October 31, 2012

In the Matter of
the Securities Legislation of
Ontario
(the Jurisdiction)

and

In the Matter of
the Process for Designation of Credit Rating Organizations in Multiple
Jurisdictions

and

In the Matter of
Moody’s Canada Inc.
(the Filer)

DESIGNATION ORDER

Background

The principal regulator in the Jurisdiction has received an application from the Filer
(also referred to as MIS Canada) for a decision under the securities legislation of the
Jurisdiction of the principal regulator (the Legislation) that the Filer be designated as
a Designated Rating Organization (also referred to as DRO) (the Designation
Order), as contemplated by National Instrument 25-101 Designated Rating
Organizations (NI 25-101). The principal regulator in the Jurisdiction has also
received an application from the Filer for a decision under the Legislation exempting
the Filer from certain provisions of NI 25-101 and is issuing such decision
concurrently.

Under the Process for Designation of Credit Rating Organizations in Multiple
Jurisdictions (for a passport application):

(a) the Ontario Securities Commission (the Commission) is the principal
regulator (the Principal Regulator) for this application; and

(b) the Filer has provided notice that Section 4.7(1) of Multilateral Instrument 11-102
Passport System (MI 11-102) is intended to be relied upon in British Columbia, Alberta, Saskatchewan, Manitoba, Québec, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador, the Northwest Territories, Yukon and Nunavut (the Passport Jurisdictions).
Interpretation

Terms defined in National Instrument 14-101 Definitions, MI 11-102 or NI 25-101 have the same meanings in this decision, unless otherwise defined herein.

Representations

This decision is based on the following facts represented by the Filer:

The Filer

1. The Filer is a corporation governed by the federal laws of Canada with its registered and head office located in Toronto, Ontario.

2. The Filer provides credit rating opinions, research and risk analysis regarding a broad range of financial institutions, corporate entities, government bodies and various structured finance product groups in Canada, which may from time to time be used outside of Canada.

3. The Filer is a wholly owned subsidiary of Moody's Overseas Holdings, Inc. (MOH), which itself is a wholly-owned subsidiary of Moody's Corporation (MCO). MCO, the parent company, is a publicly held Delaware corporation whose board of directors (the MCO Board) is subject to the full corporate governance regime imposed by Delaware law, rules made under the Securities Exchange Act of 1934 (1934 Act) and the New York Stock Exchange.

4. The Filer has filed all documentation required under Part 2 of NI 25-101, except schedules 10 through 13 of Form NRSRO of Moody's Investors Service, Inc. (MIS Inc.), which were filed with the United States Securities and Exchange Commission (the SEC) on a confidential basis (the Omitted Materials). The Filer will provide the Omitted Materials to the Principal Regulator on request upon receipt of confirmation in writing from the Principal Regulator that the confidentiality of such Omitted Materials, and any materials submitted on a confidential basis to the SEC in the future by or on behalf of MIS Inc., will be maintained indefinitely.

5. The Filer is: (i) a "credit rating affiliate" of MIS Inc., which is a Nationally Recognized Statistical Rating Organization (NRSRO) in the United States (US); (ii) listed on MIS Inc.'s Form NRSRO as a credit rating affiliate; and (iii) in compliance in all material respects with US federal securities law applicable to NRSROs and their credit rating affiliates.

6. In general terms, MCO and its direct and indirect subsidiaries (collectively, Moody's) are organized as follows. Moody's has two principal businesses. Moody's Investors Service (MIS) is the credit rating agency (CRA). The term
MIS refers to MIS Inc. and the wholly owned subsidiaries of MCO that engage in Rating Services. The term Moody's Analytics (MA) refers to the companies that carry out all other, non-rating commercial activities.

