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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
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Nunavut

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Dear Sirs/Mesdames:

Proposed Amendments to National Instrument 25-101 *Designated Rating Organizations* (NI 25-101) and Certain Other Related Instruments and Policies (the Proposed Amendments)

DBRS is writing in response to the publication of the CSA Notice and Request for Comment relating to Designated Rating Organizations published on July 2, 2017 and found at (2017) 40 OSCB 5815.

DBRS was formed in 1976 and is independently owned and operated. DBRS is Canada's leading credit rating agency (**CRA**), with offices in Toronto, New York, Chicago, London and Mexico City.[1] DBRS's role in Canada is of particular significance, with comprehensive ratings coverage for all provinces, virtually all corporate entities, major banks and

[1] The DBRS group of companies consists of DBRS, Inc. (U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings Limited (England and Wales)(CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings México, Institución Calificadora de Valores, S.A. de C.V. (Mexico)(CRA, NRSRO affiliate, DRO affiliate).

Douglas E. Turnbull
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insurance companies, and asset-backed securities. DBRS is the primary CRA in Canada for term securities, commercial paper, and preferred shares, and is the only CRA that focuses on emerging Canadian companies. As the only Canadian-based CRA, DBRS believes it plays a unique and critical role in the Canadian marketplace. However, despite its significance in Canada, DBRS nevertheless remains a small CRA when compared to the "big three" credit rating agencies that predominate the global credit ratings marketplace.[2]

DBRS very much appreciates the opportunity to provide the CSA with its comments on the Proposed Amendments.

A. General comments

While the CSA observes that the rules contained in the proposed amendments provide additional safeguards that may also benefit investors, DBRS understands that the drivers for the amendments are to satisfy the EU Commission that Canada's regulatory regime is "equivalent" for regulatory purposes and to incorporate updates that IOSCO suggested in its 2015 update to its *Code of Conduct Fundamentals for Credit Rating Agencies* (the **2015 IOSCO Code**).

DBRS supports the CSA's objective to maintain EU equivalency. However, DBRS believes that the proposed amendments go beyond both what is necessary to maintain equivalency and, in certain cases, IOSCO's suggestions, and that such amendments, if adopted, will cause designated rated organizations (**DROs**) to incur costs beyond those incurred to revise their codes of conduct and policies and procedures. Furthermore, while these costs can more easily be absorbed by the Big Three CRAs, regulatory cost presents a disproportionate burden for smaller CRAs such as DBRS. As such, DBRS respectfully requests that the CSA reconsider either the adoption or the form of many of the amendments it has proposed, including those that DBRS specifically addresses herein.

EU Equivalency

Although each of the Big Three CRAs and DBRS operate on a global basis, the evolution of regulatory requirements over the last decade has fundamentally occurred on either a national or regional basis. Our experience has been that while all jurisdictions are attempting to achieve the same objectives of investor protection and financial stability – objectives DBRS shares – EU regulations approach these objectives in a manner that can be more costly and prescriptive in comparison to the other regulatory regimes to which DBRS is subject. These burdens can be detrimental to a competitive landscape within the marketplace that is currently dominated by the Big Three CRAs.[3]

DBRS understands the CSA's objective is to ensure that the Canadian regulatory regime continues to be regarded as "equivalent" by the EU, which in turn will help allow DROs to have their ratings endorsed by their EU affiliate for use

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2 The three biggest credit rating agencies globally (the **Big Three CRAs**) are Moody's Investment Service Inc., S&P Global Ratings and Fitch Ratings, Inc. each of which is significantly larger, on a global basis, than DBRS.

3 As an example, ESMA reported that for the Big Three CRAs, cost of compliance (excluding supervisory fees) represent less than 1% of their total annual revenues while some smaller CRAs have estimated that their compliance costs may account for up to 10% of their total annual revenues. See ESMA's Technical Advice 30 September 2015. Meanwhile, the aggregate market share of the Big Three CRAs in Europe continues to increase, from 90% in 2014, to 92% in 2015, to 92.85% in 2016. See ESMA's December 2016 market share report.

