

ALBERTA SECURITIES COMMISSION

ORDER

Citation: Re Credit Union Central Alberta Limited, 2018 ABASC 119

Date: 20180726

Credit Union Central Alberta Limited

Background

1. Credit Union Central Alberta Limited (**CUCA**) has applied to the Alberta Securities Commission (the **Commission**) for an order under subsection 43(2) of Multilateral Instrument 96-101 *Trade Repositories and Derivatives Data Reporting (MI 96-101)* exempting CUCA from the requirement under paragraph 33(1)(a) of MI 96-101 to report valuation data to a recognized trade repository on a daily basis, provided that CUCA reports this valuation data on a quarterly basis in accordance with paragraph 33(1)(b) of MI 96-101.

Interpretation

2. Terms defined or interpreted in the *Securities Act* (Alberta), in National Instrument 14-101 *Definitions* or in MI 96-101 have the same meaning in this order, unless otherwise defined.

Representations

3. This order is based on the following representations by CUCA:
 - (a) CUCA was continued as a corporation pursuant to section 156 of the *Credit Union Act* (Alberta) (the **Credit Union Act**) and is governed by such statute.
 - (b) In connection with its mandate under the Credit Union Act and the regulations thereunder, CUCA provides Alberta credit unions with access to financial derivatives. As individual Alberta credit unions do not typically have the business volumes to be supported by the major derivative sell-side participants, CUCA operates as an intermediary to facilitate the risk mitigation activities of Alberta credit unions. CUCA provides Alberta credit unions access to financial derivatives by entering into interest rate swaps, bond forwards, equity-linked derivatives and foreign exchange forwards and swaps directly with Alberta credit unions.
 - (c) Each financial derivative entered into by CUCA with an Alberta credit union (a **Credit Union Derivative**) is immediately offset with an opposite derivative (a **Hedge Derivative**) entered into with a Canadian bank named in Schedule I of the *Bank Act* (Canada) (each a **Bank Counterparty**).
 - (d) CUCA understands that it meets the definition of a "derivatives dealer" in MI 96-101 because it acts as an intermediary between various Alberta credit unions and the Bank Counterparties in connection with the Credit Union Derivatives. As a result, CUCA is subject to the requirement under paragraph 33(1)(a) of MI 96-101 to report valuation data on a daily basis for a derivative in respect of which CUCA is the reporting counterparty. CUCA has agreed, in accordance with paragraph

25(1)(c) of MI 96-101, to act as the reporting counterparty with respect to each Credit Union Derivative.

- (e) Each Bank Counterparty has agreed, in accordance with paragraph 25(1)(c) of MI 96-101, to act as the reporting counterparty with respect to a Hedge Derivative. Accordingly, CUCA understands that each Bank Counterparty will report each Hedge Derivative between it and CUCA, including reporting of valuation data, on a daily basis. As the valuation data for a Credit Union Derivative and for its corresponding Hedge Derivative will be the same, the valuation data for a Credit Union Derivative is effectively reported when the Bank Counterparty reports the valuation data in respect of the corresponding Hedge Derivative.
- (f) CUCA is relying on an exemption from the requirement under paragraph 33(1)(a) of MI 96-101 granted by the Commission in an order cited as *Re Credit Union Central Alberta Limited*, 2016 ABASC 214, which expires on July 28, 2018 (the **2016 Exemption Order**).
- (g) CUCA enters into a limited number of Credit Union Derivatives. In calendar year 2017, CUCA entered into a total of 17 Credit Union Derivatives with a total of 8 Alberta credit unions, each of which was immediately offset with an opposite Hedge Derivative entered into with a Bank Counterparty. The largest notional amount of a Credit Union Derivative entered into in calendar year 2017 was approximately \$500 million. In the first 6 months of calendar year 2018, CUCA entered into a total of 16 Credit Union Derivatives with a total of 9 Alberta credit unions, each of which was immediately offset with an opposite Hedge Derivative entered into with a Bank Counterparty. The largest notional amount of a Credit Union Derivative entered into in the first 6 months of calendar year 2018 was approximately \$12 million.
- (h) Implementing systems to report valuation data on a daily basis would result in significant financial costs to CUCA.
- (i) CUCA is not materially in default under the securities legislation of Alberta.

Order

4. The undersigned, being satisfied that it would not be prejudicial to the public interest to do so, orders under subsection 43(2) of MI 96-101 that CUCA is exempted from the requirement under paragraph 33(1)(a) of MI 96-101 to report valuation data for a Credit Union Derivative on a daily basis, provided that:

- (a) CUCA reports valuation data for the Credit Union Derivative on a quarterly basis in accordance with paragraph 33(1)(b) of MI 96-101, no later than the 30th day after the end of the calendar quarter;
- (b) each Credit Union Derivative in respect of which CUCA reports valuation data in accordance with paragraph 33(1)(b) is offset by a corresponding Hedge Derivative entered into with a Bank Counterparty; and

- (c) CUCA, within 30 days of the date of this order, provides an undertaking to the Executive Director that, upon request, CUCA will promptly provide information to assist in linking a Credit Union Derivative to its corresponding Hedge Derivative.
5. This order will take effect upon the expiry of the 2016 Exemption Order and will expire on July 28, 2023.

“original signed by”

Lynn Tsutsumi
Director, Market Regulation