

**For Immediate Release
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Canadian Securities Regulators Seeks Comments on Proposed Over-the-Counter Derivatives Regulation

Montréal – The Canadian Securities Administrators (CSA) is seeking input from the financial industry and the public in relation to the CSA's proposals regarding the regulation of over-the-counter (OTC) derivatives. The proposals were today released in CSA Consultation Paper *91-401 - Over-the-Counter Derivatives Regulation in Canada*.

The CSA consultation paper is related to Canada's response to the G20's commitments to develop more robust oversight of the financial markets, including OTC derivatives. After its summit in Pittsburgh in 2009, the G20 said:

- All standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest.
- OTC derivative contracts should be reported to trade repositories.
- Non-centrally cleared contracts should be subject to higher capital requirements.

“As an active participant in the global financial markets, it is fundamental for Canada to respect its G20 commitments” said Jean St-Gelais, Chair of the CSA and President and Chief Executive Officer of the Autorité des marchés financiers (Quebec). “The comments received from this consultation will help the CSA to develop appropriate legislative and regulatory proposals for Canada's OTC derivatives markets.”

The consultation paper summarizes recommendations that are intended to strengthen the regulation of Canada's financial markets and manage specific risks related to OTC derivatives. The CSA aims to implement Canada's G20 commitments in a manner appropriate for the Canadian markets and harmonize regulatory oversight to the extent possible with international jurisdictions.

The CSA is encouraging the public to comment on the consultation paper's recommendations generally and to respond to specific issues raised in the paper. These issues include :

- mandatory reporting of all derivatives trades by Canadian counterparties to a trade repository;
- Provincial regulators obtain regulatory authority to mandate electronic trading of OTC derivative products in the near term. Such power should, in time, only be used to mandate the electronic trading of those products which are capable of being traded on an

organized trading platform (e.g. products which are sufficiently standardized and liquid) and which pose a systemic risk to the market;

- the mandatory central clearing of OTC derivatives that are determined to be appropriate for clearing, and capable of being cleared;
- the use of a risk-based approach by imposing capital and collateral requirements to reflect appropriately the risks that an entity assumes; and,
- exemptions from the regulatory proposals outlined in this paper for defined categories of end-users.

Copies of the consultation paper are available on the following websites: Alberta Securities Commission, Autorité des marchés financiers, British Columbia Securities Commission, Manitoba Securities Commission, New Brunswick Securities Commission, Ontario Securities Commission and Saskatchewan Financial Services Commission.

The Consultation Paper 91-401 comment period for all stakeholders is open until January 14, 2011.

The CSA, the council of the securities regulators of Canada's provinces and territories, coordinates and harmonizes regulation for the Canadian capital markets.

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