



Advancing Standards™

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Re: Draft Regulation to amend Regulation 91-507 respecting Trade Repositories and Derivatives Data Reporting

The Portfolio Management Association of Canada ("PMAC"), through its Industry, Regulation & Tax Committee, welcomes the opportunity to submit the following comments regarding the proposed amendments to Rule 91-507 Respecting Trade Depositories and Derivatives Data Reporting (the "TR Rule").

As background, PMAC represents investment management firms registered to do business in Canada as portfolio managers. In addition to this primary registration, some firms are dually registered as investment fund managers and/or exempt market dealers or other registration categories but generally 70% of their income is derived from portfolio manager registration to be members of PMAC. PMAC was established in 1952 and currently represents over 180 investment management firms that manage total assets in excess of \$800 billion (excluding mutual funds assets). Our mission is to advocate the highest standards of unbiased portfolio management in the interest of the investors served by Members. For more information about PMAC and our mandate, please visit our website at www.portfoliomanagement.org.

PMAC believes that a derivatives reporting regime in Canada should be founded on set of rules that are fully harmonized across all provinces and territories. We commend the AMF and other securities regulators for the harmonization efforts that have already taken place to date in this area.

As you know, on April 17, 2014, the Ontario Securities Commission and Manitoba Securities Commission published amendments to the TR Rule to delay the effective date of reporting obligations, due to the unavailability of the necessary market infrastructure, and lessen the burden of reporting obligations on local end-user counterparties by repealing the local counterparty fall-back rule (subsection 25(2)) that imposed report monitoring obligations when dealing with foreign dealer reporting counterparties. Subsection 25(2) establishes a fall-back mechanism that places a burden on Ontario non-dealer counterparties to monitor and ensure that foreign dealer reporting counterparties report transactions within the allotted time. A failure of the foreign dealer reporting counterparty to report would place the reporting onus on

the non-dealer counterparty. As a result of consultations with industry and market participants, it was revealed that the non-dealer counterparties lack the resources and technological systems to fulfill the obligations imposed by the fall-back provision. Consequently, Ontario and Manitoba have removed the provision.

The AMF's Decision No. 2014-PDG-0084 – Blanket decision regarding exemption from reporting obligation under *Regulation 91-507 respecting Trade Repositories and Derivatives Data Reporting* (the "Blanket Decision") issued on July 31, 2014 also addresses subsection 25(2). We note that paragraph 1 of the Blanket Decision exempts a local counterparty from the local counterparty fallback obligations under subsection 25(2) of the TR Rule when the conditions of that subsection are met.

Consistent with the AMF's stated policy objective of harmonization, we recommend that subsection 25(2) be formally repealed in future amendments to Regulation 91-507, consistent with the repeal of the equivalent provisions in the other TR Rules. While the Blanket Decision addresses the issue, we believe that the exemption is not as transparent to all market participants and may be withdrawn at any time without any requirement for comment or consultation. Accordingly, we believe it is desirable to have complete formal harmonization of the local counterparty fallback provision and in an effort to maintain legal certainty and consistency of the TR Rule across the provinces, we urge the AMF to formally amend the TR Rule to remove subsection 25(2). Having legal uncertainty on this issue could in the future negatively impact the significant number of buy-side firms with clients in multiple provinces.

We recommend this change be made as soon as possible to enure consistency and certainty in advance of the October reporting deadline.

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If you have any questions regarding the comments above, please do not hesitate to contact Katie Walmsley at (416) 504-7018 or Julie Cordeiro at (416) 504-1118.

Yours truly,

**PORTFOLIO MANAGEMENT ASSOCIATION OF CANADA**



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