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Via email

Ontario Securities Commission ("OSC") (comments@osc.gov.on.ca)
Autorité des marchés financiers ("AMF") (consultation-en-cours@lautorite.qc.ca)
Manitoba Securities Commission ("MSC") (paula.white@gov.mb.ca; chris.besko@gov.mb.ca)

Re: Amendments to Regulation/Rule 91-507 *Trade Repositories and Derivatives Data Reporting* and the Companion Policy to 91-507

Dear Sirs/Mesdames,

The Depository Trust & Clearing Corporation ("DTCC")[1] appreciates the opportunity to provide comments regarding the Proposed Amendments to the respective Regulation/Rule 91-507 *Trade Repositories and Derivatives Data Reporting* of the Ontario Securities Commission, Manitoba Securities Commission, and Autorité des marchés financiers (collectively, "the Authorities").

DTCC provides services for a significant portion of the global over-the-counter ("OTC") derivatives market and has extensive experience operating trade repositories ("TRs") to support derivatives trade reporting and enhance market transparency.[2] We applaud the Authorities for amending Regulation/Rule 91-507 to take into account the views of the industry and we appreciate the ongoing efforts of the Canadian Securities Administrators ("CSA") to ensure a harmonized reporting regime for OTC derivatives markets. DTCC is broadly supportive of the Proposed Amendments, which we believe are a step in the right direction toward international harmonization. There are, however, a few components of the Proposed Amendments that we

[1] DTCC serves as the primary financial market infrastructure serving the U.S. capital markets across multiple asset classes, including equities, corporate and municipal bonds, government and mortgage-backed securities, money market instruments, mutual funds, insurance, alternative investment products and over-the-counter derivatives. DTCC has operating facilities and data centers around the world and, through its subsidiaries, automates, centralizes, and standardizes the post-trade processing of financial transactions enabling thousands of institutions worldwide to issue securities and raise capital to build businesses. DTCC provides critical infrastructure to serve the financial marketplace and its constituents, including investors, commercial end-users, broker-dealers, banks, insurance carriers, and mutual funds.

[2] DTCC Data Repository (U.S.) LLC is designated as an authorized trade repository for Canadian derivatives trade reporting by the OSC, MSC, and the AMF. DTCC's Global Trade Repository ("GTR") supports reporting across all five major derivatives asset classes – credit, interest rate, equity, foreign exchange and commodity – and exchange traded derivatives in nine jurisdictions across 33 countries. GTR has more than 5,000 clients in all regions of the world, including the top 30 global banks. GTR reports data for more than 100,000 entities globally and holds more than 40 million open derivatives trades. GTR also processes more than one billion trade messages each month.

believe should be revised to further enhance the quality and consistency of trade reporting in Canada.

I. Duty to Report

The Authorities' Proposed Amendments to Section 26 of Regulation 91-507 provide that all derivatives data in respect of a transaction must be reported to the same recognized trade repository but not necessarily to the recognized TR where the initial report was sent to allow for reporting parties to move data to successor TRs. Although we appreciate the efforts of the Authorities to facilitate the porting of derivatives data from one recognized TR to another, we have concerns that the Proposed Amendments to Section 26(6)(a) will inadvertently fragment data if it's not made clear in the regulation as it is in the companion policy that "For a bilateral transaction that is assumed by a clearing agency (novation), the designated trade repository to which all derivatives data for the assumed transactions must be reported is the designated trade repository to which the original bi-lateral transaction was reported." In the event of moving data to a successor TR, we suggest language to prevent unnecessary complexity in the moving of relevant data by making clear that the relevant data to be held by the successor TR will be the current trade state data and all prospective submissions. We suggest the following changes as an alternative to achieve the Authorities' stated goal:

- 26(6) A reporting counterparty must ensure that all reported derivatives data relating to a transaction (from the initial submission to a recognized trade repository through all lifecycle events to termination or maturity) (a) is reported to the same recognized trade repository and, if reported to the Authority under subsection (4), to the Authority, and (b) is accurate and contains no misrepresentation.

Notwithstanding the above, if a reporting counterparty chooses to move its derivative data from one recognized TR to another recognized TR, the original TR shall only be obligated to transmit data relating to open trades reflecting the current state of the reported derivatives data and the successor recognized TR shall only be obligated to accept such current state data."

II. Counterparty Identification

DTCC appreciates the addition of Section 28.1 to require each local counterparty to a reportable transaction to obtain a legal entity identifier ("LEI"), if eligible, in accordance with the standards set by the Global Legal Entity Identifier System ("GLEIS"). DTCC is actively engaged in the global effort to create an LEI solution and we strongly support industry and regulatory efforts to mandate the use of the LEI in relevant rulemakings.[3]

[3] Through a competitive process, DTCC was chosen to build and operate an LEI utility for the industry and was designated by the Commodity Futures Trading Commission ("CFTC") to provide LEIs to swap market participants as required by CFTC recordkeeping and reporting rules. This utility, which operates in conjunction with SWIFT, is known as the Global Markets Entity Identifier ("GMEI"). To date, the GMEI utility has assigned LEIs to more than 200,000 legal entities across more than 140 jurisdictions, representing approximately 50 percent of all global LEIs that have been assigned.

