

Delivered Electronically

September 23, 2011

Alberta Securities Commission  
Autorité des marchés financiers  
British Columbia Securities Commission  
Manitoba Securities Commission  
New Brunswick Securities Commission  
Ontario Securities Commission  
Saskatchewan Financial Services Commission

c/o John Stevenson, Secretary  
Ontario Securities Commission  
20 Queen Street West  
Suite 1900, Box 55  
Toronto, Ontario  
M5H 3S8

For Your Consideration:

**Re: Request for Comments for 91-402: Derivatives Trade Repositories**

We appreciate the opportunity to provide comments on the above and want to express our general support for the need for greater transparency regarding OTC derivatives transactions. Trade repositories could play an important role in increasing transparency for regulatory authorities by centralizing the collection and dissemination of information in a consistent manner.

For trade repositories to enable regulators to have a thorough and holistic understanding of the risks the industry is exposed to, it is critical to complement them with an appropriate set of risk assessment and monitoring tools.

We believe that the implementation of such trade repositories and related risk assessment and monitoring tools will cause a considerable additional financial burden to the industry, which could be offset by combining their implementation with a series of value-add services for the industry.

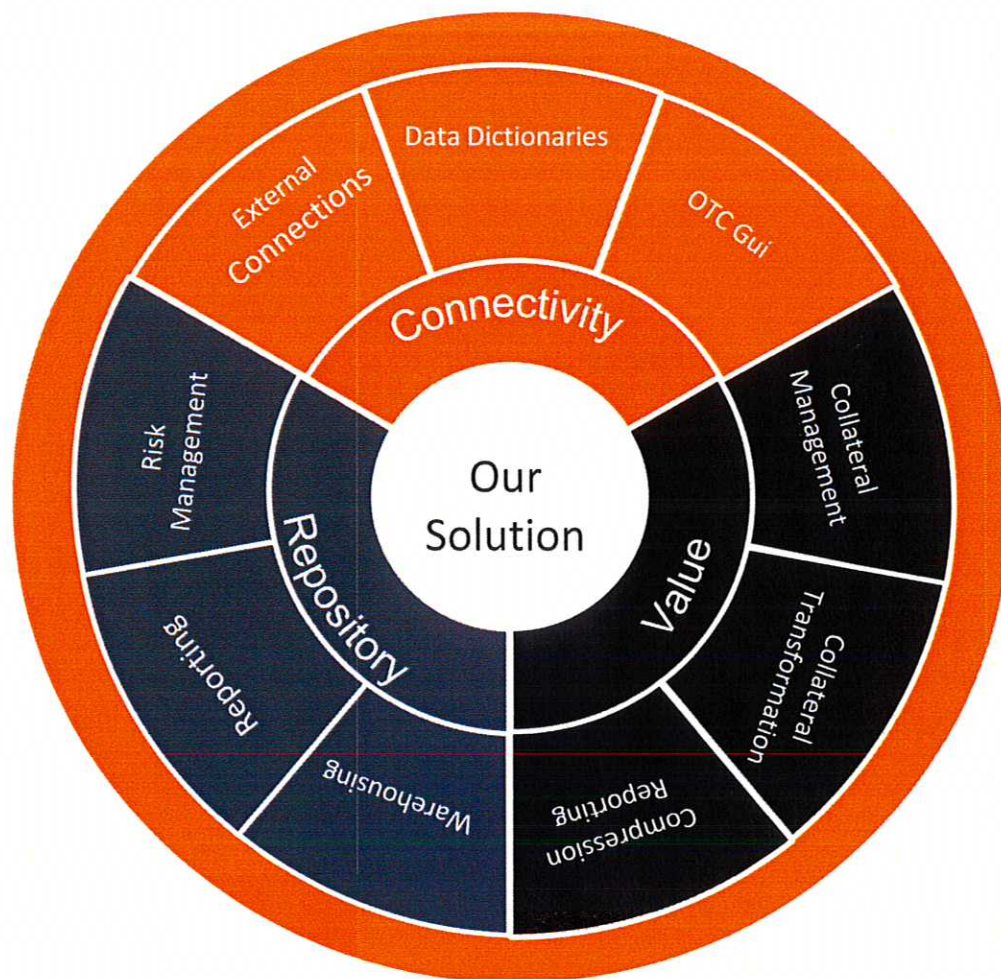
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In particular we believe that a consolidated OTC derivatives market infrastructure solution would complement a trade repository with the services listed below would achieve such objectives:

- A centralized connectivity solution interacting with domestic and international OTC derivatives trade registration solutions;
- Enhanced collateral management capabilities; and
- A facility supporting derivatives trade compression.

The diagram below summarizes the vision we recommend, followed by a high level description of the benefits.



Benefits of our recommended approach to the Trade Repository:

- Addresses both user community and regulatory reporting requirements;
- Allows for an aggregate view of market risk for all trades captured within the repository.

