ONTARIO TEACHERS' PENSION PLAN

5650 Yonge Street
Toronto, Ontario, Canada
M2M 4H5

tel: 416-228-5900 or 1 877-812-7989
fax: 416-730-5349
www.otpp.com

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Alberta Securities Commission
Authorité des marchés financiers
British Columbia Securities Commission
Financial and Consumer Affairs Authority (Saskatchewan)
Financial and Consumer Services Commission (New Brunswick)
Manitoba Securities Commission
Ontario Securities Commission
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M4H 3S8
Fax: 416-593-2318
comments@osc.gov.on.ca

Me Anne-Marie Beaudoin
Corporate Secretary
Authorité des marchés financiers
800, rue du Square-Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal, Québec H4Z 1G3
Fax: 514-864-6318
Consultation-en-cours@lauthorite.qc.ca

Re: CSA Request for Comments 21-323 Proposal for Mandatory Post-Trade Transparency of Trades in Government Debt Securities, Expended Transparency of Trades in Corporate Debt Securities and Proposed Amendments to National Instrument 21-101 Marketplace Operation and related Companion Policy

Ontario Teachers' Pension Plan ("**OTPP**") is the largest single-profession pension plan in Canada, with $193.9 billion in assets as of June 30, 2018. It was created by its two sponsors, the Ontario government and the Ontario Teachers' Federation, and is an independent organization. In carrying out its mandate, OTPP invests and administers the pensions of Ontario's 323,000 active and retired teachers. OTPP operates in a highly regulated environment and is governed by the *Teachers' Pension Act* and complies with the *Pension Benefits Act* and the *Income Tax Act*. More than 1,000 employees of OTPP help to invest the fund's assets, administer the pension plan, pay out benefits, and report and advise on the plan's funding status and regulatory environment.

We are writing to you in response to the request of the Canadian Securities Administrators ("**CSA**") for comments in respect of amendments to National Instrument 21-101 Marketplace Operations and the related Companion Policy 21-101CP (together the "**Proposed Amendments**"). We appreciate the opportunity provided by the CSA to submit comments on the Proposed Amendments.

OTPP generally supports the notion of increased transparency in trading and agree that the transparency of the debt markets is an important element of fair and efficient capital markets. However, the proposed rules around trade transparency have the potential to become unfair and counterproductive to the facilitation of large asset manager transactions thereby impacting the efficiency of capital markets. For example, third party reverse engineering of (near) real time public disclosure to decipher and profit from cyclical market activities (i.e. large benchmark rolls in illiquid off-the-run government securities). Additionally, there is also an expectation of increased costs related to the reverse engineering of public disclosure of trade data for transactions that are broken into market digestible lot sizes over several days as pernicious third parties may attempt to front run the completion of the transaction. Consequently, OTPP submits with respect to trade transparency, there needs to be a balance between market data disclosure and efficiency to ensure the proper functioning of capital markets.

Transparency of trades in Government Debt Securities and Corporate Debt Securities

Specifically in relation to the proposed rules on post-trade transparency of trades in government and corporate debt securities, OTPP submits the following comments.

1. OTPP supports the phased in approach to the Proposed Amendment.

2. OTPP supports the CSAs approach of applying the Proposed Amendment so that the requirement to report on a transaction falls on a dealer, marketplace, inter dealer bond broker (IDBB) or banks as listed in Schedule I, II, or III of the Bank Act (Canada) ("**Banks**").

3. OTPP believes it is appropriate to propose mandatory post-trading transparency for *trades in government debt securities.*

4. **Entities Required to Report**

   The Proposed Amendment suggests that dealers, marketplaces, IDBBs and Banks ("**In Scope Entities**") will be required to report government and corporate debt securities transactions. OTPP agrees with this list of In Scope Entities. OTPP submits the list should not be expanded past In Scope Entities as the market is captured by the inclusion of these entities. Additionally, this is consistent with other reporting regimes, i.e. buyside entities are not required to report derivatives transactions.

5. **Exclusion of Schedule III Banks**

   OTPP submits that dual sided reporting should be eliminated from all rules due to inefficiencies that are created by dual sided reporting, as well as errors that inevitably result from dual sided reporting. Consequently, if Schedule III banks only transact with In Scope Entities, such transactions will already be captured by the Proposed Amendments and Schedule III banks should be excluded from the reporting regime. However, if Schedule III banks are transacting with entities not included in the list of In Scope Entities, OTPP submits that Schedule III banks should have the reporting requirement placed upon them, over the requirement to have a Canadian buyside entity report such transactions. We note that if Schedule III banks are included as In Scope Entities, the CSA may be required to create a reporting hierarchy among the In Scope Entities to ensure the elimination of dual sided reporting.

6. **Publication Delays**

   The Proposed Amendments currently requires completed trades in government debt securities to be reported on T+1 (5:00 pm ET) basis. OTPP submits that T+1 is generally fine and reporting under such timelines generally should not be an issue. However, with respect to off-the-run bonds, both government and corporate debt securities, situations may arise where reporting on a T+1 timeframe may be problematic. For example, it may take several days to complete a large benchmark transaction in less liquid securities without impacting the markets. As such, OTPP would suggest that for off-the-run government debt securities the Proposed Amendments should either: (1) be taken into consideration when considering a definition of "completed transaction"; or (2) have an extended reporting timeline to ensure unwanted market behaviour does not arise.

7. **Volume Caps**

   With respect to post trade transparency, OTPP is supportive of volume caps. Volume caps play a critical role in masking the identity of large market participants. Generally, there are fewer market participants that are able to facilitate and efficiently redistribute large market transactions therefore it is important to not be able to discern whether a reported trade was transacted by a small or large participant. Therefore, the lower the volume cap limit, the better. For these reasons, OTPP submits with respect to GoC Bills, GoC <=10 years, GoC >10 years and CMBs (all as defined in the Proposed Amendments) the volume cap should be set at $3M. At $3M, OTPP submits that large market participant trades will be properly masked with those trades from smaller participants.

8. **Trade Details**

   Regarding the publication of summary level data for government and corporate securities, OTPP submits the inclusion of "Highest traded price on the last trade date" and "Lowest traded price on the last trade date" is not appropriate with respect to off-the-run securities. OTPP suggests that an average price on the last trade date would be more appropriate.

We appreciate the opportunity to comment on the Proposed Amendments and hope such comments assist the CSA to create post-transparency reporting rules for both government and corporate debt securities. Please do not hesitate to contact us should you have any questions or wish to discuss in further detail.

Yours very truly,

Greg O'Donohue
Director & Senior Legal Counsel, Derivatives