

May 13, 2015

DELIVERED VIA EMAIL

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Re: CSA Notice and Request for Comment – Proposed National Instrument 94-101 Mandatory Central Counterparty Clearing of Derivatives and Proposed Companion Policy 94-101CP Mandatory Central Counterparty Clearing of Derivatives (the Proposed NI and Notice).

The Investment Industry Association of Canada (IIAC) appreciates the opportunity to provide comments on the Proposed NI and Notice. An industry working group of IIAC member firms active in derivatives assisted in commenting the Proposed Rules and Notices.

Some IIAC members or their affiliates, and other industry groups in which they participate, may address in separate letters to the CSA issues raised by the Proposed NI and Notice, based on their role in the market and their regulatory situation. Our comments relate only to the activities of our members in CFDs and FX derivatives (Retail OTC Derivatives) and do not apply to the activities of our members in other products or to the activities of their affiliates.

As mentioned in our March 18, 2014 response letter to CSA Staff Notice 91-303 Proposed Model Provincial Rule on Mandatory Central Counterparty Clearing of Derivatives (our 91-303 Letter), we agree with the objectives pursued by the CSA in implementing a regulatory framework for OTC derivatives.

We agree with the bottom-up approach as well as the factors the CSA intends to consider for determining whether a derivative or class of derivatives will be subject to the mandatory clearing obligation. We commend the CSA for confirming that, as part of the determination process, it will publish for comment the derivatives it proposes to be mandatory clearable derivatives and invite interested persons to make representations in writing.

Clearing agencies recognized by the CSA have not made Retail OTC Derivatives available for clearing. Furthermore, an analysis of Retail OTC Derivatives based on the factors outlined in the CP will lead the CSA to conclude that central clearing would have no effect on systemic risk mitigation, because of the negligible notional value, in absolute terms as well as a percentage of the overall OTC market and underlying asset classes. As argued in our 91-303 Letter, we believe the CSA will also find that mandated central clearing would harm competition by adding significant costs that would have to be passed on to investors. That would cause many Investors to turn to unregulated entities that offer similar products online.

We welcome the opportunity for an ongoing dialogue with the CSA on this important initiative and would be pleased to discuss this submission should you have any questions.

Best regards,



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