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#### Benefits of the Centralized Connectivity:

- By consolidating client connections to various trade matching platforms, CCPs, Repositories, Regulators, and the user community; we are able to achieve considerable cost savings for the industry from a capital and operating expenditure perspective; and
- Through a common client interface, it becomes possible to minimize integration efforts to each of the platforms or components listed above.

#### Benefits of the Value Add Services:

- Enables more efficient collateral management between parties; and
- Allows to reduce exposure by providing information that will allow for trade compression.

We intend to produce a white paper that will in detail elaborate on this vision.

Alpha is generally in support of the CSA recommendations regarding trade repository requirements, reporting requirements, and access to confidential information; however the implementation of these recommendations should take into account practical considerations including the current readiness of Canadian participants and the impact of market transparency. An approach which phases in the requirements and allows for monitoring of the impact may be appropriate for some of the requirements.

Our response focuses on the first two questions because we believe the responses to the other questions require data analysis and input from the marketplace participants.

#### **1. If a Canadian trade repository is mandated, should it be privately developed and operated for profit, privately developed and operated on a not-for-profit basis or should provincial market regulators perform this function directly?**

As stated above, Alpha believes that the objective should be to develop a Canadian trade repository as part of a market infrastructure solution that is both cost effective and addresses the needs of the regulators while including value-add services for the market participants to offset implementation and operating costs. In addition, it should be implemented in such a way as to be a building block for future regulatory and/or industry driven market infrastructure initiatives in the OTC derivatives space.

The most cost-effective and user centric market infrastructure solutions have historically been user based and either for-profit or not-for-profit. Therefore we believe that a privately developed solution would serve the broader interests and objectives.

We believe that a local solution will best meet the current needs of the Canadian marketplace while allowing for the implementation of value-add services and future enhancements that will be beneficial to the Canadian marketplace. We do acknowledge however that any solution must be consistent with international practices such as those set out in the CPSS- IOSCO paper.

**2. What is required to enable Canadian derivatives market participants to be able to report derivatives transaction information in real time and how long will it take to achieve this functionality?**

Successful reporting of OTC derivatives transaction information requires the trade repository to be connected with the various domestic and international OTC derivatives trade registration solutions which are in place (trade matching platforms, clearing houses, and other trade repositories) as well as the parties to trades which are not registered through any such solutions. This will not only require development work for the market participants but it also requires establishing reference data bases (including unique identifiers), interface management solutions, protocols and rules or conventions for reporting. In addition, co-ordination with international standards and requirements is required.

The most cost-effective and efficient way to implement these requirements is to establish a centralized Canadian connectivity solution that will avoid the duplication of efforts amongst market participants and centralize coordination with international standards and requirements.

We believe it will require approximately 12 months to create such centralized market infrastructure connectivity solution combined with a domestic trade repository and various other value-add services.

We also believe consideration should be given to whether real time reporting of all such transactions is necessary from inception and whether it could be phased in at a later stage for those transactions where real time reporting is highly complex if batch reporting does not achieve the regulators' objectives.

**3. What is the appropriate block trade threshold for the Canadian market?**

Generally regulators have used three mechanisms to deal with publication exceptions: trade size, time period delays for reporting or limited disclosure. All three mechanisms should be considered; however data analysis and input from the industry is required to determine how to employ these mechanisms.



**4. What is the appropriate publication delay for block trades?**

The objective could be to eventually move to real time publication; however it may be useful to start off with a delay for block trades if there is a concern that real time publication would create negative impacts on liquidity and the ability to trade out of a position. The results can then be monitored before moving directly or in phases to real time.

Research on the OTC derivative asset classes should be performed before the appropriate publication limits are set.

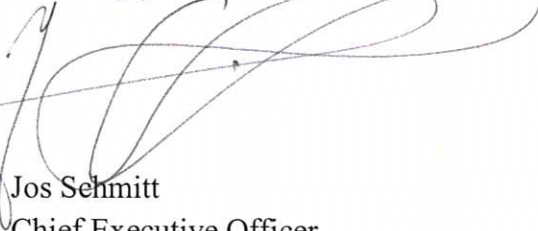
**5. Would a uniform block trade threshold across asset classes be acceptable or should thresholds be determined based on asset class? If block trade thresholds should be determined based on asset class, what thresholds would be suitable for specific asset classes?**

We believe that thresholds should be determined by asset class because the trading activity varies among asset classes. Alpha believes that the thresholds should be determined based on data and input from marketplace participants involved in these transactions.

**6. If block trade thresholds are determined by asset class and given the changes inherent in liquidity conditions, how often should these be assessed?**

Alpha believes that the response to this question should be based on data and input from marketplace participants involved in these transactions

Sincerely yours,



Jos Schmitt  
Chief Executive Officer  
Alpha Group

cc: Kevin Fine, Ontario Securities Commission  
Ranee Pavalow, Alpha Group  
Me Anne-Marie Beaudoin, Autorité des marchés financiers

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