



September 17, 2018

VIA ELECTRONIC MAIL

Alberta Securities Commission  
Autorité des marchés financiers  
British Columbia Securities Commission  
Financial and Consumer Services Commission (New Brunswick)  
Financial and Consumer Affairs Authority of Saskatchewan  
Manitoba Securities Commission  
Nova Scotia Securities Commission  
Nunavut Securities Commission  
Ontario Securities Commission  
Office of the Superintendent of Securities, Newfoundland and Labrador  
Office of the Superintendent of Securities, Northwest Territories  
Office of the Yukon Superintendent of Securities  
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island

c/o :  
M<sup>e</sup> Anne-Marie Beaudoin  
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Autorité des marchés financiers  
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c/o:  
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Secretary  
Ontario Securities Commission  
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Dear Sirs/Madams:

**Re: Comments on Proposed National Instrument 93-102 *Derivatives: Registration* and Proposed Companion Policy**

BP Canada Energy Group ULC and its affiliates (“BP”) appreciate the opportunity to provide the Canadian Securities Administrators (“CSA”) comments on the following documents:

- Proposed National Instrument 93-102 *Derivatives: Registration* (“Proposed Registration Rule”);
- Proposed Companion Policy 93-102: *Derivatives Registration* (“Proposed Registration CP”).

BP’s business in Canada encompasses a range of activities including the exploration, production, purchase and sale of hydrocarbons and other energy commodities. As a major participant in the marketing and trading of Canadian natural gas and crude oil, BP also manages risk and maximizes value across physical and financial markets through its participation in the Canadian over-the-counter (“OTC”) energy derivatives market.

BP has reviewed the Canadian Commercial Energy Working Group's ("CCE") comment letter on the Proposed Instrument submitted by Eversheds Sutherland (US) LLP on August 2, 2018 (the "CCE Letter") and is generally supportive of the CCE comments. BP will not duplicate the comments in the CCE Letter, but would encourage the CSA to consider and incorporate the comments and requests set forth therein in any Final Registration Rule.

BP also respectfully requests that the CSA consider BP's additional comments with respect to the following:

**A. The Scope of the General De Minimis Exemption (Section 50) and the Commodity De Minimis Exemption (Section 51)**

BP appreciates the CSA providing for the General De Minimis Exemption and the Commodity De Minimis Exemption in the Proposed Registration Rule and generally supports the comments made in the CCE Letter pertaining thereto. BP would also respectfully request that the CSA consider the following additional comments:

- (i) Treatment of Affiliates. As currently worded, BP interprets sections 50 and 51 of the Proposed Registration Rule as requiring an entity having its head office or principal place of business in a jurisdiction of Canada ("Party A" or a "Canadian domiciled entity") to include in its de minimis calculation, all of its outstanding derivative transactions and all outstanding derivative transactions of all affiliated entities Canadian domiciled and non-domiciled (excluding transactions between affiliates). BP shares the CCE's concerns that such approach is potentially disadvantageous for Canadian derivative market participants who could be prohibited from relying on the de minimis exemptions by virtue of an affiliate's derivatives activities which, in BP's view, are outside the scope of activities the CSA intends to capture. BP would respectfully request that the CSA consider excluding the notional amounts of derivative transactions of those affiliates of Party A that are (a) registered, licensed or otherwise authorized to conduct derivatives activities, or (b) exempt from registration, under the laws of Canada or the laws of a recognized foreign jurisdiction. BP would respectfully submit that for any other non-Canadian domiciled affiliates, only those transactions with Canadian counterparties should be included when calculating the de minimis threshold of Party A.

Commodity de Minimis Exemption: As currently worded in section 51 of the Proposed Registration Rule, the Commodity de Minimis Exemption is only available to a person or company that is only a derivatives dealer in respect of commodity derivatives. BP would like to receive some guidance or clarification as to how the CSA would view foreign exchange ("FX") derivative transactions executed by a commodity derivatives dealer. Many market participants in the commodity derivatives market have a functional currency for accounting purposes but transact in multiple currencies and they will often hedge the resulting exposure through FX derivatives transactions. BP would respectfully submit that a commodity derivatives dealer who enters into FX derivative transactions for hedging purposes should not be viewed as "dealing" in non-commodity derivatives and consequently prohibited from relying on the Commodity de Minimis Exemption. Therefore, BP would respectfully request that the CSA consider providing clarity that FX hedging transactions would not preclude a company from being entitled to rely on the Commodity de Minimis Exemption.

**B. Eligible Derivatives Party:**

BP supports the comments made in the CCE Letter in respect of expanding the definition of eligible derivatives party (“EDP”) in the Proposed Registration Rule so that it is consistent with existing derivatives regulations.

**C. Calculation of Notional Amount:**

BP appreciates the CSA putting forth two proposals in respect of the calculation of notional amount in the Proposed Registration Rule and believes that it is important that any methodology adopted is reflective of how market participants would view the price under a derivatives transaction. For this reason, BP does prefer the Regulatory Notional Methodology with the modification requested in the CCE Letter to use the difference between the two floating prices as the “price” when calculating the notional amount of float-for-float swaps. BP would also however, urge the CSA to use the difference between the fixed price and the floating price as the “price” when calculating the notional amount of fixed-for-float swaps, as it is similarly reflective of how market participants would view the price in a fixed-for-float swap and therefore the more useful valuation for the purposes of the de minimis calculations.

BP respectfully submits its comments set forth in this letter and thanks the CSA for seeking and considering comments from interested stakeholders.

Respectfully submitted,

BP Canada Energy Group ULC

  
for

Stephen Connelley,  
CFO, IST