



THE SECURITIES ACT )  
)  
Section 42 of MSC Rule 91-507 )

Order No. 7561

October 27, 2021

**Credit Union Central of Manitoba Limited**

**Decision**

**WHEREAS:**

(A) The Manitoba Securities Commission (the "**Commission**") has received a renewal application from the Credit Union Central of Manitoba Limited (the "**Filer**") for a decision under *The Securities Act*, RSM 1988, c. S50 (the "**Legislation**") pursuant to section 42 of Manitoba Securities Commission Rule 91-507 *Trade Repositories and Derivatives Data Reporting* ("**MSC Rule 91-507**") exempting the Filer from the requirement to report daily valuation data, based on industry accepted valuation standards, to a recognized trade repository pursuant to paragraph 33(1) of MSC Rule 91-507 (the "**Reporting Rules**"), as of the last day of each calendar quarter, and no later than 30 days after the end of each calendar quarter pursuant to paragraph 33(1)(b) of the Reporting Rules (the "**Requested Relief**");

(B) The Filer has represented to the Commission that:

1. The Filer is subject to Manitoba provincial legislation, namely *The Credit Unions and Caisses Populaires Act* and *The Credit Unions and Caisses Populaires Regulation*. Since January 1, 2017, the Filer has been regulated by the Financial Institutions Regulation Branch, which is responsible for administering *The Insurance Act*, *The Credit Unions and Caisses Populaires Act*, and Part XXIV of *The Corporations Act* in the province of Manitoba. Prior to January 1, 2017, the Filer was regulated by the federal Office of the Superintendent of Financial Institutions ("**OSFI**") pursuant to the federal *Cooperative Credit Associations Act*. The Filer is mandated under provincial legislation to act as the "Central" for all credit unions in Manitoba. Membership in the Central is a statutory requirement for all Manitoba credit unions. The Filer is co-operatively owned by the credit unions, which are themselves co-operatives owned by credit union members.
2. The Filer exists to provide services to Manitoba credit unions, which are required under provincial legislation to set aside a prescribed level of their total deposits for the purpose of establishing and maintaining liquidity reserves. The Filer manages such liquidity reserves on behalf of credit unions and invests in redeemable deposits and unencumbered or guaranteed debt instruments. In addition, the Filer monitors credit granting procedures, and provides consulting and financial services to credit unions, which occasionally involve facilitating access to derivatives. The Filer's derivatives business is limited to clients located in the Jurisdiction.

## Derivative Transactions

3. The Filer carries out derivative transactions with certain Canadian Schedule I banks (each, a "**Bank Counterparty**" and collectively, the "**Bank Counterparties**").
4. The Filer engages in Interest Rate Swap derivatives ("**IRS Transactions**").
5. In the last twelve months ending July 31, 2021, the Filer's activity in the derivatives market on behalf of Credit Unions was as described below.

The activity below, except FX Transactions, is estimated to be broadly representative of the volume and value of transactions anticipated to be carried out by the Filer in the derivatives market on behalf of Credit Unions in 2022.

Transaction Type	Volume over the twelve months ending July 31 2021		Outstanding @ July 31, 2021	
	Number of Transactions	Notional Amount (C\$)	Number of Transactions	Notional Amount (C\$)
IRS	9	\$215,000,000	50	\$755,478,496
FX	2	\$509,969	0	0

\*The above amounts include nominal fees of less than 0.25% to cover administrative costs.

The Filer ceased initiating FX Transactions with Credit Unions in October 2020 and currently has no outstanding FX derivatives with Credit Unions. Prior to this date, the Filer had transacted FX derivatives with Credit Unions while they were transitioning to another approved intermediary. Credit Unions have fully transitioned to that service provider and the Filer does not anticipate transacting further FX derivatives with Credit Unions unless required under rare, unforeseen and temporary circumstances to assist a Credit Union in need.

6. The IRS Transactions carried out by the Filer on behalf of credit unions are immediately offset with an identical, opposite transaction entered into with a Bank Counterparty (each an "**IRS Hedge**"). Because all details (e.g., term, rate, maturity date, notional amount) are identical, the valuation data for an IRS Transaction and an IRS Hedge are identical, with the exception of nominal fees that are charged to cover administrative costs, on a non-profit basis. The valuation data is effectively reported when the Bank Counterparty reports the valuation data in respect of the corresponding IRS Hedge.
7. The Filer understands that it meets the definition of "derivatives dealer" in the Reporting Rules because it acts as an intermediary between its credit union members and the Bank Counterparties in connection with the above-mentioned derivative transactions, and as a result, would be subject to the requirement under the Reporting Rules to report valuation data on a daily basis.
8. In order to ensure that the credit unions for which the filer provides services are not subject to any reporting obligations under MSC Rule 91-507, the Filer has covenanted, in its Canadian Representation Letter #1, in the form published by the

International Swaps and Derivatives Association Inc. (“ISDA”) on April 23, 2014, to report under the Reporting Rules as if it were a “derivatives dealer” solely for the purpose of such reporting.

9. As described above, each time the Filer enters into a derivatives transaction with a credit union, it hedges its obligations under that transaction by entering into an IRS Hedge with a Bank Counterparty. Each IRS Hedge is, or will be, reported under the Reporting Rules by the Bank Counterparty.
10. The Filer reports valuation data of all IRS Transactions and FX Transactions on a quarterly basis in accordance with Exemptive Relief granted via Manitoba Securities Commission Order Number 7479. Order 7479 expires on November 28, 2021.
11. The Filer is not in default of securities legislation in any jurisdiction of Canada based on current Exemptive Relief.
12. The Filer submits that it should continue to be exempt from the requirement to report valuation data on a daily basis and, instead, report valuation on a quarterly basis given the following:
  - a) the small number of IRS Transactions;
  - b) the minimal notional value of each of its IRS Transactions;
  - c) valuation data in respect of each IRS Transaction is, or will be, reported by the Bank Counterparty;
  - d) the cost to the Filer of maintaining daily valuation reporting capability.
13. For the reasons provided above, the Filer submits that it would not be prejudicial to the public interest to grant the Requested Relief.

(C) The Commission is of the opinion that it is in the public interest to make this order.

**IT IS ORDERED:**

1. **THAT**, pursuant to section 42 of MSC Rule 91-507, the Filer is exempted from the requirement to report daily valuation data, based on industry accepted valuation standards, to a recognized trade repository pursuant to paragraph 33(1) of MSC Rule 91-507, provided that
  - (a) the Filer reports valuation data in accordance with subsection 33(1)(b) of the Reporting Rules based on industry accepted valuation standards for each of its IRS Transactions by the 30<sup>th</sup> day after the end of each calendar quarter;
  - (b) each applicable IRS Transaction that is reported by the Filer in accordance with subsection 33(1)(b) of the Reporting Rules and this Decision is supported by an IRS Hedge with a Bank Counterparty;

(c) the Filer, within 30 days of the date of this Decision, provides an undertaking to the Manitoba Securities Commission that upon request, the Filer will promptly provide information to assist in linking a IRS Transaction to its corresponding IRS Hedge.

2. **THAT**, this order expires three years from the date of this decision.

**BY ORDER OF THE COMMISSION**

  
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**Chris Besko, Director**