Douglas E. Turnbull
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in the EU. However, DBRS asks that this is achieved in a way that is sensitive to the burdens that may be imposed on smaller credit rating agencies, including DBRS. As the CSA is aware, ESMA does not require third country regimes to have identical requirements in order to find equivalency, so long as the objectives of the EU rules are met – objectives that DBRS submits are largely met by the well-crafted Canadian regulations already in place. DBRS therefore strongly urges that any amendment to NI 25-101 is in a manner that maintains Canada's principles-based approach to CRA regulation and is sensitive to the regulatory burdens that may be imposed upon CRAs, particularly smaller CRAs.

2015 IOSCO Code

DBRS understands that the initial development of NI 25-101 was influenced by the May 2008 IOSCO *Code of Conduct Fundamentals for Credit Rating Agencies*, which was subsequently updated in 2015. DBRS has updated its own *Business Code of Conduct* to conform to the 2015 IOSCO Code.

However, DBRS notes that, as with its predecessor, the provisions of the 2015 IOSCO Code were developed in the context of a voluntary "comply or explain" regime, and DBRS submits that in some circumstances, elements of this flexibility must be preserved if they are to be incorporated into Canadian securities law. Such flexibility would permit DROs to achieve the objectives of the 2015 IOSCO Code and NI 25-101 without the burden of overly proscriptive, "one size fits all" solutions that would be mandated by legislation. Such flexibility is essential to promote desirable competition within the CRA industry.

B. Comments on Specific Amendments

DBRS has the following comments on specific elements of the Proposed Amendments.

1. Significant Security Holders (Section 1 of NI 25-101 and section 3.6.1(b) of Appendix A)

The Proposed Amendments introduce the concept of a DRO having a "significant security holder" (**Significant Security Holder**), and would add section 3.6.1 to Appendix A that would prohibit a DRO from rating any entity

(a) in which a Significant Security Holder had a significant equity interest, or

(b) in which a director or officer of the Significant Security Holder was also a director or officer.

DBRS has concerns with respect to the scope of the proposed definition of Significant Security Holder, as well as the application of the prohibition in proposed section 3.6.1(b) of Appendix A.

<u>Definition of Significant Security Holder</u>

DBRS acknowledges that rating an entity in which a Significant Security Holder has significant equity interest can potentially give rise to either a perceived or actual conflict of interest. However, DBRS questions whether that is necessarily the case just because the shareholder owns 10% of the DRO and the rated entity, particularly if no other indicia of control are present or if there are countervailing considerations, such as the existence of a third party controlling shareholder in one or both entities. As a result, DBRS believes the Proposed Amendments may operate

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to prevent a DRO from rating an entity where there is insufficient basis for presuming that the rating would be influenced by a conflict of interest.

DBRS recognizes greater risk of conflict in more traditional organizational structures wherein the CRA is an operating subsidiary of a larger organization engaged in a variety of businesses through closely held affiliates and with unified interests and strong influence from individuals in entities up the chain, or where a security holder is otherwise actively involved in or influences the operations – and particularly the credit rating operations – of the CRA. However, security ownership and influence can take different forms that do not necessarily present the same risk of conflict. DBRS's ownership structure presents such an example. DBRS's Significant Security Holders (as defined in the Proposed Amendments) are private equity ventures. They own interests in multiple entities across a wide spectrum of industries that have no or very little interaction with DBRS. DBRS's Significant Security Holders each have only minority representation on the board of DBRS's parent company, do not sit on DBRS's supervisory boards and do not participate in or seek to influence DBRS's ratings operations. In fact, because of DBRS's ownership and voting structure, neither Significant Security Holder can unilaterally cause DBRS to take any action.

Further, to the extent that an analyst becomes aware of the relationship and believes such a relationship to be problematic, the existing conflict of interest provisions found in Part 3 of Appendix A to NI 25-101 are sufficient to address the concern.

Therefore, DBRS submits that the conflict of interest objective the proposed amendments seek to address can be better achieved by focusing on specific types of undesirable influence or control and seeking to mitigate or prevent it, rather than adopting a purely formulaic prohibition that does not account for variations in organizational form and influence such as described above. DBRS notes that under US federal securities law, while a CRA is prohibited from rating an entity if a common parent "controls" both it and the entity it seeks to rate, the term "control" is left flexible to cover a variety of circumstances where undue influence may be present and is not defined by reference to an arbitrary percentage ownership threshold.[4]

Application of Section 3.6.1(b) of Appendix A

DBRS further questions the need for the outright prohibition in section 3.6.1(b), which would prohibit a DRO from rating any entity in which a director or officer of a Significant Security Holder was also a director or officer. DBRS submits that this provision goes beyond that imposed in other jurisdictions, and is unnecessary in light of a DRO's other obligations to manage conflicts of interest.