As noted by regulators globally, the Financial Stability Board ("FSB") and several industry trade associations, global LEI adoption will enable improved systemic risk analysis. Recently, the International Monetary Fund issued a report noting that continued data gaps hamper U.S. efforts to perform systemic risk analysis. The report stated that improving the standardization of financial data remains an important priority and highlighted, "A clear announcement from all member agencies that the LEI will provide the basis for future mandatory data collection that requires entity identification would provide a welcome boost to data standardization initiatives."[4]

While the industry is adopting the LEI in its own risk management processes, in order for industry benefits to be realized, global regulatory mandates are needed to require all counterparties to financial transactions to register for LEIs and maintain the reference data within the GLEIS. DTCC applauds the Authorities decision to mandate LEIs, which will serve as a valuable building block to increasing transparency and risk mitigation in the global financial markets.

III. Public Dissemination

DTCC has concerns regarding the Proposed Amendments in Section 7 of Appendix C and their potential to inadvertently complicate the ability of TRs and reporting counterparties to comply in a timely and efficient manner. Specifically, Sections 7(a) and 7(b) of Appendix C establish the timeframes for a TR to publically disseminate the information contained in Table 1 based on the time at which a TR *receives* the data from the reporting counterparty. This differs from the public dissemination requirements mandated by the U.S. Commodity Futures Trading Commission ("CFTC"), which establish the timeframes for public dissemination based on the time at which the trade is executed (the "execution timestamp"), rather than the time at which the data is received by the TR (the "submission timestamp") from the reporting counterparty.

To encourage harmonization of public reporting practices, DTCC encourages the Authorities to further amend Section 7 of Appendix C to mandate public dissemination based on timeframes initiated by the execution timestamp. Specifically, DTCC favors amending the requirement in Section 7(a) of Appendix C to require the TR to disseminate the information in Table 1 of Appendix C at the end of the second day following the execution timestamp and 7(b) to the end of the third day following the execution timestamp.

The adoption of harmonized public dissemination rules based on an execution timestamp would enable registered TRs and reporting counterparties to leverage existing reporting architecture, while also lowering barriers to the aggregation of data critical to market surveillance and systemic risk oversight. Conversely, the adoption of public dissemination lag times based on a submission timestamp would hinder data aggregation by complicating the combination of disparate reporting messages. It would also force market participants to initiate separate and significant builds to provide the necessary solution and required dissemination logic, which could hamper the ability of the industry to comply with the Proposed Amendments in a timely manner.

[4] International Monetary Fund United States Financial Sector Assessment Program - Technical Note: Systemic Risk Oversight and Management

IV. Additional AMF Amendments

The AMF's Proposed Amendments to subsections 1(3) and 1(4) broaden the concept of affiliated person to include partnerships (and trusts as provided for in the Amended Policy Statement to Regulation 91-507). While we do not disagree with such a broadening in scope, DTCC is concerned about the divergence of the Authorities' definition of affiliate and we encourage the CSA to consider adopting a singular definition across their respective trade reporting regimes. The adoption of a consistent affiliate definition by the Authorities would be consistent with the CSA's commitment to a harmonized oversight and reporting regime for OTC derivatives markets. We therefore strongly urge the Authorities to adopt a singular definition of affiliate across the jurisdictions for purposes of OTC trade reporting.

Further, as there is only one reportable field to identify inter-affiliate trades, the differences in the manner in which affiliates are currently defined may require an additional field to identify only those inter-affiliate trades reported under the AMF rules thus adding unnecessary complexity and expense for little value. Similarly, as inter-affiliate transactions are not subject to aggregate or transaction level public reporting, this divergence may result in the transactions of a pair of counterparties being subject to public reporting under one rule and not another.

V. Implementation Timing

Recognizing that TRs and reporting counterparties cannot begin to design and implement new reporting architectures until after the Proposed Amendments are final, DTCC is concerned about the expected timeline for implementation of the Proposed Amendments. DTCC was previously asked to advise the Authorities on a valid timeline and we communicated that TRs and reporting counterparties will require *at minimum six months* from the finalization of the Proposed Amendments to adequately plan, build and test the required reporting systems. Moreover, this six month timeframe is conditional upon the use of minimal coding, i.e. coding that follows that which was developed to facilitate CFTC reporting under the Dodd-Frank Act. As a consequence, any unique coding would lengthen the time needed to design, build and test the reporting system required by the Proposed Amendments.

The six month period spanning from the finalization of the Proposed Amendments to the date of compliance will generally consist of:

- TR development (design, engineer and code): Three months minimum
- TR internal testing (including regression testing): Two months minimum
- TR expedited customer testing (UAT): One month minimum

It should be noted additionally that the six month timetable above does not take into account practical impediments to project development, such as the impact of budget limitations due to the Amendments being proposed after 2016 budgets have been approved by all stakeholders. The estimates also assume the existence of unassigned, appropriate human and technical resources, which is also unlikely due to the highly specialized nature of derivative technology.

With the final Amendments anticipated to be published in March 2016 at the earliest, the July 29, 2016, compliance date is exceptionally challenging. Further, because of the scheduling of other projects and regulatory requirements, the earliest compliance date that would be obtainable is the first week of November 2016.

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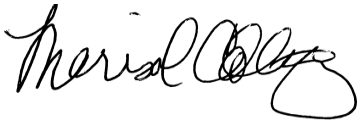
DTCC welcomes the opportunity to discuss these comments with the Authorities. Please contact me at MCollazo@dtcc.com or at 1-212-855-2670.

Sincerely,



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