

Les Young Farms Ltd.

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Cargill, Ontario

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December 22, 2015

DELIVERED BY EMAIL

The Cooperative Capital Markets Regulatory System

Email: comment@ccmr-ocrmc.ca

Dear Sirs/Mesdames:

Re: Comments on Proposed CMRA Regulation 91-501 Derivatives and Strip Bonds

We are pleased to provide the various provincial/territorial governments involved with the proposed Cooperative Capital Markets Regulatory System (the System) with comments on the above-noted Proposed CMRA Regulation 91-501 Derivatives and Strip Bonds ("CMRA Reg 91-501").

Before providing our comments on CMRA Reg 91-501, it is important for us to provide some background on our business as it is very important as to why we are submitting this letter.

We operate a commercial grain elevator business in Ontario. We are a family-owned and operated business. We have been in business for 20 years. In order to operate our business we need to apply for two licenses under *The Grains Act* (Ontario) as an Elevator Operator and a Dealer in Grain. The licenses are issued by Agricorp which is an agency of the Government of Ontario. These licenses expire each year six months after our fiscal year end. Every year we need to apply for new licenses and the annual review conducted by Agricorp are very extensive and require us to provide certain documentation (including proof of insurance, financial statements etc.) to confirm that we are appropriately classified for the license.

The reason we provide you with this background information is because we are real commercial users of listed derivatives. We don't trade for speculation. We trade to manage the risks with our crops and to do so we use a number of futures contracts that are listed on futures exchanges in the United States (Chicago Mercantile Exchange, Kansas City Board of Trade, and the Minneapolis Grain Exchange (MGEX)). We are a "qualified party" as that term is defined in CMRA Reg 91-501 (see par. (o)).

We have had close and loyal relationship for years with a US introducing broker (who trades through CFTC registered US futures commission merchants) and we value their expertise and advice in managing our risk and trading on those non-Canadian futures exchanges. We understand from our dealers that with the implementation of CMRA Reg 91-501 and due to changes in Ontario that they will no longer be able to execute and clear trades for us in the US because we do not qualify as "permitted clients".

We have reviewed CMRA Reg 91-501 and don't understand why the Cooperative Capital Markets Regulatory System would have a different registration standard for over-the-counter derivatives contracts and listed derivatives – by our reading of CMRA Reg 91-501, we can still trade with our US dealers if they offered over-the-counter derivatives (where the value could be tied to the applicable futures contract) but not on listed futures contracts. Clearly, listed derivatives that are traded on an exchange (which require certain margin requirements, provide liquidity and can be transferred from dealer to dealer) by a registered futures commission merchant would pose less of an investor risk than an off-exchange over-the-counter derivative product that could be entered into by an unregistered entity and pursuant to an agreement (ISDA) that is pretty much non-negotiable? This makes no sense to us and by not permitting our US dealer to continue their relationship with us, this will have a significant impact on our risk management.

Even if we wanted to change our trading relationship to a Canadian futures commission merchant there are only a handful of dealers that we could even approach – which leaves us with very little options.

We would ask the Cooperative Capital Markets Regulatory System to consider our concerns in developing this derivatives registration policy. We understand that our US dealer is looking to apply for a formal exemption from the current registration requirements which would be limited to commercial hedgers like us that do not qualify as permitted clients and we do hope that will be successful.

Please contact any of us at the contact details provided below if you would like further elaboration of our comments. We would be pleased to meet with you at your convenience.

Kind regards,

A handwritten signature in purple ink, appearing to be 'L. Young Jr.', with a long, sweeping horizontal line extending to the right.

Les Young Jr.

Les Young Farms Ltd.

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