For example, DBRS notes that US federal securities law limits the prohibited conflicts of interest with a CRA's shareholders and their other investees to situations where the nationally recognized statistical rating organization (or **NRSRO**) issues or maintains a credit rating with respect to a person associated with the NRSRO, with "association" defined by reference to "control." [5] In addition, US federal securities law prohibits an NRSRO from issuing or

[4] Securities Exchange Act of 1934, Section 3(63) and Rule 17g-5(c)(3).

[5] Id.

Douglas E. Turnbull
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maintaining a credit rating where a *credit analyst* who participated in determining the credit rating, or a person responsible for approving the credit rating, is an officer or director of the person that is subject to the credit rating.[6]

The US regulatory approach is similar in this regard to the approach taken in the 2015 IOSCO Code.[7]

DBRS submits that section 3.6.1(b) also goes beyond that required by the EU, in that the comparable EU restriction applies only to restrict the issuance of a credit rating or a rating outlook where:

> *a shareholder … holding 10 % or more of either the capital or the voting rights of that credit rating agency or being otherwise in a position to exercise significant influence on the business activities of the credit rating agency, is a member of the administrative or supervisory board of the rated entity or a related third party.*[8]

On its face, the EU prohibition applies only to a shareholder of a CRA, and does not extend to a shareholder's officers and directors. Since a non-individual cannot sit on a board, the provision presumably only applies to individual shareholders. The provision would not be applicable where a director or officer of a CRA shareholder acted as a director or officer of the rated entity (a situation which would be captured by proposed section 3.6.1(b)), unless the director or officer is, themselves, a shareholder holding 10% or more of the capital or voting rights of the CRA.

DBRS also submits that the adoption of section 3.6.1(b) is not required for the purposes of EU equivalency, as the methodological framework for assessing third-party regimes need only "provide sufficient protection against the risk that the interest of a significant shareholder impacts on the independence of the CRA, its analysts and/or its credit ratings/rating outlooks".[9] DBRS submits that the regime, absent the language in section 3.6.1(b) and with a "Significant Security Holder" definition that focuses on influence or control versus an arbitrary ownership percentage, would meet this standard.

DBRS notes that a single director or officer may have a very limited ability to control either the Significant Security Holder of the CRA or the rated entity, especially in the absence of a significant equity interest. As a result, DBRS submits that the potential for conflict of interest is minimal. DBRS believes that for the relationship described in section 3.6.1(b) to result in a conflict of interest that would improperly influence a DRO analyst, the existence of the relationship must first, at a minimum, be known to the analyst. In such circumstances, where an analyst becomes aware of the relationship and believes such a relationship to be problematic, the existing conflict of interest provisions found in Part 3 of Appendix A to NI 25-101 are sufficient to address the concern.

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6 See Rule 17g-5(c)(4) (emphasis added).

7 See sections 26.(e) and 2.14(e) of the 2015 IOSCO Code.

8 Annex 1, Section B(3)(ca) of Regulation (EC) 1060/2009, as amended (the **EU Regulation**).

9 See Annex III of the ESMA Consultation Paper, which contains the updated methodological framework following the changes to EU regulatory as a result of CRA 3 (the **ESMA Methodological Framework**).

Douglas E. Turnbull
Vice Chairman - Country Head, Canada

Preserving the language in 3.6.1(b) would also impose a significant compliance burden on DBRS and similarly situated smaller CRAs. Compliance with section 3.6.1(b) would require the CRA and its Significant Security Holders to determine and track the officer and director activities of all of the shareholders' directors or officers, regardless of their interaction with the CRA, and prohibit their activities with respect to those entities DBRS rates, and consider prohibiting their activities with other entities to preserve DBRS's business opportunity, even where there is little to no risk of actual conflict at all. [10]

In light of the foregoing, DBRS therefore strongly urges the CSA to not adopt section 3.6.1(b).

2. Insider Lists (Section 4.16.1 of Appendix A)

DBRS is strongly committed to meeting its contractual and statutory obligations with respect to the treatment of confidential information. However, DBRS questions the necessity for the requirement in proposed section 4.16.1 of Appendix A that would oblige a DRO to maintain a list of all persons who have access to non-public information about a credit rating action, including information about a credit rating action before the credit rating or rating outlook is publicly disclosed or disseminated to subscribers.

