A view from the scenic route: The 2025 OTC derivatives report

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The Ontario Securities Commission (OSC) released the Canadian OTC Derivatives 2025 Annual Report in May (the Report). The OSC obtains its data from public sources and directly from trade repositories. The Report offers findings of interest regarding Canada's OTC markets for investment managers and advisers. Interest rate derivatives remained the dominant asset class in Canada's OTC market, accounting for 88.2 per cent of total gross notional outstanding (GNO) in Q4 2025, with growth driven by swaps and continued adoption of the Canadian Overnight Repo Rate Average (CORRA-CAD) and Secured Overnight interest Rate (SOFR-USD) based products. Canada had 9.2 per cent of the global OTC derivatives market (measured by GNO) in June 2025.

The report also underscores the OSC's increasing focus on data quality. Amendments to the trade reporting rule that took effect on July 25, 2025, together with compliance related remediation, materially affected reported statistics by improving product classification and removing stale or expired trades.

Looking ahead, the most notable regulatory development is the expansion of mandatory central clearing under NI 94-101 – *Mandatory Central Counterparty Clearing of Derivatives and Related Companion Policy*, effective March 25, 2026, to cover certain index credit default swap products in addition to updated interest rate derivatives tied to benchmark transition. More broadly, the report suggests the OSC is taking a more granular, risk-sensitive approach to monitoring derivatives markets, including through the use of risk metrics like DV01, which measures the dollar change in a position's value resulting from a one-basis-point movement in interest rates.

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