

Scotia Capital Inc.  
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GLOBAL BANKING AND MARKETS



October 3, 2022

Investment Industry Regulatory Organization of Canada  
121 King Street West  
Suite 2000  
Toronto, Ontario, M5H 3T9

Attention : Catherine Drennan  
Acting Senior Manager, Financial Information, Member Regulation Policy  
  
Dennis Dirksen  
Manager, Financial & Operations Compliance

Dear Catherine,

On August 4<sup>th</sup>, 2022, the Investment Industry Regulatory Organization of Canada released Notice 22-0122 for comment with regard to proposed amendments to permit reduced margin for swap position partial offsets held in inventory. As per the notice, the amendment would allow margin reductions where the Dealer has an inventory offset of:

- two interest rate swaps
- two total performance swaps
- the fixed or floating rate component of an interest rate swap and federal government debt securities, or
- a total performance swap and underlying securities

with the same or different (i.e partial offsets) notional amounts or quantities

Scotia Capital Inc. (SCI) would like to express our support for the proposed amendments as outlined in Notice 22-0122. We believe the proposed amendment would;

- i) align the margin requirements with the risk profile of the positions,
- ii) permanently recognize an offset the industry is currently applying and,
- iii) allow Dealer Members to appropriately hedge their books without incurring additional regulatory capital charges and/or incurring operational inefficiencies.

We would also like to propose the consideration of the offsets being expanded to include swaps denominated in other G7 currencies (i.e GBP & Euros) in view of the business globalization and predominant international capital markets.

Thank you for your consideration. If you require further information, please let us know.

Yours truly,  
Scotia Capital Inc.

A handwritten signature in black ink, appearing to read 'Massimo Ceschia'.

Massimo Ceschia  
Chief Financial Officer

/jy