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Basel Committee on Banking Supervision
Bank for International Settlements
Centralbahnplatz 2
CH-4002 Basel
Switzerland
baselcommittee@bis.org

International Organization of Securities Commissions
C/ Oquendo 12
28006 Madrid
Spain
wgmr@iosco.org

Dear Sirs / Madams:

Re: Comments on the Basel Committee on Banking Supervision and the Board of the International Organization of Securities Commissions Consultative Document: Margin Requirements for Non-Centrally Cleared Derivatives.

The Province of British Columbia welcomes the opportunity to comment on the proposed margin requirements for non-centrally-cleared derivatives.

The Province of British Columbia is one of ten Canadian Provinces and is an active participant in the Canadian, US and international capital markets as a AAA rated sub sovereign issuer and transacts non-standardised OTC derivatives associated with its bond issues, most of which will not be eligible for central clearing under current proposed international financial regulations.

Under Element 2: Scope of coverage – scope of applicability, the paper makes mention of the fact that central banks and sovereigns will not be required to either post or collect margin in relation to non-centrally-cleared derivatives. The Province would like to request that this exemption that has been offered to sovereigns and central banks exempting them from either collecting or posting margin be extended to sub sovereign governments. The Province is concerned that in complying with such margin requirements, liquidity would be negatively impacted and counterparty credit risk exposure would increase significantly.

Question 24 in Element 5: Treatment of provided margin asks for comments related to the re-hypothecation of collateral. It is the Province's opinion that collateral should not be allowed to be re-hypothecated due to the legal treatment of re-hypothecation of collateral differing significantly across jurisdictions. This could lead to significant systemic risk whereby some pledgees would have access to their pledged collateral and others wouldn't.

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In conclusion we respectfully request that you take into account the issues and comments raised in this submission, particularly with respect to extending the exemption for margin requirements to sub sovereign governments.

Yours sincerely,

Annie Johnson
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Provincial Treasury, Ministry of Finance,
Province of British Columbia, Canada