



Member of the Investment Industry Regulatory Organization of Canada

August 28, 2018

Via email

The Secretary  
Ontario Securities Commission  
20 Queen Street West  
22<sup>nd</sup> Floor  
Toronto, ON M5H 3S8

Mrs. Anne-Marie Beaudoin  
Corporate Secretary  
Autorité des marchés financiers  
800 Square Victoria Street, 22<sup>nd</sup> Floor  
Tour de la Bourse  
Montreal, QC H4Z 1G3

Dear Secretary and Mrs. Beaudoin,

**RE: CSA Staff Notice and Request for Comment 21-323 - Proposal for Mandatory Post-Trade Transparency of Trades in Government Debt Securities**

Casgrain & Company Limited appreciates the opportunity to provide comments to the CSA on its Proposal for Mandatory Post-Trade Transparency of Trades in Government Debt ("Reporting and Transparency Requirements") published on May 24<sup>th</sup> 2018.

Generally, Casgrain & Company Limited supports CSA's initiative, which will increase transparency regarding trades conducted on government debt securities and help investors in their decision making. However, we have certain reservations regarding the actual proposal. Our comments are outlined below.

Entities Subject to Reporting:

We support the expansion to banks for entities subject to reporting and transparency requirements. This inclusion would prevent entities from benefiting from regulatory arbitrage, i.e., bank-owned dealers transferring their debt securities business to their parent company to avoid reporting and transparency requirements. Regarding Schedule III banks, should these banks execute transactions in the secondary debt market; then they should also be subject to the same playing field as the proposed entities subject to reporting and transparency requirements.

However, to prevent reporting of duplicate transactions, which may create a perception of false liquidity, we suggest that banks (Schedule I, II, and III) be required to report to the IP only if transactions are executed with an entity or with a person other than dealers subject to the transparency regime, as these transactions will be captured by the dealers.

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Publication Delay:

While government debt securities, as defined in Comment 21-323, account for 90% of the value traded in the secondary bond market trading, some of these securities are illiquid, as they do not trade frequently. We recommend government securities which trade only twice or less in a day to be considered as illiquid and not published until T+3. Currently, the Canadian Depository for Securities provides its subscribers with its Fixed Income Product Service, which reports trades 14 calendar days after the date of the transaction if the security is traded once in a given day. It is a reasonable compromise on the existing post-trade transparency data currently available. The publication delay for illiquid government securities should allow dealers, most notably small and medium dealers, mitigating their risk in managing their inventory from the publishing trade information on T+ 1 (5:00 PM EST).

We question the benefits of shortening the publication delay from T+ 2 (midnight) to T+1 (5:00 pm ET) for market participants and its efficiency on capital markets. Although market participants may have access to publicly available information more rapidly (maximum of 7 hours), they may not use the information or trade on it before T+2, which is currently the day when IIROC disseminates the information for corporate bonds. Even though IIROC member dealers should not incur additional implementation costs resulting from this shortening of delay, IIROC may do so, and such implementation cost would be passed onto its members.

Volume Cap:

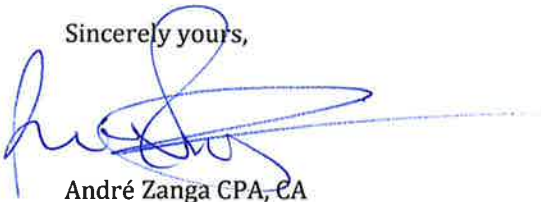
We believe that the proposed volume cap is reasonable except for municipal bonds. We suggest lowering their volume cap to \$0.5 M to account for their illiquidity, their lower average transaction size, and daily volume.

Implementation Date:

It is our opinion that the implementation of Phase I should be delayed until December 31<sup>st</sup> 2019 to coincide with the banks' implementation date (proposed Phase II). By doing so, this would standardize the implementation date for all entities subject to reporting; and secondly, the banks would not benefit from greater post transparency ahead of dealers, as both banks and dealers would be subject to the rule at the same time. Moreover, Phase II date should allow sufficient time for banks to implement the reporting and transparency requirements.

We thank you once again for allowing us the opportunity to provide comments on the CSA Proposal for Mandatory Post-Trade Transparency of Trades in Government Debt Securities and aspire that the CSA will consider our recommendations.

Sincerely yours,



André Zanga CPA, CA  
Vice-President & Chief Financial Officer

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