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2 September 2016

Dear Sirs,

We welcome the opportunity to comment on the Canadian Securities Administrators' CSA Consultation Paper 95-401 on margin requirements for non-centrally cleared derivatives (the "Consultation Paper").

Insight Investment is responsible for over €600bn<sup>1</sup> in assets under management across fixed income, absolute return, multi-asset capabilities and risk management strategies, including liability-driven investment and currency risk management. We have an established history of providing currency solutions to international clients, covering a full range of services from foreign exchange hedging to specialist currency alpha. Our clients include Canadian pension plans in jurisdictions regulated by the CSAs.

We wish to make two general comments on the Consultation Paper.

We strongly encourage the CSAs to ensure that their margin requirements are consistent and harmonised with the Guidelines on Margin Requirements for Non-Centrally Cleared Derivatives issued by the Office of the Superintendent of Financial Institutions Canada (OSFI) and indeed are consistent and harmonised with the rules issued by regulators in other jurisdictions, particularly the US CFTC, the US Prudential Regulators and the European Union.

In particular, we note that in relation to physically-settled foreign exchange forwards and swaps, the Consultation Paper states that "[v]ariation margin requirements would still apply to all FX derivatives including all components of cross-currency swaps". Any requirement to exchange variation margin on

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<sup>1</sup> As at 30 June 2016. Assets under management (AUM) are represented by the value of cash securities and other economic exposure managed for clients. Figures shown in EUR. FX rates as per WM Reuters 4pm Spot Rates. Reflects the AUM of Insight, the corporate brand for certain companies operated by Insight Investment Management Limited (IIML). Insight includes, among others, Insight Investment Management (Global) Limited (IIMG), Pareto Investment Management Limited (PIML), Cutwater Asset Management Corp. (CAMC), Cutwater Investor Services Corp. (CISC) and Insight North America LLC (INA), each of which provides asset management services.

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physically-settled foreign exchange forwards and swaps would be inconsistent with the approach of the OSFI, the US CFTC and the US Prudential Regulators and will create scope for confusion. To ensure consistency, the CSAs should expressly exclude physically-settled foreign exchange forwards and swaps from the variation margin requirement.

We thank the Canadian Securities Administrators for the opportunity to comment on the Consultation Paper.

Yours faithfully,

A handwritten signature in black ink, appearing to read "C Farquharson", written over a horizontal line.

Charles Farquharson  
Chief Risk Officer

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