

July 29, 2016

In the Matter of
The Securities Legislation of
British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia
(the Jurisdictions)

and

In the Matter of
The Process for Exemptive Relief Applications in Multiple Jurisdictions

and

In the Matter of
Concentra Financial Services Association
(the Filer)

Decision

Background

The securities regulatory authority or regulator in each of the Jurisdictions (each a Decision Maker) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) pursuant to section 43 of Multilateral Instrument 96-101 *Trade Repositories and Derivatives Data Reporting* (MI 96-101); section 42 of Manitoba Securities Commission Rule 91-507 *Trade Repositories and Derivatives Data Reporting* (MSC Rule 91-507); and section 42 of Ontario Securities Commission Rule 91-507 *Trade Repositories and Derivatives Data Reporting* (OSC Rule 91-507); as applicable, exempting the Filer from the requirement to report valuation data, based on industry accepted valuation standards, to a recognized trade repository daily based on relevant closing market data from the previous business day pursuant to paragraph 33(1)(a) of each of MI 96-101, MSC Rule 91-507 and OSC Rule 91-507 (collectively the Reporting Rules) as applicable, provided that the Filer reports valuation data, based on industry accepted valuation standards, to a recognized trade repository quarterly, as of the last day of each calendar quarter, no later than the 30th day after the end of each calendar quarter pursuant to paragraph 33(1)(b) of each of the Reporting Rules, as applicable; and

The Decision Makers in Manitoba and Ontario have additionally received an application from the Filer for a decision under the securities legislation of their respective jurisdiction to revoke the decision of the Manitoba Securities Commission and the Ontario Securities Commission, respectively, dated October 30, 2014 (the Previous Decision);

(collectively, the Requested Relief).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a coordinated review application):

- (a) the Financial and Consumer Affairs Authority of Saskatchewan (FCAA) is the principal regulator for this application; and
- (b) the decision is the decision of the principal regulator and evidences the decision of the other Decision Makers.

Interpretation

Terms defined in National Instrument 14-101 *Definitions* have the same meaning if used in this decision, unless otherwise defined.

Representations

This decision is based on the following facts represented by the Filer:

1. The Filer is currently Canada's only retail association that is defined and governed by the *Cooperative Credit Associations Act* (Canada). It is also regulated federally by the Office of the Superintendent of Financial Institutions and is in the process of seeking continuance as a bank. The Filer's head office is Saskatoon, Saskatchewan. Accordingly, the FCAA has been selected as the Principal Regulator for this Application.
2. The Filer provides financial intermediation and trust services to Canadian credit unions and associated commercial and retail customers. Its services include loan syndication and securitization, deposits, foreign exchange, and financial consulting, including interest rate derivatives.
3. The Filer supports Canadian credit unions in their access to financial derivatives. As individual credit unions do not have the business volume to be supported by the major derivative sell-side participants, the Filer operates as an intermediary to facilitate the risk mitigation activities of credit unions and their members/clients. Accordingly, the Filer provides interest rate swaps and bond forwards to its credit union members and foreign exchange forwards to its credit union member and to a limited number of corporate clients. The Filer is in the process of winding down its foreign exchange services to corporate clients and will focus solely on credit union clients in the future. The Filer's derivatives business is limited to clients located in the Jurisdictions.
4. Each derivative transaction entered into by the Filer with a credit union or a corporate client that is a local counterparty in a Jurisdiction (Customer Transaction) is immediately offset with an identical, opposite transaction (Hedge Transaction) entered into with a Canadian Schedule 1 bank (Bank Counterparty). Each Hedge Transaction is entered into on a one-to-one basis with its corresponding Customer Transaction and is reportable under the Reporting Rules.

