

ONTARIO SECURITIES COMMISSION STAFF NOTICE 91-704

COMPLIANCE REVIEW PLAN FOR OSC RULE 91-507 TRADE REPOSITORIES AND DERIVATIVES DATA REPORTING

1. Introduction

This Notice describes how the OSC intends to review compliance with reporting requirements of OSC Rule 91-507 *Trade Repositories and Derivatives Data Reporting* (the **TR Rule**) in fiscal 2015/2016.

The purpose of the TR Rule is to improve transparency in the derivatives market. Derivatives data is essential for effective regulatory oversight of the derivatives market, including the ability to identify and address systemic risk and the risk of market abuse.

2. Focus of Compliance Reviews

Initial reviews will focus on derivatives dealers that are most active in the market and their compliance with requirements in Part 3 – *Data Reporting* of the TR Rule.

3. Purpose of Compliance Reviews

The purpose of the compliance review is to:

- reinforce the importance of derivatives data reporting;
- assist derivatives dealers in better understanding their reporting obligations and the OSC's expectations;
- assess levels of compliance with the reporting requirements of the TR Rule; and
- identify obstacles to compliance with reporting requirements.

4. Approach to Compliance Reviews

A joint team from the OSC's Derivatives Branch and Compliance and Registrant Regulation Branch will carry out these reviews. Where appropriate, these reviews will be coordinated and/or carried out with other regulators that have oversight of the market participants subject to the reviews.

Initial compliance reviews will generally include the following steps:

- staff will contact derivatives dealers in advance of an initial compliance review to provide notice of and explain the review process;
- staff will request books and records including policies and procedures, in so far as they directly relate to the derivatives dealer's trade reporting obligations;
- staff may attend the derivatives dealer's premises to review internal processes and compare internal trade records to the corresponding derivatives data that is reported to trade repositories by or on behalf of the derivatives dealer; and
- staff will interview senior management and key employees throughout the review process in relation to the derivatives dealer's trade reporting obligations.

5. Content of Compliance Review

Staff will review the market participant's systems and documentation related to derivatives data reporting obligations to verify that:

- transactions involving derivatives as identified in the OSC Rule 91-506 *Derivatives: Product Determination* (the **Scope Rule**) entered into from October 31, 2014 onwards have been reported;
- reporting is completed within the required timeframes;
- reporting counterparties are determined in accordance with the TR Rule requirements;
- reported data is accurate and complete;
- life cycle and valuation data is reported and updated in accordance with required timeframes; and
- a Legal Entity Identifier for each transaction counterparty is reported in accordance with regulatory expectations.

6. Outcomes of the Reviews

OSC staff will provide each derivatives dealer that is subject to a compliance review with a written report so that the derivatives dealer can resolve any issues identified by the review. The OSC will publish anonymized key findings and trends of these

compliance reviews once a sufficient number of reviews have been completed and their results analyzed.

7. Background

On November 14, 2013, the OSC published the TR Rule and Scope Rule. The TR Rule and Scope Rule became effective on December 31, 2013. Amendments to the TR Rule became effective on July 2, 2014, September 9, 2014 and April 30, 2015, respectively. An unofficial consolidation of the TR Rule is available at [Consolidated Rule](#).

Reporting obligations under the TR Rule have been in effect for certain market participants including derivatives dealers and clearing agencies since October 31, 2014.

If you have any questions regarding this Notice, please direct them to:

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