

October 30, 2014

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO AND MANITOBA
(the Jurisdictions)

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF
APPLICATIONS IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
CONCENTRA FINANCIAL SERVICES ASSOCIATION
(the Filer)

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (each a **Decision Maker**) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the **Legislation**), pursuant to section 42 of Ontario Securities Commission Rule 91-507 *Trade Repositories and Derivatives Data Reporting* and section 42 of Manitoba Securities Commission Rule 91-507 *Trade Repositories and Derivatives Data Reporting* (collectively, the **Reporting Rules**), exempting the Filer from the requirement under subsection 33(1)(a) of the Reporting Rules to report valuation data on a daily basis in respect of Customer Transactions that are fully hedged with Hedge Transactions entered into with a Bank Counterparty (each as defined below), provided that the Filer reports valuation data on a quarterly basis in accordance with subsection 33(1)(b) of the Reporting Rules (the **Exemptive Relief Sought**).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a coordinated review application):

- (a) the Ontario Securities Commission (OSC) is the principal regulator for this application; and
- (b) the decision is the decision of the principal regulator and evidences the decision of the other Decision Maker.

Interpretation

Terms defined in National Instrument 14-101 *Definitions* have the same meaning if used in this decision, unless otherwise defined.

Representations

This decision is based on the following facts represented by the Filer:

1. The Filer is Canada's only retail association that is defined and governed by the *Cooperative Credit Associations Act* (Canada). It is also regulated federally by the Office of the Superintendent of Financial Institutions. The Filer's head office is Saskatoon, Saskatchewan.
2. The Filer provides financial intermediation and trust services to Canadian credit unions and associated commercial and retail customers. Its services include loan syndication and securitization, deposits, foreign exchange, and financial consulting, including interest rate derivatives.
3. The Filer supports Canadian credit unions in their access to financial derivatives. As individual credit unions do not have the business volume to be supported by the major derivative sell-side participants, the Filer operates as an intermediary to facilitate the risk mitigation activities of credit unions and their members/clients. Accordingly, the Filer provides interest rate swaps and bond forwards to its credit union members and foreign exchange forwards to its credit union members and to a limited number of corporate clients. The Filer is in the process of winding down its foreign exchange services to corporate clients and will focus solely on credit union clients in the future.
4. Each derivative transaction entered into by the Filer with a credit union or a corporate client that is a local counterparty in Ontario or Manitoba (**Customer Transaction**) is immediately offset with an identical, opposite transaction (**Hedge Transaction**) entered into with a Canadian Schedule 1 bank (**Bank Counterparty**). Each Hedge Transaction is entered into on a one-to-one basis with its corresponding Customer Transaction and is reportable under the Reporting Rules or the equivalent rule of another province or territory of Canada.
5. As described above, the Filer enters into a limited number of derivative trades with its credit union members and with a small number of corporate entities. In order to ensure that its customers are not subject to any reporting obligation under the Reporting Rules, the Filer has covenanted, in its Canadian Representation Letter #1, in the form published by the International Swaps and Derivatives Association, Inc. on April 23, 2014, to report under the Reporting Rules as if it were a derivatives dealer.
6. Commencing on October 31, 2014, of the Customer Transactions that the Filer currently has on its books, 46 positions will be reportable as pre-existing transactions under the Reporting Rules (five bond forwards and two interest rate swaps in Ontario and 39 foreign exchange forwards in Manitoba) with five clients (three in Ontario and two in Manitoba). The total notional value of those positions as at August 31, 2014 was \$103 million.
7. The Filer is not in default of securities legislation in either of the Jurisdictions.
8. As described above, each time that the Filer enters into a derivatives transaction with a member or a corporate client, it hedges its obligations under that Customer Transaction by entering into a Hedge Transaction with a Bank Counterparty. Each Hedge Transaction will be reportable under the Reporting Rules or the equivalent rule of another province or territory of Canada by the Bank Counterparty. Each Bank Counterparty has a large and sophisticated

derivatives trading business and will report valuation data under subsection 33(1)(a) of the Reporting Rules or the equivalent provision of the rule of another province or territory of Canada on a daily basis for each Hedge Transaction. As the valuation data for a Customer Transaction and for its corresponding Hedge Transaction will be the same, the valuation data for a Customer Transaction is effectively reported when the Bank Counterparty reports the valuation data in respect of the corresponding Hedge Transaction.

9. The Filer submits that it should be exempt from the requirement to report valuation data on a daily basis and, instead, report valuation data on a quarterly basis given:
 - (a) the small number of its Customer Transactions,
 - (b) the minimal notional value of each of its Customer Transactions and the small total notional amount of its Customer Transactions,
 - (c) valuation data in respect of each Customer Transaction will be identical to the valuation data in respect of the corresponding Hedge Transaction, which latter valuation data will be reported daily by the Bank Counterparty, and
 - (d) the cost to the Filer of implementing daily valuation reporting capability.
10. For the reasons provided above, the Filer submits that it would not be prejudicial to the public interest to grant the Exemptive Relief Sought.

Decision

Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Makers under the Legislation is that the Exemptive Relief Sought is granted provided that:

- (a) the Filer reports valuation data in accordance with subsection 33(1)(b) of the Reporting Rules for each of its Customer Transactions;
- (b) each applicable Customer Transaction that is reported by the Filer in accordance with subsection 33(1)(b) is supported by a Hedge Transaction with a Bank Counterparty; and
- (c) upon the request of a Decision Maker, the Filer will promptly provide information to the applicable Decision Maker to assist the Decision Maker in linking a Customer Transaction to its corresponding Hedge Transaction.

This decision will terminate two years from the date of this decision.

A handwritten signature in black ink, appearing to read "Kevin Fine". The signature is written in a cursive, somewhat stylized font.

Kevin Fine
Director, Derivatives
Ontario Securities Commission