

November 8, 2018

Mr. Bruce Grossman
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Manager, Market Regulation
Ontario Securities Commission
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Dear Mr. Grossman:

Re: Comments on Proposed Amendments to the Dealer Member Rules and Form 1 for Concentration Control and Designated Rating Agencies

Please find below Desjardins Securities' comments on IIROC Notice 18-0153, issued on August 9, 2018, the purpose of which is to establish an acceptable exposure threshold across all financial product classes to each individual issuer. Our concerns with the new proposed rule center around the 3 items below as they pertain to fixed income securities.

1) Weighting consideration

We recognize that the ultimate goal of this proposed rule change is to establish a risk ratio versus counterparty/issuer.

The proposal to use an adjustment factor coefficient that is based on an independent credit agency is entirely acceptable to us. However, we question the determination of the coefficient adjustment factor rate. We understand that the basic principal of coefficient factor is linked to the credit rating assigned to the individual issuer, and this rating is primarily influenced by the default probability of the issuer.

As an example, we question the 80% coefficient adjustment factor that is assigned to issuers with a BBB credit rating. We find this very high when we take into consideration that the probability of a possible default is 3 times higher for a B+ listed issuer than for a BBB listed issuer.

2) Short positions

Given the spirit of the proposed rule, we find that it is not truly representative of the rule to consider the short positions in the concentration calculation in the same manner as long positions held in an inventory. The increase in market value of securities sold short is limited by the possible fall in interest rates. We, therefore, propose that debt securities held short in an inventory not be considered in the concentration calculation in table 9B, and perhaps the proposed rule should allow the offsetting of long and short positions for the same issuer.

3) Implementation period consideration

A project proposition was initiated by IBM to evaluate the cost to set up and produce a new regulatory report to satisfy the Table 9b proposal for all of its broker dealer clients. The time required to put it in place along with testing will be at least 12 months. We, therefore, consider that a delay of no less than one year between the date of official publication of the new rule and the date of its application would be appropriate.

We thank you for this opportunity to comment on the proposal.

Should you have any questions or require further information, please do not hesitate to contact the undersigned.



Radek Loudin
Chief Compliance Officer
Desjardins Securities Inc.

cc: Jean-Yves Bourgeois, Senior Vice-President, Capital Markets, Desjardins Securities Inc.
François Drouin, Chief Financial Officer, Desjardins Securities Inc.