7. The Filer's credit ratings are determined collectively by rating committees by a majority vote, and not by any individual analyst. Rating committees, which are constituted individually for each issuer and obligation, have members who may be based in different MIS offices around the world. Rating committees that determine credit ratings assigned by the Filer consist of analysts who have the appropriate knowledge and experience to address the analytical perspectives relevant to the issuer and obligation. Rating committees for Canadian-based issuers often, but do not necessarily, include one or more analysts based in Canada and employed by MIS Canada. Factors considered in determining the make-up of a rating committee may include the size of the issue, the complexity of the credit, and the introduction of a new instrument. This approach to the composition of rating committees helps MIS provide high quality credit ratings that are comparable across sectors, regions and countries. Therefore, for purposes of this Designation Order the credit ratings for Canadian-based issuers are deemed to be credit ratings of MIS Canada.

8. MIS has a Credit Policy Group, separate from the rating groups that are principally responsible for rating issuers and obligations. The Credit Policy Group is charged with promoting consistency, quality and transparency in MIS' rating practices globally and across diverse sectors and regions. The Moody's Investor's Services Code of Professional Conduct (the MIS Code) and the MIS Canada Code (as defined below) allocate to the Credit Policy Group responsibility for:

(1) conducting research on ratings performance;

(2) reviewing and approving methodologies and models; and

(3) overseeing credit policy committees that formulate high-level rating policies and practices for each of the rating groups.

9. Moody's maintains independent Internal Audit and Compliance functions with global remits that extend to MIS, its activities and those of its employees.

10. Certain activities or functions that are required to be undertaken by a DRO pursuant to NI 25-101 are centralized within MIS or Moody's, as the case may be, and are performed by other employees of other Moody's entities. For example, the Compliance and Internal Audit functions are shared services across MIS, MA and MCO. The Credit Policy function is centralized within MIS, and the Credit Policy staff may be employed by MIS entities other than MIS Canada. Also, many of the disclosures that MIS is required to disseminate under various laws are effected through moodys.com, which is managed
centrally within MCO. The centralization of these and other functions promotes global consistency in the performance of these functions. The Filer also sometimes employs third parties to perform certain services that are referred to in NI 25-101.

11. The Filer intends to appoint a compliance officer of MIS as its "designated compliance officer" (DCO) to fulfill the functions prescribed by Part 5 of NI 25-101.

12. Pursuant to a unanimous shareholder declaration, the powers of the directors of the Filer to manage, or supervise the management of, the business and affairs of the Filer have been given to MOH, the sole shareholder of the Filer.

13. Section 15E of the 1934 Act establishes the regulatory framework for NRSROs. Subsection 15E(t) of the 1934 Act imposes a number of corporate governance requirements on NRSROs, including requirements that the NRSRO have a board of directors, that at least half (and no fewer than two) members meet prescribed independence criteria, that compensation for independent members satisfy certain conditions, that independent members be appointed for pre-agreed fixed and non-renewable terms not exceeding five years, and that the board fulfill certain prescribed responsibilities. Recognizing that some NRSROs are subsidiaries of parent entities (as is MIS), the 1934 Act provides that the board of directors of the parent entity may satisfy the requirements of subsection 15E(t) by assigning to a committee of such board the prescribed duties referred to above, provided that at least one half of the committee members (including the chairperson) meet the independence criteria and at least one independent committee member is a user of ratings of an NRSRO.

14. The MCO Board has elected to satisfy the requirements described above by assigning the duties prescribed by paragraph (3) of subsection 15E(t) to a committee (the MIS Committee) of the MCO Board. At least half, and no fewer than two, of the directors on the MIS Committee (including the chairperson) meet the independence criteria set out in subsection 15E(t)(2)(B) of the 1934 Act and at least one independent director is a user of ratings from an NRSRO. At least two members of the MIS Committee (including one independent member) have in-depth knowledge and experience at a senior level regarding the markets for securitized products.

15. It is contemplated that the MIS Committee will act in a capacity similar to a board of directors for the Filer in respect of the requirements and functions prescribed by Part 3 of NI 25-101 and sections 2.22 through 2.25 of Appendix A of NI 25-101 (Appendix A).

In light of the provisions of NI 25-101, the Filer concluded that it would need to adopt a Canada-specific code of conduct and determine whether it needed to create or revise policies or procedures or change its organizational structure.

