

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
Standard & Poor's Ratings Services (Canada), a business unit of The McGraw-Hill
Companies (Canada) Corporation
(the Filer)**

DESIGNATION ORDER

Background

The principal regulator in the Jurisdiction has received an application from the Filer 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 (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 (the **Concurrent Decision**).

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 separately identifiable business unit of The McGraw-Hill Companies (Canada) Corporation (**MHCCC**), a corporation governed by the laws of Nova Scotia with its registered and principal offices located in Toronto, Ontario. MHCCC is an indirect wholly-owned subsidiary of The McGraw-Hill Companies, Inc. (**McGraw-Hill**), a corporation organized under the laws of New York.
2. The Filer, together with the other components of S&P Ratings Services (defined below), provides credit rating opinions, research and risk analysis to a broad range of financial institutions, corporate entities, government bodies and various structured finance product groups in North America, Europe, Africa, Australasia and South America.
3. The Filer is a component of Standard & Poor's Ratings Services (**S&P Ratings Services**) which is a Nationally Recognized Statistical Rating Organization (**NRSRO**) regulated by the U.S. Securities and Exchange Commission (**SEC**), and which includes related global offices that issue ratings under the S&P Ratings Services global brand. S&P Ratings Services is comprised of, and conducts its business globally through (i) a separately identifiable business unit within Standard & Poor's Financial Services LLC (**S&P Financial Services**), a Delaware limited liability company wholly owned by McGraw-Hill, and (ii) other wholly-owned direct and indirect subsidiaries or divisions of McGraw-Hill. The credit rating activities of S&P Ratings Services are conducted globally by this business unit in accordance with a code of conduct, policies and guidelines, and criteria that are generally globally applicable. Therefore, for purposes of this Designation Order the credit ratings of other components of S&P Ratings Services (**Credit Rating Affiliates**) are deemed to be credit ratings of the Filer.
4. There is a global Chief Compliance Officer for S&P Ratings Services who will cover the Filer.
5. S&P Ratings Services also maintains globally integrated risk management and quality controls, and compliance, legal, operational and support functions. The organization of S&P Ratings Services as a separate business unit facilitates its ability to operate its ratings business in a manner that is globally consistent.

6. In keeping with S&P Ratings Services current organizational structure as a business unit, the Filer is not a separate legal corporate entity, but rather a separately identifiable business unit of MHCCC that is encompassed within S&P Ratings Services. As such, the Filer is subject to S&P Ratings Services' code of conduct, policies and guidelines which is subject to oversight by the SEC as part of the NRSRO requirements.
7. Currently, the Filer, together with its Credit Rating Affiliates, has more than one million ratings outstanding covering corporate, government and special purposes issuers and obligors and their commercial paper, term debt and other debt securities and preferred shares in the global capital markets.
8. Section 15E of the Securities Exchange Act of 1934 (**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, the 1934 Act provides alternative arrangements through which the requirements of subsection 15E(t) may be satisfied.
9. S&P Financial Services, which houses the U.S. portion of S&P Ratings Services, has a board of managers (the **Board of Managers**) which, pursuant to Section 15E(t)(3) of the 1934 Act, oversees S&P Ratings Services' global policies and procedures for determining credit ratings, addressing, managing and disclosing conflicts of interest, and the effectiveness of its internal control system with respect to the policies and procedures for determining credit ratings. The Board of Managers has four members. As required by the 1934 Act, two members 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.
10. The Filer has elected to use the Board of Managers to address 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**). The Board of Managers maintains responsibility for overseeing the establishment, maintenance, and enforcement of policies and procedures for determining credit ratings in accordance with Section 15E(t)(3)(A) of the 1934 Act, which apply to S&P Ratings Services ratings committees, including structured finance ratings committees which maintain in-depth knowledge of and experience at a senior level with securitized products, as required by Section 2.22 of Appendix A.

11. On April 20, 2012, NI 25-101 came into force in the Jurisdiction and in each Passport Jurisdiction, except Saskatchewan where NI 25-101 came into force on August 15, 2012.
12. The Filer has filed all documentation required under Part 2 of NI 25-101, with the exception of certain materials that are being withheld pending the Commission's determination as to whether they will be accorded confidential treatment.
13. In light of the provisions of NI 25-101, the Filer concluded that it would need to determine whether it needed to amend its code of conduct and revise some of its policies, procedures and internal controls in order to be compliant in all material respects with NI 25-101.

The April 30th Designation Order

14. 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.
15. 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.
16. 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.
17. The Filer is in compliance in all material respects with the April 30th Designation Order.

The Filer's Compliance with NI 25-101

18. The Filer has adopted and implemented the *Standard & Poor's Ratings Services Code of Conduct* (the **Code of Conduct**), 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**). The Code of Conduct has been revised (effective June 29, 2012) to, in part, satisfy the requirements of NI 25-101.
19. The Filer has also implemented a range of globally applicable policies, procedures and internal controls (the **Global Policies**) that are designed to achieve the objectives set out in the IOSCO Code and/or satisfy regulatory requirements that the Filer implements globally. The Filer has also adopted and implemented revised policies, procedures and internal controls (the **Revised Policies**) as necessary in order to, in part, satisfy the requirements of NI 25-101.
 20. Upon being designated, the Board of Managers will continue to oversee the Filer in accordance with its global oversight role described in paragraphs 9 and 10 hereof.
 21. Upon being designated, the Chief Compliance Officer of S&P Ratings Services will fulfill the designated compliance officer (**DCO**) functions prescribed by Part 5 of NI 25-101.
 22. The Code of Conduct, the Global Policies and the Revised Policies meet in all material respects the objectives of NI 25-101 and enable the Filer to:
 - (a) accommodate the global nature of the Filer's operations;
 - (b) implement the core principles outlined in the Code of Conduct related to its credit ratings — objectivity, independence, integrity and transparency; and
 - (c) maintain and enforce globally consistent policies, procedures and internal controls that meet specific jurisdictional requirements, in addition to those which are reflected in the Code of Conduct.
 23. As more fully described in its application for designation as a Designated Rating Organization and in other paragraphs herein, as well as the Concurrent Decision, 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 or the Credit Rating Affiliates operate.
 24. 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 Board of Managers complies with Part 3 of NI 25-101 and assumes responsibility for fulfilling the governance requirements that sections 2.22 through 2.25 of Appendix A allocates to the board of directors of a Designated Rating Organization (the **Composition and Governance Requirements**), or (ii) S&P Financial Services establishes a board of directors for the Filer which complies with the Composition and Governance Requirements; and
- (b) the Chief Compliance Officer of S&P Ratings Services, or his designate acting as the Filer's DCO, fulfills the functions prescribed by Part 5 of NI 25-101.

Ontario Securities Commission

Ontario Securities Commission