Canadian Securities Administrators Staff Notice and Consultation 11-348 – Applicability of Canadian Securities Laws and the Use of Artificial Intelligence Systems in Capital Markets

Kroll Bond Rating Agency ("KBRA")¹ welcomes the opportunity to provide comments the Canadian Securities Administrators ("CSA") Staff Notice and Consultation 11-348 – Applicability of Canadian Securities Laws and the Use of Artificial Intelligence Systems in Capital Markets (the "Staff Notice"). As a credit rating agency ("CRA") and Designated Rating Organization ("DRO"), KBRA's core mission is to provide independent, transparent, and thorough credit analysis and research. We welcome policy and regulatory initiatives that are aligned with these objectives and commend the CSA for proactively considering the applicable legal and regulatory frameworks for the use of artificial intelligence ("AI") within capital markets.

KBRA supports the CSA's constructive approach in providing clarity and guidance on how securities legislation applies to the use of AI systems by capital market participants. The Staff Notice reflects the range of unique opportunities and potential complexities introduced by AI systems and appropriately emphasizes principles of transparency, explainability, and governance when integrating AI into business activities, including credit rating activities. These are also core aspects of the DRO regulatory framework

¹ Kroll Bond Rating Agency, LLC is a Designated Rating Organization (DRO) in Canada pursuant to National Instrument 25-101 ("NI 25-101"). KBRA Europe is designated as a "DRO affiliate" pursuant to NI 25-101. Additional information is available at: <https://www.osc.ca/en/securities-law/orders-rulings-decisions/kroll-bond-rating-agency-inc-0>.



and are equally well-suited for application to the use of AI by DROs and by capital market participants more broadly. As KBRA explores opportunities to use AI, we apply these same principles to align any potential AI initiatives with our core values and strategic objectives and to foster the appropriate and effective use of AI technology to support our operations.

We also agree that a principles-based approach to regulatory oversight over the use of AI systems in capital markets is appropriate. As observed in the Staff Notice, in many respects, securities legislation is principles-based to “allow laws to be interpreted to fit different ways of undertaking an activity.”² Given the nature of AI and its relatively nascent introduction to the capital markets, it would be premature to consider a set of rules or regulations specific to the use of AI in capital markets. It is critical that securities laws are not frozen in time, but rather can be applied to protect investors and other market participants while also enabling technology and market practice to continue to evolve and mature. We caution against adopting hardwired rules or regulation that will quickly become outdated and outmoded, and that could inadvertently stifle innovation and undermine growth in the capital markets.

Finally, KBRA welcomes the CSA’s efforts to monitor legislative and policy efforts related to AI systems, at the provincial, national, and international levels, and the impact of such efforts on market participants. We encourage continued CSA collaboration with international regulatory bodies to harmonize AI oversight standards, providing greater certainty to market participants operating across jurisdictions.

We look forward to ongoing engagement with the CSA on this important matter.

² Staff Notice at 47 OSCB 9308.