**The April 30th Designation Order**

The Commission granted a designation order on April 30, 2012 (the **April 30th Designation Order**), which designated the Filer as a Designated Rating Organization and exempted the Filer from the application of NI 25-101 for a specific term, provided that:

(a) the Filer is in compliance in all material respects with U.S. federal securities law applicable to NRSROs and their credit rating affiliates; and

(b) the Filer files with the Commission copies of all documents the NRSRO is required to provide under the 1934 Act, at the same time as, or as soon as practicable after, the NRSRO provides those documents to the SEC, subject in all cases to satisfactory resolution prior to filing of any issues regarding confidentiality of materials filed with the SEC on a confidential basis.

The April 30th Designation Order also provided a transition period to allow the Filer to review and amend, if necessary, its code of conduct, policies, guidelines and practices in order to be compliant in all material respects with NI 25-101.

The April 30th Designation Order will terminate on the earlier of (i) the date of the coming into force of any designation order or ruling under the securities legislation of any jurisdiction of Canada that amends the April 30th Designation Order or provides an alternate designation order pursuant to NI 25-101, and (ii) October 31, 2012.

The Filer is in compliance in all material respects with the April 30th Designation Order.

**The Filer’s Compliance with NI 25-101**

MIS Inc. has adopted the MIS Code, which is designed to be substantially aligned with the International Organization of Securities Commissions Code of Conduct Fundamentals for Credit Rating Agencies (the **IOSCO Code**). Upon being designated, the Filer will adopt and implement the Moody’s Canada Inc. Code of Professional Conduct (the **MIS Canada Code**), which is
similarly designed to be substantially aligned with the IOSCO Code and includes provisions adopted to satisfy the requirements of NI 25-101.

23. MCO and MIS Inc. have also implemented a range of globally applicable policies, procedures and guidance (the **Global Policies**) that are designed to achieve the objectives set out in the IOSCO Code and/or satisfy regulatory requirements that MIS implements globally. Upon being designated, the Filer will also adopt and implement Canada-specific policies, procedures, guidance and internal controls as necessary (the **Canada Policies**) in order to comply with NI 25-101.

24. Upon being designated, the MIS Committee of the MCO Board will assume the responsibility for performing the prescribed functions of the board of directors of a DRO.

25. Upon being designated, the Filer will appoint a compliance officer of MIS as its DCO to fulfill the functions prescribed by Part 5 of NI 25-101.

26. The Filer believes that the MIS Canada Code, the Global Policies and the Canada Policies are consistent in all material respects with the objectives of NI 25-101 and will enable the Filer to:

   (a) accommodate the global nature of MIS's operations;

   (b) provide independent and globally consistent Credit Ratings; and

   (c) maintain and enforce globally consistent policies and procedures designed to achieve regulatory objectives.

27. The Filer is in compliance in all material respects with NI 25-101 and the securities legislation applicable to credit rating organizations in each jurisdiction in Canada and in any other jurisdiction in which the Filer operates.

28. Upon being designated as a Designated Rating Organization, the Filer will be subject to the requirements set out in the Legislation and the securities legislation in each of the Passport Jurisdictions.

**Decision**

The Principal Regulator is satisfied that this decision meets the test set out in the Legislation for the Principal Regulator to make this decision.

The decision of the Principal Regulator under the Legislation is that the Filer is designated as a Designated Rating Organization under the Legislation provided that:
(a) either (i) the MIS Committee of the MCO Board assumes responsibility for performing the functions that section 2.25 of Appendix A allocates to the board of directors of a DRO (the Governance Functions) and the composition of such committee is as described in paragraph 14 of this Designation Order, or (ii) the board of directors of the Filer complies with Part 3 of NI 25-101 (including sections 2.22 through 2.24 of Appendix A) and performs the Governance Functions;

(b) the Filer designates a compliance officer of an affiliate as its DCO to fulfill the functions prescribed by Part 5 of NI 25-101; and

(c) the MIS Canada Code remains in effect, unamended, other than amendments that do not derogate in any material respect therefrom or are necessary or desirable for MIS to comply with applicable law or achieve the objectives of the IOSCO Code as it might be amended from time to time.

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Ontario Securities Commission        Ontario Securities Commission