DBRS believes this requirement is both onerous and unnecessary. DBRS acknowledges that the EU market abuse regulation contains such a requirement. However our experience with this requirement in the EU suggests that the obligation to maintain a list of individuals with access to confidential information is excessively time consuming for analytical staff, requires technology investment to effectively manage, and serves as an unnecessary distraction from an analyst's primary role of objectively analyzing credits. Furthermore, while the CRA is burdened with having to maintain this list for every public rating, DBRS's experience in the EU is that in the last five years, such a list has been specifically requested on only two separate occasions.

In the view of DBRS, this requirement does nothing to forestall the potential misuse of confidential information by DBRS or its personnel, or to guard against the possibility of tipping or insider trading. DBRS personnel are trained on and aware of their obligations with respect to confidential information, and do not require the daily burden of maintaining such a list to remind them of their responsibilities. At best, this requirement serves only to ensure that a current list is immediately available upon request by a regulator who may wish to investigate suspicious trading activity that has already occurred in the marketplace. However, requiring the maintenance of a list, and the technological investment to maintain the list, is not necessary to achieve this objective. DBRS notes that Canadian securities regulators already have extensive authority to demand and obtain such information from a market participant (including a DRO) on a timely basis, and the information can simply be prepared by a DRO on an "as requested" basis.

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[10] DBRS also notes that a DRO may not be in a legal position to demand such cooperation from its shareholders, with the result that a refusal of a significant shareholder to cooperate could result in a DRO breaching Canadian securities laws. DBRS acknowledges, however, that such a scenario would likely only arise in the circumstance of a publicly owned and widely-held DRO.

Douglas E. Turnbull
Vice Chairman - Country Head, Canada

DBRS also questions why a requirement to maintain an insider list would apply to DROs only, and would not apply to all market participants in Canada.

DBRS further submits that the introduction of an insider list requirement is not necessary for Canada to satisfy the requirements of the EU Methodological Framework. Canada has strong and robust insider trading legislation to which DROs are subject, and Canadian regulators have extensive existing powers to both obtain necessary information from DROs, and to enforce insider trading regulations. DBRS agrees with ESMA that the requirements set out in section 4.4.3 of the EU Methodological Framework are very important, but DBRS strongly believes that the objectives of these requirements are already met under Canada's existing regime. As a result, DBRS strongly urges the CSA to abandon the proposed insider list requirement in section 4.16.1 of Appendix A.

3. Public Disclosure of All Relevant Information by Issuer (Clause 4.5(c) of Appendix A)

The Proposed Amendments would require a DRO to disclose whether the issuer of a structured finance product has informed the DRO that it is publicly disclosing all relevant information about the product being rated, or whether the information remains non-public. DBRS understands this amendment is proposed to bring NI 25-101 in line with the 2015 IOSCO Code.

Although contained in the 2015 IOSCO Code, DBRS has not previously adopted this provision as it is the obligation of the issuer (and not that of the CRA) to provide such information. As a result, DBRS suggests this provision not be adopted as proposed.

However, in the event that the amendment is not removed, DBRS submits that the CSA should provide additional guidance respecting the application of this provision. In particular, DBRS requests clarification that clause 4.5(c) does not impose a positive obligation on a DRO to request that an issuer confirm that all relevant information has been publicly disclosed. If such an obligation is intended, DBRS requests guidance regarding the nature of any disclosure that should be made if an issuer refuses to provide such a confirmation. Finally, DBRS believes guidance should also be provided to issuers regarding what may constitute "all relevant information" regarding a rated product.

4. Risk Management (Section 2.29 of Appendix A)

Under the Proposed Amendments, DBRS would be required to establish a risk management committee that is independent of any internal audit system. DBRS notes that a similar provision was included in the 2015 IOSCO Code. However, unlike the proposed amendment to NI 25-101, the 2015 IOSCO Code provides flexibility to smaller credit rating agencies by not mandating such independence if not practicable given the CRA's size.

DBRS is committed to developing and maintaining strong corporate governance measures within its organization. However, DBRS submits that the flexibility provided in the 2015 IOSCO Code should be preserved for smaller designated rating organizations. The Proposed Amendments would make Canada the only jurisdiction in which DBRS operates that mandates the establishment of an enterprise risk function at all, much less the further incremental requirement of one separate from any internal audit function. As such, this costly change goes beyond either articulated driver for the Proposed Amendments.

