



**Canadian Life
and Health Insurance
Association Inc.**

**Association canadienne
des compagnies d'assurances
de personnes inc.**

February 4, 2013

John Stevenson, Secretary
Ontario Securities Commission
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Me Anne-Marie Beaudoin
Secrétaire de L'Autorité
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Dear Sir/Madam:

Canadian Securities Administrators Consultation Paper 91-301- Model Provincial Rules – Derivatives: Product Determination and Trade Repositories and Derivatives Data Reporting

The Canadian Life and Health Insurance Association is pleased to provide comments on the Canadian Securities Administrators Consultation Paper 91-301 *Model Provincial Rules – Derivatives: Product Determination and Trade Repositories and Derivatives Data Reporting* (“CP 91-301”).

Established in 1894, the Canadian Life and Health Insurance Association (CLHIA) is a voluntary trade association that represents the collective interests of its member life and health insurance insurers. The industry, which provides employment to almost 135,000 Canadians and has investments in Canada of \$514 billion, protects more than 26 million

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Canadians through products such as life insurance, annuities, RRSPs, disability insurance and supplementary health plans. It pays benefits of almost \$65 billion a year to Canadians and administers over one-half of Canada's pension plans. Canadian life insurance companies participate as end-users in Canadian and foreign derivatives markets.

The CLHIA is generally in agreement with the CSA's proposed framework for the designation of trade repositories and the operational framework for trade repositories as outlined in CP 91-301. The CLHIA is pleased that the CSA is working to develop standards for trade repository reporting which will be harmonized with international standards. Barriers must not be created by having differing requirements in one jurisdiction from another. The CSA must continue with efforts at maintaining harmonization among the different provincial jurisdictions in order to reduce the need for duplicate filings and to keep the system as efficient as possible.

The CLHIA agrees that the definition of "derivative" should exclude an insurance or annuity contract issued by an insurer holding a licence under insurance legislation of Canada or a province. It would also be reasonable to exclude insurance or annuity contracts issued by licensed insurers outside Canada. For clarity, reinsurance should not be considered to fall within the scope of being considered a derivative. The CLHIA agrees that a spot market contract or instrument for the purchase and sale of currency should not be considered a derivative. The CLHIA agrees that although the definition of derivatives is very broad, reporting to a trade repository should only be required for OTC derivatives transactions.

From the insurance company perspective, in most situations a derivatives dealer is used when purchasing derivatives and therefore, responsibility for reporting will fall to the derivatives dealer. However, in some circumstances responsibility for reporting will fall to the insurance company counterparty. We note that the definition of "local counterparty" is very broad and could potentially result in the requirement for insurers to report in multiple provincial jurisdictions, (e.g., the jurisdiction where the head office is located, the jurisdiction where the trading office is located and the jurisdiction where a parent company is located as well as the jurisdictions of the counterparty's head office, trading office and parent company). Reporting in multiple jurisdictions should not be required and we would recommend that the best approach would be for counterparties to only report in the jurisdiction where the head office of the dealer is located.

Since many of the insurance companies' derivatives transactions involve a U.S. or other foreign counterparty, it is important for reporting requirements to align with those in the U.S. and other jurisdictions. Harmonized reporting obligations and an established protocol for reporting will help to reduce barriers and to reduce costs, barriers and burdens for foreign counterparties.



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Requiring filings in multiple international or provincial jurisdictions will make the reporting system inefficient with payment of duplicate fees and result in delays and barriers. Reporting in more than one jurisdiction will have the effect of distorting data and result in misleading information. Only one filing per transaction should be required. In this regard a protocol for filing should be developed.

As stated in previous submission letters, reporting of intra-group transactions should not be required. End-users should be able to organize their affairs by setting up internal back-to-back arrangements without triggering filing requirements. Trade reporting with respect to such transactions will not result in greater transparency; to the contrary, it will result in duplication and distortion of the number of true market transactions.

Information which is provided as part of data reporting must be meaningful and consistent. The insurance industry would like to encourage the CSA to streamline as much as possible the type of information which needs to be reported. Since this involves developing a whole new reporting system it is important to start in a manageable way. Unless particular systemic risks have been identified, it would be appropriate to remain very focused regarding the information which must be provided.

Resources should not be diverted on the topic of reporting pre-existing derivatives transactions. Efforts should be focused on implementation of the new reporting requirements on a go forward basis. The requirement to report pre-existing derivatives transactions will be very problematic since not all information will be readily available. It is not clear what purpose providing this information will serve. Insurers will need to confirm the accuracy of information provided by dealers with respect to historical trades and a sufficient amount of lead time will be required.

Insurance companies have some concerns about the way in which data will be publicly reported. In smaller jurisdictions, when unusually large transactions are undertaken, it will be difficult to maintain anonymity. In some circumstances there could be indirect disclosure of non-public information which could affect financial reporting. At a certain transaction size level, it would be appropriate to have more delayed release of information. Insurance companies would prefer that disclosure be made regarding the Canadian market as a whole rather than at an individual provincial level.

It is not possible for counterparties to begin implementing changes until the rules are final. A sufficient amount of time must be allowed to make the extensive number of system changes required.

A totally harmonized approach among all Canadian jurisdictions is required. Serious consideration should be given as to whether it is possible to create one trade repository that would apply for all the provinces.



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

Yours truly,

A handwritten signature in black ink that reads "James Wood". The signature is written in a cursive, flowing style.

James Wood
Counsel