



March 17, 2014

Wendy Morgan
Legal Counsel
Financial and Consumer Services Commission (NB)

By Email (wendy.morgan@fcb.ca)

Dear Ms Morgan:

RE: Proposed Derivatives Clearing Rules

Thank you for the invitation to provide feedback with respect to the potential impact of the proposed derivative rules on our member credit unions and whether the CSA Derivatives Committee should consider an exemption from the mandatory clearing requirements for small financial entities such as credit unions.

This letter is further to the letter dated March 17, 2014, sent to you on our behalf from Central 1 Credit Union ("Central1"), in response to CSA Staff Notice 91-303 Proposed Model Provincial Rule on Mandatory Central Counterparty Clearing of Derivatives ("Model Provincial Rule 91-303") and CSA Staff Notice 91-304 Model Provincial Rule – Derivatives: Customer Clearing and Protection of Customer Collateral and Positions ("Model Provincial Rule 91-304").

Atlantic Central is fully in support of the positions put forward by Central 1 in that letter. We would like to take this opportunity to expand on the structure of the credit union system in Atlantic Canada, to further support the position that Atlantic Central, its

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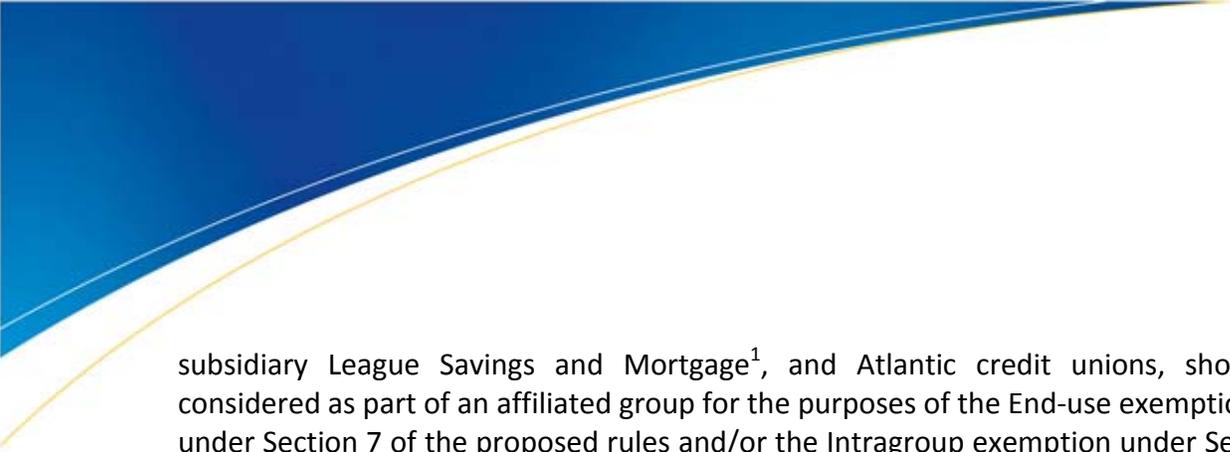
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subsidiary League Savings and Mortgage¹, and Atlantic credit unions, should be considered as part of an affiliated group for the purposes of the End-use exemption under Section 7 of the proposed rules and/or the Intragroup exemption under Section 8 of the rules.

As noted by Central1, credit unions do not have independent access to funding in capital markets, and thus engage in derivative activity through their Central. In Atlantic Canada, our member credit unions transact derivatives with Atlantic Central, who in turn, transacts with another financial institution (usually a credit union system partner) to take an offsetting position. Acting as an intermediary in these transactions, Atlantic Central has no market risk; its only risk is the counterparty credit risk.

Credit unions' use of derivative instruments is limited to transactions for the purposes of mitigating their own operational risk. Use of derivative instruments by our member credit unions is limited to equity options related to member S&P/TSX 60 Index-Linked Term Deposits, and to a much lesser extent, interest rate swaps to manage credit union balance sheet exposures, and foreign currency hedges to mitigate the risks from member foreign currency transactions.

Atlantic Central (and League Savings and Mortgage) also occasionally enters into derivative transactions to manage its own operational risk. Again, these transactions would normally be with a credit union system partner – either Central 1 or Concentra Financial². Central 1 or Concentra Financial would still retain the requirement to clear the trades they execute outside of the credit union system.

If you have any questions or would like to discuss further, please do not hesitate to contact me.

¹ League Savings and Mortgage was incorporated in 1966 under a Special Act of Parliament and is federally regulated by OSFI under the Trust and Loan Companies Act.

² Concentra Financial is a credit union owned company that provides wholesale financial intermediation and trust solutions to credit unions. Like Central1, Concentra Financial is also a market rated entity and is regulated by OSFI



Yours truly,

Sharon Arnold

Sharon Arnold, CA
Senior Vice President, Finance and Chief Risk Officer

CC: Abel Lazarus, NS Securities Commission (lazaruah@gov.ns.ca)