

1.1.5 CSA Staff Notice 45-307 – Regulatory Developments Regarding Securitization

CSA STAFF NOTICE 45-307 REGULATORY DEVELOPMENTS REGARDING SECURITIZATION

This Notice provides an update from Canadian Securities Administrators' (CSA) staff on the development of regulatory proposals relating to securitized products, including asset-backed commercial paper (ABCP) and asset-backed securities.

In the October 2008 CSA Consultation Paper 11-405 *Securities Regulatory Proposals Stemming from the 2007-08 Credit Market Turmoil and its Effect on the ABCP Market in Canada* (Consultation Paper), the CSA explored, among other things, securities regulatory proposals in connection with the sale of ABCP. Since that time, the CSA's focus has broadened to encompass all securitized products and to consider their distribution both publicly under a prospectus and in the exempt market under exemptions from the prospectus and registration requirements.

In developing our proposals, we are considering international regulatory and industry developments. These include

- the recommendations of the International Organization of Securities Commissions (IOSCO) entitled "Disclosure Principles for Public Offerings and Listings of Asset-Backed Securities",
- IOSCO's Technical Committee's Task Force report entitled "Unregulated Financial Markets and Products – Final Report", and
- the United States Securities and Exchange Commission's (SEC) notice of proposed rule-making relating to asset-backed securities and other structured finance products.

Exempt market

CSA staff have been considering changes to the current approach to the issuance of securitized products in the exempt market. In addition to reconsidering the use of the short-term debt exemption for the distribution of ABCP, we have been considering whether to impose other conditions in connection with the exempt distribution of securitized products, including requiring disclosure.

Prospectus distributions and continuous disclosure for reporting issuers

Disclosure requirements under Canadian securities legislation for securitized products distributed by prospectus are comprehensive. In light of the IOSCO and SEC proposals, CSA staff are considering enhancements to these requirements. We are also considering proposals for more tailored continuous disclosure for reporting issuers that have distributed securitized products.

Proposed consultations

Our proposals will be designed to address investor protection and market stability concerns, taking into consideration international developments, while recognizing the importance of the securitization markets. We appreciate that some of these proposals could be significant policy changes.

To obtain market input on these issues, we plan to publish materials for comment in fall 2010. We also anticipate additional consultations with interested stakeholders on the scope of the proposals, their impact on investor protection and the implications for the securitization market.

In addition to our securitization proposals, the CSA expects to publish proposals relating to regulation of credit rating organizations in summer 2010.

Questions:

In the interim, please refer your questions to any of:

Naizam Kanji, Deputy Director, Corporate Finance, Mergers & Acquisitions Ontario Securities Commission (416) 593-8060 nkanji@osc.gov.on.ca	Denise Weeres, Senior Legal Counsel, Corporate Finance Alberta Securities Commission (403) 297-2930 denise.weeres@asc.ca
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<p>Winnie Sanjoto, Senior Legal Counsel, Corporate Finance Branch Ontario Securities Commission (416) 593-8119 wsanjoto@osc.gov.on.ca</p>	<p>Tom Graham, Director, Corporate Finance Alberta Securities Commission (403) 297-5355 tom.graham@asc.ca</p>
<p>Paul Hayward, Senior Legal Counsel, Corporate Finance Branch Ontario Securities Commission (416) 593-3657 phayward@osc.gov.on.ca</p>	<p>Asad Gul, Economic Analyst Alberta Securities Commission (403) 297-2414 asad.gul@asc.ca</p>
<p>Paul Redman, Principal Economist, Strategy & Operations Ontario Securities Commission (416) 593-2396 predman@osc.gov.on.ca</p>	<p>Agnes Lau, Senior Adviser, Technical & Projects, Corporate Finance Alberta Securities Commission (403) 297-8049 agnes.lau@asc.ca</p>
<p>Neeti Varma, Senior Accountant Corporate Finance Branch Ontario Securities Commission (416) 593-8067 nvarma@osc.gov.on.ca</p>	<p>Rosetta Gagliardi, Senior Policy Adviser Autorité des marchés financiers (514) 395-0337, poste 4462 rosetta.gagliardi@lautorite.qc.ca</p>
<p>Raymond Chan, Senior Accountant Investment Funds Branch Ontario Securities Commission (416) 593-8128 rchan@osc.gov.on.ca</p>	<p>Alexandra Lee, Senior Policy Adviser Autorité des marchés financiers (514) 395-0337, poste 4465 alexandra.lee@lautorite.qc.ca</p>
<p>Darren McCall, Assistant Manager, Investment Funds Branch Ontario Securities Commission (416) 593-8118 dmckall@osc.gov.on.ca</p>	<p>Lucie J. Roy, Senior Policy Adviser Autorité des marchés financiers (514) 395-0337, poste 4464 lucie.roy@lautorite.qc.ca</p>
<p>Christina Wolf, Economist British Columbia Securities Commission (604) 899-6860 cwolf@bcsc.bc.ca</p>	<p>Chris Besko, Legal Counsel – Deputy Director Manitoba Securities Commission (204) 945-2561 chris.besko@gov.mb.ca</p>
<p>Nazma Lee, Senior Legal Counsel Legal Services, Corporate Finance British Columbia Securities Commission (604) 899-6867 nlee@bcsc.bc.ca</p>	<p>Susan Powell, Senior Legal Counsel New Brunswick Securities Commission (506) 643-7697 susan.powell@nbsc-cvmnb.ca</p>
<p>Gordon Smith, Senior Legal Counsel Legal Services, Corporate Finance British Columbia Securities Commission (604) 899-6656 nlee@bcsc.bc.ca</p>	<p>Shirley Lee, Director, Policy and Market Regulation Nova Scotia Securities Commission (902) 424-5441 leesp@gov.ns.ca</p>
<p>Larissa Streu, Senior Legal Counsel Corporate Finance British Columbia Securities Commission (604) 899-6888 lstreu@bcsc.bc.ca</p>	<p>Dean Murison Deputy Director, Legal & Registration Saskatchewan Financial Services Commission (306) 787-5879 dean.murison@gov.sk.ca</p>

June 18, 2010