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31 August 2011

British Colombia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Nova Scotia Securities Commission
New Brunswick Securities Commission
Office of the Attorney General, Prince Edward Island
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Government of Yukon
Superintendent of Securities, Department of Justice, Government of the Northwest Territories
Superintendent of Securities, Legal Registries Division, Department of Justice, Government of Nunavut

c/o John Stevenson
Secretary
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c/o Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
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VIA E-MAIL: jstevenson@osc.gov.on.ca; consultation-en-cours@lautorite.qc.ca

RE: Canadian Securities Administrators' Request for Comment in Relation to Proposed Securitized Product Rules

Dear Sirs/Mesdames:

Introduction

The McGraw-Hill Companies (Canada) Corp. ("**S&P Canada**") is pleased to submit this letter in response to the Canadian Securities Administrators' ("**CSA**") Request for Comment in Relation to Proposed Securitized Product Rules published on April 1, 2011 ("**Request for Comment**").

Standard & Poor's Ratings Services ("**S&P Ratings Services**"), a leading international credit rating agency, has been assigning credit ratings since 1916. The credit rating activities of S&P Ratings Services are conducted globally through various affiliated entities[1] that operate in accordance with policies, procedures and criteria that are generally globally applicable. S&P Ratings Services shares a globally integrated operating structure. In Canada, S&P Ratings Services operates through S&P Canada.

S&P Canada limits its comments to those elements of the Request for Comment that refer specifically to credit ratings.

General Comments

To begin, we thought it would be helpful to summarize two key points.

Avoidance of undue reliance on external credit ratings

S&P Canada supports the steps now underway internationally, under the direction of the Financial Stability Board, and as recently endorsed by the G20 in Seoul in November 2010, to remove regulatory mandates that compel the use of independently derived credit ratings. We do not, and have not in the past, advocated that such mandates should be in place.

Our philosophy is that we should compete, like any other business, on the inherent quality of our analysis. We should also do so in free and fair competition with other providers of credit research and benchmarks.

In its efforts to avoid undue reliance on external ratings, we believe that the CSA should not include credit ratings as the only benchmark to be disclosed for securitized products. S&P Ratings Services credit ratings are not absolute measures of default probability. Instead, ratings express relative opinions about the creditworthiness of an issuer or credit quality of an individual debt issue, from strongest to weakest, within a universe of credit risk. They are not investment advice, or buy, hold or sell recommendations. They are just one factor investors may consider in making investment decisions and they are not indications of market liquidity of a debt security or its price in the secondary market.

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[1] The affiliated entities are all direct or indirect subsidiaries, branches or divisions of The McGraw-Hill Companies, Inc, ("**McGraw-Hill**") a company incorporated in the State of New York, USA and publicly listed on the New York Stock Exchange.

We believe that external credit ratings serve a useful purpose, particularly when used with other forms of analysis and a risk management process. The majority of investors tell us that they value our credit research and ratings as inputs - alongside many others - in their financial analysis. We believe their continued interest in ratings is justified, because our ratings for nearly all asset classes performed broadly as expected during the financial crisis.[2] We do encourage moves internationally to remove credit ratings from regulation and suggest that if the CSA wishes to proceed with requiring securitized product issuers to disclose credit ratings that such disclosure is complemented with other benchmarks.

Expert liability

In S&P Canada's submission to the CSA Request for Comment in Relation to Proposed National Instrument 25-101 *Designated Rating Organizations* and Related Policies and Consequential Amendments published on March 18, 2011 ("**DRO Request for Comment**") we indicated we fully support the position taken by the CSA with respect to retaining the current exemption for Designated Rating Organizations ("**DROs**") from "expert" liability and its proposal not to make changes to securities legislation to impose greater civil liability on DROs. We think it would be a mistake to impose increased liability standards on DROs, a measure that may adversely impact capital flows, market growth and efficiency. With that background in mind, we wish to highlight that any decision to mandate increased disclosure of credit ratings in prospectus disclosures, offering memoranda and in continuous disclosure documents could be adversely impacted if retaining the current exemption for DROs from expert liability was to be reconsidered

Comments on Proposed Securitized Products Rules

Proposed Form 41-103F1 – Supplementary Information Required in a Securitized Products Prospectus

Item 10 of Proposed Form 41-103F1 requires an issuer to disclose certain information about credit ratings. Paragraph (d) requires the issuer to disclose 'if a credit rating agency used in connection with the securitized product transaction has undertaken an analysis of market risks that may have an impact on the credit rating, such as changes in interest rates or prepayment risk, the nature of the market risk that the credit rating agency has identified'. S&P Canada has the following concerns with requiring an issuer to disclose this information. Firstly, we are concerned that this disclosure could create an expectation by issuers that S&P Canada's credit rating criteria and methodology specifically addresses market risks. Creating such an expectation for credit rating agencies to do this may be inconsistent with the principle contained in the DRO Request for Comment that nothing in the Proposed National Instrument 25-101 *Designated Rating Organizations* should be interpreted as regulating the content of a credit rating or the methodology a credit rating organization uses to determine a credit rating. We believe analytical independence is the hallmark of ratings quality and an essential factor in market confidence in credit ratings. While we appreciate that disclosure of this information is not intended to prescribe the criteria or