Douglas E. Turnbull
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Given DBRS's size, the risk management function is not completely independent of its internal audit function, and the consolidation of these functions under one individual is not only fiscally reasonable and efficient, it provides tangible benefits to DBRS, by allowing for a more seamless flow of information that helps to ensure risk management is informed of risks discovered by audit and vice-versa. The head of internal audit and risk management reports directly to each DBRS Board, permitting each DBRS Board to evaluate the effectiveness of each function. In addition, a DBRS Board has the option to periodically engage independent third parties to review and provide assurance with respect to the effectiveness of each of the internal audit and risk management function.

Accordingly, DBRS urges that the CSA not mandate that DROs maintain an enterprise risk function. If it is required, DBRS urges that the CSA allow each DRO to determine the appropriate organizational structure that enables an effective risk management function within the firm given its own size and complexity.

5. Issuer Review of Advance Copy of a Press Release (Section 4.12 of Appendix A)

Currently, NI 25-101 provides that before issuing or revising a rating, a DRO will inform the rated entity of the critical information and principal considerations upon which the rating will be based and afford the entity an opportunity to clarify any likely factual misperceptions or other matters that the DRO would wish to be made aware of in order to produce an accurate rating.[11] Under the Proposed Amendments, a DRO will further be required to provide the rated entity a "reasonable" opportunity to review the advance copy of a press release. Furthermore, the Proposed Amendments would also require a DRO to provide the release to the rated entity during "the business hours" of the entity.

DBRS notes that by ensuring that the review opportunity must be "reasonable", it is not necessary to specifically require that an advance copy of the press release be provided during the "business hours" of the issuer, which can, at a minimum, present logistical challenges when interacting with issuers in different time zones, and further can frustrate the policy objective of providing timely information to the market. DBRS also submits that it should be permissible for a DRO to provide an advanced copy of a press release outside of normal business hours, provided that the issuer is otherwise provided a reasonable time to review the document. The fact that the document was initially delivered outside of business hours should not be determinative, provided a reasonable time is provided for the issuer to review the release and revert back to the DRO. In our view, the introduction of the concept of "business hours" needlessly complicates the requirement in section 4.12 of Appendix A.

DBRS acknowledges that a similar concept exists in the EU Regulation, which has required technological solutions to effectively manage, but also notes that ESMA has provided additional guidance which clarifies that initially delivering the advance copy of the press release outside of regular business hours is acceptable.[12] DBRS also notes that ESMA's

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11 Section 4.12 of Appendix A to NI 25-101.

12 See Question 11, *ESMA's Questions and Answers: Implementation of the Regulation (EU) No 462/2013 on Credit Rating Agencies* dated March 30, 2017

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Methodological Framework only requires that a CRA provide the rated entity with the opportunity to draw attention to possible factual errors.[13]

DBRS is of the view that the addition of the "business hours" requirement is unnecessary to achieve the desired policy objectives and urges the CSA to reconsider this amendment. However, if the concept of "business hours" is retained, DBRS strongly urges the CSA to provide additional guidance similar to that previously provided by ESMA.

6. Preliminary Ratings and Initial Review (Section 4.7 of Appendix A)

Currently, DBRS is required to disclose on an ongoing basis information about all structured finance products submitted to it for its initial review or for a preliminary rating, including whether the issuer requested DBRS to provide a final rating. DBRS satisfies this obligation by posting this information on a quarterly basis.

Under the Proposed Amendments, this section would be amended to apply to all debt securities submitted to DBRS for initial review or a preliminary rating. DBRS submits that such an extension of this disclosure requirement would provide an additional significant burden on DROs for very little additional benefit, and strongly recommends that the CSA does not proceed with this proposal.

DBRS understands that the current disclosure requirement in section 4.7 of Appendix A is designed to address concerns regarding potential "rating shopping" by a rated entity. Fundamentally, DBRS notes that this concern is with respect to the rated entity, and not the rating agency that is appropriately providing the service requested. However, DBRS also understands that, in the structured finance space, many of the issuers may not be reporting issuers and that securities are frequently distributed on an exempt basis, with the result that such issuers are not obliged to disclose any initial reviews or preliminary ratings that they may have obtained. In this limited respect, therefore, securities regulators have required each DRO to publish such information, as the only effective manner in which such information could be distributed to the marketplace.

