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BY ELECTRONIC MAIL

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Manitoba Securities Commission
New Brunswick Securities Commission
Ontario Securities Commission
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Dear Sirs and Mesdames:

Re: Canadian Securities Administrators (CSA) Consultation Paper 91-403 on Derivatives Surveillance and Enforcement (the "Consultation Paper")

The Investment Industry Association of Canada (IIAC) appreciates the opportunity to comment on the Consultation Paper released by the CSA on November 25, 2011 dealing with Surveillance and Enforcement of the over-the-counter (OTC) derivatives market.

IIAC is the national association of the Canadian investment industry that represents the interests of over 180 registered investment dealers, and their U.S. and non-U.S. affiliate firms. Our members and their affiliates account for the majority of activity in the Canadian OTC derivatives market and, as such, are committed to working closely with Canadian public authorities to strengthen the country's financial regulatory regime.

Several of IIAC's larger members are affiliates of banks that have joined with other market participants as the Canadian Market Infrastructure Committee (CMIC). CMIC is devoting substantial industry resources and expertise to work with regulators to develop solutions to satisfy Canada's G20 commitments, addressing systemic risk concerns and achieving appropriate oversight of the Canadian OTC derivatives market and its participants. We have reviewed CMIC's comments with respect to the Consultation Paper and endorse the recommendations made therein.

Consistent with our previous submission in response to Consultation Paper 91-401 (dated January 14, 2011), we believe that the CSA's regulatory approach should recognize important distinctions between conventional equity markets and OTC derivative markets. OTC derivatives are an important product class used by both financial intermediaries and commercial end-users to manage risk and exposure. Access to OTC derivatives markets is an essential component of the long term financial stability and growth of Canadian financial markets and their participants. This is why it will be important for the CSA to provide a clear identification of the particular OTC products to be regulated, and a detailed explanation of the approach to be taken to achieve the objectives of regulatory harmonization and coordination within Canada and internationally.

The oversight and surveillance of the OTC derivatives markets has the important objective of protecting investors and mitigating systemic risk. The federal government should be integrated effectively within the proposed regulatory framework given its responsibility for regulating chartered banks and international trade and its close working relationships with other multilateral organizations. Furthermore, the recent Supreme Court of Canada decision has recognized federal jurisdiction to oversee systemic risk.

The surveillance and enforcement regime for OTC derivatives is a major challenge for Canadian regulators, given the complexity of market instruments and the international dimension of the marketplace. To this end, we recommend:

- Further study of appropriate surveillance and oversight requirements and the OTC products subject to surveillance.
- A phased-in approach to the regulatory framework.
- Involvement of the federal government.
- An ongoing and close coordination with foreign regulators to ensure harmonized rules and regulations to promote efficient global markets.

We welcome the opportunity for an ongoing dialogue with the CSA on this important matter and would be pleased to discuss this submission should you have any questions.

Yours sincerely,

"Ian Russell"