

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
Fitch, Inc.
(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.

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 Delaware corporation with its registered office at 2711 Centerville Road, Suite 400, Wilmington, County of New Castle, State of Delaware and its principal office located at One State Street Plaza, New York, NY, USA.
2. The Filer 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 wholly-owned subsidiary of Fitch Group, Inc., a Delaware corporation that is owned 50% each by Fimalac S.A. and Hearst Corporation.
4. The Filer is a Nationally Recognized Statistical Rating Organization (**NRSRO**) regulated by the SEC, which includes related global offices that issue ratings under the Fitch Ratings global brand. Currently, the Filer, together with its affiliates (the **Credit Rating Affiliates**), rates more than 325,000 different companies and single-purpose vehicles that issue commercial paper, term debt and preferred shares in the global capital markets.
5. The Filer has established a board of directors (the **Board**) which, pursuant to the rules made under the Securities Exchange Act of 1934 (**1934 Act**), oversees the management of the Filer, in accordance with its fiduciary responsibilities and standards established by law, including the following:
 - (a) the establishment, maintenance, and enforcement of policies and procedures for determining credit ratings;
 - (b) the establishment, maintenance, and enforcement of policies and procedures to address, manage and disclose any conflicts of interest;
 - (c) the effectiveness of the Filer's internal control system with respect to policies and procedures for determining credit ratings; and
 - (d) the compensation and promotion policies and practices of the Filer.
6. 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.
7. The Board 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. At least two members of the Board (including one independent member) have in-depth knowledge and experience at a senior level regarding the markets for securitized products.
 8. The Filer has elected to use the Board to satisfy 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**).
 9. 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.
 10. The Filer has filed all documentation required under Part 2 of NI 25-101.
 11. 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, guidelines and internal controls in order to be compliant in all material respects with NI 25-101.

The April 30th Designation Order

12. 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.
13. 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, procedures, guidelines and internal controls in order to be compliant in all material respects with NI 25-101.

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

The Filer's Compliance with NI 25-101

16. The Filer has adopted and implemented the Fitch Code of Conduct (the **Fitch 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**). The Fitch Code has been revised (effective August 1, 2012) to, in part, satisfy the requirements of NI 25-101.
17. The Filer has also implemented a range of globally applicable policies, procedures, and guidelines, as well as operational and internal control infrastructures (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.
18. The Filer has adopted a File Maintenance and Recordkeeping Policy for Analysts (the **Recordkeeping Policy**) which establishes guidelines for the management, maintenance and orderly disposition of analytical records. Pursuant to the Recordkeeping Policy, the Filer's personnel located in Canada comply with the books and records requirements set out in Part 6 of NI 25-101.
19. The Filer has established the Board to assume the responsibility for performing the functions prescribed by Part 3 of NI 25-101 and sections 2.22 through 2.25 of Appendix A of NI 25-101.
20. The Filer has appointed a designated compliance officer to fulfill the functions prescribed by Part 5 of NI 25-101.
21. 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.
22. The Fitch Code, the Global Policies (including the Recordkeeping Policy) 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 high level principles that govern the conduct of the Filer’s credit rating activities and underlying regulatory requirements in the jurisdictions where the Filer conducts credit rating activities.; 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 Fitch Code.
23. 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 its 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;

- (a) the Filer is designated as a Designated Rating Organization under the Legislation; and
- (b) the Credit Rating Affiliates listed in Appendix A to this Decision are designated as DRO affiliates.

Ontario Securities Commission

Ontario Securities Commission