5. The Filer understands that it meets the definition of “derivatives dealer” in MI 96-101 because it acts as an intermediary between various credit unions and the Banks in connection with the above-mentioned derivative transactions, and as a result, is subject to the requirement under paragraph 33(1)(a) of MI 96-101 to report valuation data on a daily basis.
6. The Filer currently reports all reportable Customer Transactions in Manitoba and Ontario in accordance with MSC Rule 91-507 or OSC Rule 91-507, as the case may be, and the Previous Decision. As of March 31, 2016, the Filer had a total notional value outstanding in these provinces of \$185 million in 81 derivative positions with 7 counterparties (2 in Manitoba and 5 in Ontario).
7. In order to ensure that its customers are not subject to any reporting obligation under the Reporting Rules, the Filer has covenanted, in its Canadian Representation Letter #1, in the form published by the International Swaps and Derivatives Association, Inc. on April 23, 2014, to report under the Reporting Rules as if it were a derivatives dealer.
8. Commencing on July 29, 2016, of the Customer Transactions that the Filer currently has on its books, 66 positions will be reportable as pre-existing transactions under the MI 96-101 with 15 clients (13 in Saskatchewan, 1 in British Columbia, none in Alberta and 1 in Nova Scotia). The total notional value of those positions as at March 31, 2016 was \$609 million.
9. The Filer is not in default of securities legislation in any of the Jurisdictions.
10. As described above, each time that the Filer enters into a derivatives transaction with a member or a corporate client, it hedges its obligations under that Customer Transaction by entering into a Hedge Transaction with a Bank Counterparty. Each Hedge Transaction is, or will be, reported under the Reporting Rules by the Bank Counterparty.
11. Under the International Swaps and Derivatives Association (ISDA) Methodology each Bank Counterparty is, or will be, a reporting counterparty to each Hedge Transaction between the Filer and the Bank Counterparty. Accordingly, the Filer understands that each Bank Counterparty reports, or will report, valuation data under subsection 33(1)(a) of each of the relevant Reporting Rules on a daily basis for each Hedge Transaction between it and the Filer. As the valuation data for a Customer Transaction and for its corresponding Hedge Transaction is, or will be, the same, the valuation data for a Customer Transaction is effectively reported when the Bank Counterparty reports the valuation data in respect of the corresponding Hedge Transaction.
12. The Filer submits that it should be exempt from the requirement to report valuation data on a daily basis and, instead, report valuation data on a quarterly basis given:
 - (a) the small number of its Customer Transactions;
 - (b) the minimal notional value of each of its Customer Transactions;

- (c) valuation data in respect of each Customer Transaction is, or will be, identical to the valuation data in respect of the corresponding Hedge Transaction, which latter valuation data is, or will be, reported daily by the Bank Counterparty; and
 - (d) the cost to the Filer of implementing daily valuation reporting capability.
13. For the reasons provided above, the Filer submits that it would not be prejudicial to the public interest to grant the Requested Relief.

Decision

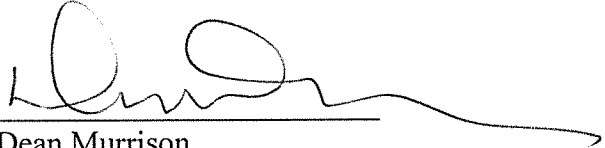
Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Makers under the Legislation is that the Requested Relief is granted provided that:

- (a) the Filer reports valuation data in accordance with subsection 33(1)(b) of each of the relevant Reporting Rules based on industry accepted valuation standards for each of its Customer Transactions by the 30th day after the end of each calendar quarter;
- (b) each applicable Customer Transaction that is reported by the Filer in accordance with subsection 33(1)(b) of each of the relevant Reporting Rules and this decision is supported by a Hedge Transaction with a Bank Counterparty; and
- (c) the Filer, within 30 days of the date of this decision, provides an undertaking to each securities regulatory authority or regulator that upon request, the Filer will promptly provide information to assist in linking a Customer Transaction to its corresponding Hedge Transaction.

The further decision of the Decision Makers in Manitoba and Ontario is that the requested revocation of the Previous Decision is granted.

This decision expires two years from the date of this decision.



Dean Murrison
Director, Securities Division
Financial and Consumer Affairs
Authority of Saskatchewan