

## Human Resources Legislative Update

### FSCO Consultation on Proposed Investment Guidance Note (Prudent Investment Practices for Derivatives)

**Date:** October 28, 2014

On October 24, 2014, the Financial Services Commission of Ontario (“FSCO”) published a new proposed [Investment Guidance Note in respect of Prudent Investment Practices for Derivatives](#) (“Derivatives Guidance Note”).

Once finalized, the Derivatives Guidance Note will provide plan administrators detailed guidance with respect to prudent investment practices related to derivatives. The Derivatives Guidance Note sets out FSCO’s expectations in respect of documentation (i.e. information to be included in the Statement of Investment Policies and Procedures), risk mitigation and risk monitoring best practices.

The Derivatives Guidance Note will be applicable to pension plan administrators investing in derivatives directly and indirectly, through pooled funds or master trust arrangements.

As previously reported, FSCO will be publishing a series of Guidance Notes with respect to various investment activities of Ontario registered pension plans, the first of which was released as a consultation draft on [October 7, 2014 \(Buy-In Annuities for Defined Benefit Plans\)](#). The Guidance Notes are intended to set out FSCO’s expectations and identify issues that plan administrators should consider and address in respect of each type of financial instrument in order to meet the administrator’s obligations in investing pension plan assets.

Interested stakeholders may submit comments to FSCO regarding the Derivatives Guidance Note on or before November 24, 2014.