



February 1, 2016

Delivered via email: [comments@osc.gov.on.ca](mailto:comments@osc.gov.on.ca)

The Secretary  
Ontario Securities Commission  
20 Queen Street West  
22<sup>nd</sup> Floor, Box 55  
Toronto, Ontario M5H 3S8

Dear Sir/Madam:

**Re: Ontario Securities Commission Rule 91-507- Trade Repositories and Derivatives Data Reporting**

The Canadian Life and Health Insurance Association is pleased to provide comments on the Ontario Securities Commission's Notice of Amendments and Request for Comment on OSC Rule 91-507 Trade Repositories and Derivatives Data Reporting.

Established in 1894, the Canadian Life and Health Insurance Association (CLHIA) is a voluntary trade association that represents companies which together account for 99 per cent of Canada's life and health insurance business. The industry, which provides employment to about 150,000 Canadians and has assets in Canada of over \$721 billion, protects about 28 million Canadians through products such as life insurance, annuities, registered retirement savings plans, disability insurance and supplementary health plans. It pays benefits of almost \$84 billion a year to Canadians and manages about two-thirds of Canada's pension plans. Canadian Life insurance companies participate as end-users in Canadian and foreign derivatives markets.

We have some comments on the application of new section 41.1 of the amended Rule and how it would apply to life insurers operating in Canada. Section 41.1 of the amended Rule states that a counterparty is not under an obligation to report derivatives data in relation to a transaction if the transaction is between affiliated companies and each counterparty to the transaction is a local counterparty pursuant to the securities legislation of a jurisdiction of Canada.

Section 1 defines a "local counterparty" as including a person or company organized under the laws of Ontario or that has its head office or principal place of business in Ontario and any affiliate when such person or company is responsible for the liabilities of that affiliated party.

We agree with your determination that the value of reporting affiliated company information is outweighed by the cost of reporting for end-users. Reporting of inter-affiliate transactions should not require end-users to incur the cost of developing reporting systems or of subscribing to trade repository services. The primary source of risk to a corporate group is derived from its market facing transactions.

The commentary states that the exclusion is not available for inter affiliate transactions involving an affiliate that is not a local counterparty pursuant to the trade reporting rules of a jurisdiction of Canada because the Commission may not have access to the relevant market facing transaction and therefore may not have a comprehensive view of the corporate group exposure.

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The section 41.1 exemption would generally be available to life insurers incorporated in Canada as they do not act as derivatives dealers or clearing agencies and would be considered to be local counterparties. There will be cases where the Canadian life insurance company has entered into a market facing transaction with a derivatives dealer in Canada (and the Commission would have access to this market facing trade) and the Canadian life insurance company (the non-dealer local counterparty to the market facing trade) then enters into a back-to-back trade with a non-local counterparty, e.g. a U.S. subsidiary. There would be no apparent benefit to the Commission to have such trades reported by the non-dealer counterparty, as it has access to the market facing trade. In fact, the aggregate reported data would be misleading as the market facing trade and the back-to-back trade would be double counted.

We would encourage the Commission to consider exempting trades between end-users and their affiliates regardless of jurisdiction, given the increasingly international nature of Canada's financial institutions.

The CLHIA appreciates the opportunity to provide its comments. If you require any additional information at this time, please feel free to contact me by e-mail at [JWood@clhia.ca](mailto:JWood@clhia.ca) or by telephone at 416-359-2025.

Yours truly,

(Original signed by)

James Wood  
Counsel