



CIBC CAPITAL MARKETS

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Delivered via email

November 28, 2025

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**RE: Proposed Amendments to the Rules of the Canadian Derivatives Clearing Corporation (CDCC) regarding the Offering of Clearing Services to Certain U.S. Clearing Members for Certain Exchange-Traded Derivatives**

We are writing in response to the above-noted proposed amendments published by the CDCC in Notice to Members No 2025-144 on October 28, 2025. We thank the CDCC for inviting comments on this topic and appreciate the opportunity to present our perspective on the issues raised in the Notice.

We support CDCC's commitment to fair and open access and alignment with international standards. In the spirit of promoting market integrity and systemic stability, we wish to highlight several considerations and recommendations for this proposal to allow direct clearing membership for U.S. Futures Commission Merchants (FCMs).

## **Collateral Management and Client Protection Regime**

The recent implementation of the Gross Client Margin (GCM) regime and enhanced client protection standards has strengthened the safety and portability of client positions and collateral. The proposed rule change could alter the composition and concentration of collateral pools, with potential implications for risk management and default procedures.

### *Recommendation:*

CDCC should clarify how it will monitor and manage collateral posted by U.S. FCMs, ensure consistency in collateral standards, and maintain robust porting and default management procedures for cross-border scenarios. CDCC should assess any new legal or operational risks to market participants arising from these changes. In particular, CDCC should clarify what role a U.S. FCM would have in existing CDCC Default exercises, and what their liability to the system would be in a default scenario.

## **Fee Structure and Economic Impact**

The sustainability of the Canadian clearing ecosystem depends on a fair and transparent fee structure that supports all participants. Changes in clearing volumes and participant composition may have broader economic impacts.

### *Recommendation:*

CDCC should review and disclose the impact on fee structures for all clearers, and consider measures to ensure the ongoing viability and competitiveness of Canadian clearing services.

## **Market Structure and Integrity**

The proposed amendments represent a significant evolution in the Canadian derivatives clearing landscape. While increased participation can enhance competition and liquidity, it is essential to ensure that changes do not inadvertently compromise the integrity, resilience, or stability of the Canadian market.

We believe that Canadian clearing members have a demonstrated history of supporting the development of domestic markets, infrastructure, and regulatory best practices. Our commitment extends beyond compliance; we actively contribute to the stability and growth of Canadian derivatives markets through ongoing investment and collaboration with regulators and market participants.

While U.S. FCMs may be financially robust, their commitment to Canadian market development, investor education, and local infrastructure support may differ from that of domestic participants. Variations in market practices, regulatory priorities, and strategic

interests could introduce new risks, such as potential differences in crisis management approaches and responsiveness to Canadian-specific issues. We believe it is important to consider that the admission of foreign members whose primary focus is transactional efficiency may gradually impact the collaborative culture and local expertise that contribute to our market's resilience.

*Recommendation:*

We encourage CDCC to consider additional eligibility criteria or phased admission for U.S. FCMs, such as minimum Canadian market activity thresholds, CIRO and CSA registration, minimum Canadian personnel presence, minimum capital funding requirements, and contribution to industry associations to support a balanced and robust market structure.

### **Systemic Risk and Market Stability**

Diversifying membership can help reduce concentration risk, but it is important to be attentive to new systemic risks, particularly if a few large U.S. FCMs become highly influential. Maintaining robust risk management standards is essential for maintaining market stability.

While reducing risk concentration is a valid objective, introducing members who may have less long-term engagement with the Canadian market could bring different challenges, such as potential misalignment of interests, changes in market stewardship, and varying levels of support during periods of stress. Furthermore, if U.S. FCMs close their Canadian subsidiaries because they are no longer necessary, the proposed amendments could result in a reduction in the number of Canadian clearing members.

*Recommendation:*

CDCC should prepare a forecast of the number and types of U.S. FCMs that are expected to become clearing members, and any reductions in existing Canadian clearing members, as a result of the proposed amendments. If the amendments are passed, CDCC should actively monitor systemic and concentration risks arising from changes in membership composition and maintain strong risk management standards for all members. Equal minimum capital requirements and risk waterfalls should align with Canadian requirements and not rely upon foreign jurisdictions.

### **Cross-Border Representation and Collateral Movement**

Legal, operational, and risk issues may arise in moving collateral from a U.S. FCM to CDCC, especially if a FAP does not have a Canadian-domiciled representation.

*Recommendation:*

We recommend that CDCC require U.S. FCMs and their clients to maintain a Canadian-domiciled representation or agent, and to clarify the legal and operational procedures for moving collateral from the U.S. to CDCC.

**Canadian Approved Book of Record**

Maintaining a Canadian-approved book of record for trades cleared at CDCC is essential for regulatory oversight, audit, and dispute resolution.

*Recommendation:*

We recommend that CDCC clarify and require U.S. FCMs to maintain a Canadian-approved book of record for all trades cleared at CDCC.

**Tax Implications**

Direct clearing by U.S. FCMs may raise Canadian tax issues, such as withholding tax, GST/HST applicability, and the treatment of income generated from Canadian derivatives markets.

*Recommendation:*

CDCC should assess and disclose any Canadian tax implications arising from direct clearing by U.S. FCMs, including potential withholding tax, GST/HST, and income tax issues.

**U.S. Regulator Jurisdiction**

Allowing U.S. FCMs direct access may expose Canadian market participants and infrastructure to U.S. regulatory reach, including but not limited to the CFTC.

*Recommendation:*

We urge CDCC to clarify the extent to which U.S. regulatory authorities may assert jurisdiction over Canadian market participants, infrastructure, or collateral, and to ensure that Canadian regulatory sovereignty is preserved.

**Credit Quality of U.S. FCMs**

Robust due diligence and ongoing monitoring of U.S. FCMs' credit quality are essential for the safety and soundness of the clearing system.

*Recommendation:*

CDCC should establish and disclose clear standards for assessing and monitoring the credit quality of U.S. FCMs, including ongoing capital adequacy, risk management, and default procedures.

### **Specific Requirements for U.S. FCMs**

European clearinghouses such as LCH and Eurex have established dedicated membership frameworks and operational requirements specifically for U.S. FCMs, reflecting the unique regulatory, legal, and risk considerations of cross-border clearing. For example, these frameworks include tailored rulebooks, margining and collateral standards, client asset segregation, and default fund contributions. These measures are designed to address the complexities of cross-border clearing and ensure robust risk management and client protection.

#### *Recommendation:*

We recommend that CDCC develop and publish a dedicated framework for U.S. FCM membership, including specific operational, legal, and risk management requirements, to ensure alignment with international best practices and to address the unique challenges of cross-border clearing.

### **Conclusion**

We support initiatives that enhance the Canadian derivatives market's integrity, resilience, and competitiveness. We believe that careful consideration of the above issues will help ensure a fair, stable, and robust clearing ecosystem for all participants. Given the issues raised, CDCC may want to consider admitting U.S. FCMs in stages, so that any risk impact can be assessed before fully committing to the change. We look forward to ongoing consultation and collaboration as these changes are implemented.

Please do not hesitate to contact the undersigned at (416) 956-6118 for further discussion or clarification.

Yours truly,

**CIBC World Markets Inc.**



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Robert Lemon, CFA  
Executive Director