



Insight beyond the rating.

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Rating Agents of the Crown

When rating the financial obligations of a Crown corporation designated as an agent of the federal or provincial governments, DBRS should assign the rating of the parent government if all three of the following conditions are met:

- (1) The status of agent is explicitly provided to the organization through legislation or regulation.
- (2) The agent is empowered in its constituting act to borrow and conduct the other activities potentially covered by the credit rating being assigned.
- (3) There is no provision in the constituting act or the terms of the debt precluding the applicability of the agent status to borrowing or other activities potentially covered by the credit rating being assigned.

This recognizes that the federal and provincial governments are ultimately liable for the mandated actions of their agents.

However, in cases where the rating of a government is extended to an agent whose activities and operations are not closely monitored by DBRS, issuer ratings should not be assigned to these organizations, as it may be difficult to ensure that all non-debt transactions (e.g., leases, derivatives) are conducted in accordance with the mandate of the organization and approved by the government. In cases where the act is unclear about the status of the entity being rated, an outside legal opinion may be sought by DBRS.

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