[2] S&P published a study of its ratings in "A Global Cross-Asset Report Card of Ratings Performance in Times of Stress" dated 8 June 2010. This reflected a comprehensive review of credit ratings, spanning the spectrum of corporate, government and structured finance debt, issued in the US, Europe, Japan and Australia. It demonstrated that ratings for nearly all asset classes performed broadly as expected, with the exception of ratings on US residential mortgage-backed securities and on collateralised debt obligations backed by structured finance collateral.

methodology for determining credit ratings, it may create such an expectation from issuers that S&P Ratings Services criteria and methodology addresses these topics, thereby potentially interfering with the analytical independence of DROs.

In addition, S&P Canada is concerned that the term 'market risks' is unclear and could lead to potential misinterpretation and confusion without a definition of what this term means. Finally, we do not consider it appropriate for another party to interpret and explain the factors that determine a credit rating. It is the role of a DRO to explain the rationale for a credit rating, and requiring an issuer to disclose 'the nature of the market risk that the credit rating agency has identified' could result in an issuer selectively disclosing some aspects of the rationale or misrepresenting S&P Ratings Services opinion. We would encourage the CSA to reconsider the inclusion of clause (d).

S&P Canada also wishes to comment on clause (f) which requires issuers to disclose any 'preliminary rating' of a class of securitized products and clause (g) which requires issuers to disclose whether a credit rating agency 'has refused to assign a credit rating to a class of securitized products being distributed and the reasons for refusal if it is related to the structure or the financial viability of the securitized product transaction'. We believe that these provisions are intended to address 'ratings shopping'. S&P Canada supports efforts to address 'ratings shopping', however we do not believe the proposed disclosures will provide meaningful disclosure for investors. We suggest that it would be more meaningful to investors if issuers disclose whether they solicited ratings from a DRO that were ultimately not assigned. S&P Canada also notes the term 'preliminary credit rating' is unclear, undefined and may lead to investor confusion.

Proposed Amendments to National Instrument 45-106 – Prospectus and Registration Exemptions – Information Memorandum for Short-Term Securitized Products

Item 12 of Proposed Form 41-106F7 requires an issuer to disclose certain information about credit ratings. Paragraph (c) requires the issuer to disclose 'any factors or considerations identified by the credit rating organization as giving rise to unusual risks associated with the series of short-term securitized product'. For the same reasons above regarding disclosure by the issuer of 'market risks' we do not think it is appropriate that an issuer be required to disclose 'unusual risks' identified by a rating agency and encourage the CSA to reconsider the inclusion of clause (c).

Comment on question 32 on the Proposed Securitized Products Rules

In addition, S&P Canada provides a couple of comments to question 32 on the Proposed Securitized Product Rules.

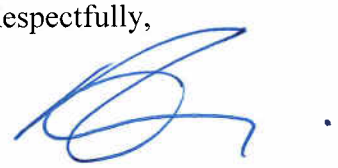
In addition to our comments above regarding references to credit ratings in regulations, S&P Canada notes the reference in question 32 to multiple ratings and wishes to highlight that as among credit rating agencies credit ratings definitions differ, and the analysis conducted by the credit rating agencies and how credit factors are interpreted can also differ. S&P Canada is supportive of a general approach where market participants have access to more than one credit rating opinion as part of their considerations of credit risk and believe that the market and investors benefit from having multiple opinions on credit risk available. Having multiple assessments based on different methodologies, conveyed in a transparent fashion, we believe provides more information and is a benefit to investors and other market participants.

We note the reference in question 32 and the proposed ABCP prospectus exemption to a "global-style liquidity facility" and wish to highlight that this term is otherwise undefined by the CSA. We would also note that the term "global-style liquidity facility" is typically not referred to in markets outside of Canada. There can be many elements of an ABCP program liquidity facility that can vary depending upon the specifics of any particular ABCP program. S&P Canada believes that market participants could benefit from further clarity from the CSA as to what characteristics of a liquidity facility CSA members believe should be present in order for the proposed ABCP prospectus exemption to apply.

Conclusion

We would welcome the opportunity to discuss our comments further with you. Please do not hesitate to contact myself or Rita Bolger, Senior Vice President and Associate General Counsel by phone: + 1-212-438-6602 or by email: rita_bolger@standardandpoors.com.

Respectfully,



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