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Murray J. Taylor
Co-President and Chief Executive Officer

September 11, 2013

Manitoba Securities Commission
500-400 St. Mary Avenue
Winnipeg MB R3C 4K5

Dear Sir/Madam:

RE: Proposed Manitoba Securities Commission Rule 91-506 and Proposed Companion Policy 91-506CP, *Derivatives: Product Determination*, Proposed Manitoba Securities Commission Rule 91-507 and Proposed Companion Policy 91-507CP, *Trade Repositories and Derivatives Data Reporting*

We are writing in respect of Proposed Manitoba Securities Commission Rule 91-506 and Proposed Companion Policy 91-506CP, *Derivatives: Product Determination* ("Proposed Rule 91-506" and "91-506CP", respectively) and Proposed Manitoba Securities Commission Rule 91-507 and Proposed Companion Policy 91-507CP, *Trade Repositories and Derivatives Data Reporting* ("Proposed Rule 91-507" and "91-507CP", respectively) published by The Manitoba Securities Commission ("MSC") regarding rules for the Over the Counter ("OTC") derivatives market.

IGM Financial Inc. ("IGM") is a diversified financial services provider which operates through its business units Investors Group Inc., Mackenzie Inc. and Investment Planning Counsel Inc. and their respective subsidiaries. Principal subsidiaries include registered portfolio advisers and investment fund managers (I.G. Investment Management, Ltd. and Mackenzie Financial Corporation), investment dealers and mutual fund dealers. As well, IGM, through its subsidiaries, engages in mortgage lending activities in Canada. IGM is interested in the model rules as a number of its subsidiaries use OTC derivatives for the hedging of commercial risks for their own account, or on behalf of investment funds and other client accounts that they manage.

We are supportive of the objectives of the various initiatives that are being proposed with regard to the regulation of OTC derivatives. We have a number of comments regarding Proposed Rule 91-506, 91-506CP, Proposed Rule 91-507 and 91-507CP, as follows:

- **confidentiality** - with regard to the data made available to the public under Part 4 of Proposed Rule 507, we are concerned that this data may allow the market to determine the identity of the counterparties entering certain OTC derivatives trades. In CSA Consultation Paper 91-402, *Derivatives: Trade Repositories*, the Committee agreed that "publicly available information should not disclose the identity of counterparties to any transactions or positions of market participants" and "market participants should be entitled to maintain their anonymity vis-à-vis the public in order to protect their trading strategies and other proprietary information". In fact, the Committee stated that it should be ensured that "public disclosure laws do not force regulators to reveal confidential market participant information". It is important that any aggregated data be designed to ensure that the information will not be attributable to any specific market participant. Also, as noted in comments made by ISDA and Fidelity Investments with regard to CSA Consultation Paper 91-301, there are fewer Canadian OTC market participants, the volume of trading is lower and participants are typically large institutions and, as a result, public disclosure of trade information could harm investors' ability and cost to trade. This becomes even more of an issue when you look at these factors on a province or territory level, particularly in provinces and territories where there are fewer dealers and market participants;

- **definition of dealer** - the term "dealer" in Proposed Rule 507 should only apply to entities which engage in trading OTC derivatives as a significant part of their business (such as making a market in these instruments) and not those who do so for the sole or primary purpose of hedging or transferring commercial risks;

- **definition of derivative** – In our view, it is important that the definition of derivative that is ultimately adopted be absolutely clear as to what is included so that there is certainty from a business perspective. At the same time, it is also crucial that the definition not be overly broad so as to encompass commercial arrangements that should not be intended to be included. The Notice and Request for Comment for Proposed Rule 91-506 indicates that the Scope Rule will "initially" only apply for the purposes of the TR Rule. It seems counterintuitive to have more than one definition of "derivative". We suggest that consistency in the definition of "derivative" for all regulation of derivatives is important, including harmonization across Canada and with foreign regulation of derivatives. We note that the U.S. has exempted FX swaps and FX forwards from clearing, execution on a Designated Contract Market or a Swap Execution Facility and margin requirements;

- **definition of local counterparty and duty to report** – There needs to be clarification as to which factor governs the determination as to "local counterparty" where an entity meets the criteria of a "local counterparty" in more than one jurisdiction or an entity fails to meet the definition of local counterparty in a particular jurisdiction but enters transactions with an entity in such jurisdiction. Without this clarification, the chance of duplicative reporting occurring is increased. Assuming all of the provinces and

territories have the same definition of "local counterparty", a single entity might be a "local counterparty" in Manitoba because their head office is in Manitoba and a "local counterparty" in another jurisdiction because it is organized in that jurisdiction or is registered under the securities laws of either or both Manitoba and the other jurisdiction. As well, it would appear that a federally incorporated entity would be required to report its derivatives transactions in every province and territory as it is organized under the laws of Canada and therefore a "local counterparty" in every province and territory. If a dealer is based outside a particular jurisdiction but enters derivative transactions with counterparties in such jurisdiction, the obligation to report the derivative transaction should be on the dealer, not the local counterparty. The local counterparty's duty in Section 25(1) of Proposed Rule 91-507 to report, or cause to be reported, derivatives data should be subject to the reporting hierarchy in Section 27 of Proposed Rule 91-507. The issues of who has the obligation to report and avoiding duplicative reporting apply both within Canada and internationally; and

- **administrative burden** – we encourage The Manitoba Securities Commission to design the trade repository, compliance and reporting requirements to ensure administrative burdens and the associated costs to registrants are minimized. Initial suggestions include establishing:
    - rules and reporting requirements which are consistent with other Canadian jurisdictions and ensuring that these are integrated with key foreign jurisdictions, most importantly the United States; and
    - designated trade repositories ("DTRs") that are recognized across all of the provinces and territories of Canada to avoid the possibility of duplicative reporting to a DTR in one province and to a Securities Commission in another province (where that province has not designated the trade repository).

We appreciate having this opportunity to share our views regarding Proposed Rules 91-506 and 91-507, and would be pleased to discuss any of these concerns with you at your convenience. If you would like to do so, please either contact myself or David Cheop at (204)956-8444 or david.cheop@investorsgroup.com.

Yours truly,

IGM FINANCIAL INC.

Murray J. Taylor
Co-President and Chief Executive Officer

cc: Jeff Carney, Co-President and Chief Executive Officer