



**Credit Union  
Central of Canada**

June 15, 2012

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

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**Re. Canadian Securities Administrators Consultation Paper 91-405 – *Derivatives: End-User Exemption***

Thank you for the opportunity to comment on Consultation Paper 91-405 *Derivatives – End User Exemption* published by the Canadian Securities Administrators Derivatives Committee (the "Committee").

Credit Union Central of Canada ("Canadian Central") is the national trade association for its member organizations - the provincial / regional Centrals - and through them 378 Canadian credit unions.

Credit unions are full service, co-operative financial institutions that are owned by their member customers. Canada's credit unions hold about \$140 billion in assets and operate a branch network with more than 1,700 locations outside of Quebec and these branches serve more than five million members and employ almost 26,000 people. The provincial and regional Centrals provide liquidity support and centralized financial services to the individual credit unions. The Centrals facilitate access by credit unions to the over-the-counter ("OTC") derivatives market and may themselves enter into derivatives transactions as a risk mitigation tool. In addition, Concentra Financial, provides a variety of financial and risk management services to credit unions in Canada. Therefore, our Central members and Concentra Financial may provide their own specific comments on Consultation Paper 91-405.

As a general position, Canadian Central strongly supports the implementation of an end-user exemption process for market participants that trade in OTC derivatives for the purpose of mitigating commercial risks related to their own businesses. However, Canadian Central urges the Committee to re-consider making the exemption available to financial institutions that otherwise meet the criteria set out in the Consultation Paper.

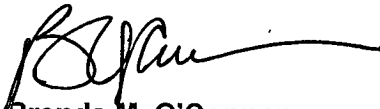
Credit unions use derivative instruments for the sole purpose of hedging specific assets, liabilities, and/or future cash-flows. Despite their varying size, no credit union in Canada would currently pose a systemic risk with respect to size or market presence in the OTC derivatives market. Despite this, credit unions would not qualify for the end-user exemption because they are financial institutions. Therefore, we suggest that the Committee consider a risk-based approach to assessing a financial institution's activity in the OTC derivatives market. In our view, such an approach would achieve the policy objectives of establishing appropriate regulatory oversight over OTC derivatives while not disadvantaging smaller financial institutions in their risk mitigation activities.

We note that, as was mentioned in the Consultation Paper, the Committee has given consideration to providing an exemption for small financial institutions similar to that proposed by the U.S. Commodity Futures Trading Commission ("CFTC"). While we recognize the challenges in establishing an asset size or transaction volume threshold, we would urge the Committee to continue to monitor the evolution of the rules developing in the U.S. and other jurisdictions to inform the development of an exemption process in Canada that recognizes the need for regulatory balance.

Finally, Canadian Central looks forward to further commentary from the Committee on the issues posed by centralized risk management and intra-group trading activity. While credit unions are independent legal entities, they do rely on the centralized financial services and liquidity support of their applicable provincial or regional Central as well as the services of Concentra Financial. We would be very interested to understand the Committee's views on what constitutes affiliated groups and the applicability of the end-user exemption process to such groups.

In conclusion, Canadian Central would like to thank the Committee for the opportunity to comment on the end user exemption proposed in Consultation Paper 91-405. If you have questions about the comments made in this letter please feel free to contact me.

Regards,



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