



## **Important changes affecting the trading and reporting of over-the-counter derivative instruments will soon be in force**

Effective October 31, 2014, Canadian participants in the derivative instruments market will be required to comply with the new regulation concerning the reporting of over-the-counter (“OTC”) derivatives transactions to central repositories designated by Canadian regulatory authorities.

This new regulatory framework is designed to improve the transparency and monitoring of over-the-counter (“OTC”) derivatives trading and results from decisions made by leaders of the G20 (including Canada) in September 2009 in response to the financial crisis.

Reporting data pertaining to OTC derivatives trading is crucial to ensuring the efficient monitoring of derivatives markets and will help the competent regulatory bodies to establish a more efficient regulatory framework by providing them with information on the nature and characteristics of the Canadian derivative instruments market.

### **Who is required to report?**

The requirement to report applies when at least one party to the trade is a local counterparty. Regulatory authorities have developed a hierarchy of reporting requirements that specifies which of the two parties is required to report. The registration must be completed by the reporting counterparty and sent to a designated trade repository in Canada.

In Canada, a local counterparty is:

- a person or a company (other than an individual) organized under the laws of a province or that has its head office or principal place of business in that province;<sup>1</sup>
- an affiliate of the person or company mentioned above, which affiliate is responsible for the liabilities of that person or company.

In Québec, a local counterparty is a dealer registered under the Derivatives Act.

The reporting counterparty:

Desjardins will act as the “reporting counterparty” and oversee the timely reporting of data pertaining to derivative trading to a designated trade repository. Reporting counterparties that are financial institutions are required to report their new OTC derivatives trades starting October 31, 2014.

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<sup>1</sup> As at the date of publication of this document, this definition of local counterparty has been adopted by the regulatory authorities of Québec, Ontario and Manitoba. It is expected that the other provinces’ regulatory authorities will adopt the same definition.



### **What types of OTC derivatives trades are covered by the reporting regulations?**

All OTC derivatives trades involving a local counterparty must be reported to a designated trade repository.

A “trade” is a conclusion, an assignment, a sale or any other form of acquisition of a derivative instrument. A “derivative” is an option, a swap, a forward contract, a contract for difference or any other financial or commodity contract or instrument whose market price, value or delivery or payment obligations are based on an underlying interest or asset.

### **What is the information that is required to be reported?**

The detailed information that is required to be reported is provided in Regulations 91-506 and 91-507 respecting the Derivatives Act. Basically, the report includes a common part concerning the characteristics of the trade and a part specific to each counterparty for identification purposes.

### **Legal Entity Identifier (LEI)**

The different counterparties to an OTC derivatives trade must be identified for reporting purposes by a Legal Entity Identifier (“LEI”).

### **What is a LEI?**

A LEI (Legal Entity Identifier) is a 20-character code used to identify entities that enter into OTC derivatives trading. It is an international standard endorsed by the G20 and developed in accordance with the Global LEI System.

Example: 5493008NRL4MG0HDER74

### **Who is required to obtain a LEI?**

- All counterparties to derivatives trades, whether or not they are the reporting counterparties
- An agent reporting the trade if not a counterparty thereto
- A clearing house where the trade was compensated
- A clearing member if not a counterparty to the trade
- A dealer acting as an intermediary if not a counterparty to the trade
- An electronic trading venue where the trade was completed



### **How can I obtain a LEI?**

Canadian legal entities are required to obtain a LEI using the Global Market Entity Identifier (GMEI) Utility. This tool is accessible online on the following website: [www.gmeiutility.org](http://www.gmeiutility.org).

Desjardins has provided a registration guide designed to facilitate the process. You can download this guide at the following address: [desjardins.com/reportingLEI](http://desjardins.com/reportingLEI).

### **What information is required to obtain a LEI?**

- Official name of the legal entity that enters into OTC derivatives trading
- Address of the legal entity's head office
- Address of incorporation of the legal entity
- Name of the business register in which the entity was recorded (if applicable)
- Business identifier in the register (if applicable)

### **What is the implementation schedule?**

September 30, 2014: Deadline for sending your LEI to your Desjardins account manager.

October 31, 2014: Deadline for reporting all new OTC derivatives trades entered into as of October 31, 2014.

April 30, 2015: Deadline for reporting all OTC derivatives trades entered into before October 31, 2014, but still outstanding as of April 30, 2015.

### **Summary**

- Any legal entity involved in OTC derivatives trading requires a LEI.
- It is possible to obtain a LEI through the Global Market Entity Identifier (GMEI) Utility accessible online at [www.gmeiutility.org](http://www.gmeiutility.org).
- Send your LEI as well as your duly completed Canadian Registration Letter to your account manager before September 30, 2014, to avoid any interruption in your OTC derivatives trading starting November 1, 2014.