However, DBRS believes that the expansion of the requirement in section 4.7 to all debt securities is unjustified. DBRS notes that with respect to corporate securities, issuers are much more likely to be public companies.[14] DBRS also notes that pursuant to section 7.3 of Form 51-102F2, reporting issuers are required to make disclosure regarding any approaches or requests for ratings from a CRA. Given that the behaviour in question is that of the issuer and not the rating agency, DBRS believes that section 7.3 of Form 51-102F2 appropriately positions the disclosure obligation on the issuer. DBRS also notes that the burden of providing this disclosure for an individual issuer would be significantly less than it would be if the obligation was imposed on a DRO, as the DRO would be required to develop and enforce a monitoring system to ensure that information was collected across its entire organization. As a result, DBRS urges the CSA to reconsider the extension of the section 4.7 obligation to all debt securities.

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13 Consultation Paper, Annex III at 36.

14 DBRS does not track the extent to which the credits it opines on are issued by reporting issuers. Nevertheless, anecdotally, we believe that up to approximately three-quarters of our corporate issuers may be public companies in Canada or other jurisdictions.

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In the alternative, if the CSA determines to proceed with this amendment to section 4.7 of Appendix A, DBRS urges the CSA to exclude private ratings from the scope of the requirement. DBRS submits that such public identification of companies that seek private ratings could have a seriously detrimental effect on the private rating market. In addition, DBRS notes that early disclosure by corporate issuers of rating discussions could inadvertently "tip" the marketplace to a potential debt issuance. Finally, DBRS notes that the proposed amendment would go significantly beyond that required by ESMA, as the corresponding EU requirement does not apply to private ratings.[15]

7. Changes to Existing Methodologies (Section 4.15.1 and 4.15.2 of Appendix A)

The proposed new sections 4.15.1 and 4.15.2 of Appendix A provide specific detailed disclosure requirements in connection with certain changes to existing methodologies. As drafted, such disclosures are triggered by a "significant change" to an existing rating methodology, model or key rating assumption. This would appear to represent a departure from the existing regulatory obligation to disclose "material" changes to methodologies, models or key assumption.[16]

It remains unclear why it is necessary to alter the disclosure standard from "material" to "significant", and DBRS submits that the standard should not be changed in the absence of a compelling reason to do so. DBRS notes that the "materiality standard" is a well understood concept that is used throughout Canadian securities legislation. It remains unclear as to how a "significance" standard should be applied, or what it might entail. Finally, although the addition of section 4.15.1 and 4.15.2 appear designed to address EU equivalency concerns, DBRS notes that EU regulation also requires disclosure for "material changes" to a methodology, model or key assumption.[17] As a result, DBRS urges the CSA to maintain the "materiality" standard for changes to methodologies, models and key assumptions in sections 4.15.1 and 4.15.2.

8. Compliance Officer (Section 12(1.1) of NI 25-101)

Under the Proposed Amendments, DROs would be required to designate the Compliance Officer as an officer of the DRO or DRO affiliate under by-law or similar authority. The CSA does not articulate why such a unique appointment is deemed necessary and this requirement is not suggested by the IOSCO Code nor required for the purposes of EU equivalency. The requirement, therefore, goes beyond either articulated objective of the proposed amendments. DBRS notes that a DRO's Compliance Officer already occupies a position of elevated stature within a DRO, and is currently subject to various controls that effectively ensure the independence of the Compliance Officer's judgment, and already faces potential liabilities for failing to satisfy his or her statutory obligations. DBRS submits that the current regulatory construct already effectively ensures the Compliance Officer performs the role in accordance with the spirit and the letter of the regulation and, particularly in the absence of any articulated perceived weakness the

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15 The requirement is contained in Annex 1, Section D(6) of the EU Regulation. However, Article 2(2) of the EU Regulation specifically note that "this Regulation does not apply to…. (a) private credit ratings…"

16 DBRS also notes that the language in section 4.15 would appear to continue to refer to a "material" change following the adoption of the Proposed Amendments.

17 See Article 14(3) and Article 8(6) of the EU Regulation.

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Insight beyond the rating.

CSA seeks to address by the proposed amendment, DBRS urges the CSA to reconsider the addition of subsection 12(1.1).

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DBRS appreciates the opportunity to comment, and would be happy to discuss our comments with you.

Yours very truly,

Douglas E. Turnbull
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DBRS Limited