



**VIA E-MAIL TO: [comments@osc.gov.on.ca](mailto:comments@osc.gov.on.ca) and [consultation-en-cours@lautorite.gc.ca](mailto:consultation-en-cours@lautorite.gc.ca)**

April 22, 2015

Josée Turcotte  
Secretary  
Ontario Securities Commission  
20 Queen Street West  
Suite 1900, Box 55  
Toronto, Ontario M5H 3S8

Me Anne-Marie Beaudoin  
Corporate Secretary  
Autorité de marchés financiers  
800, square Victoria, 22e étage  
C.P. 246, tour de la Bourse  
Montréal, Québec H4Z 1G3

Dear Madams:

LCH.Clearnet Group Limited (“LCH.Clearnet” or “The Group”) is pleased to file a response to the request for comment from the Canadian Securities Administrators (“the CSA” or “the Committee”) on proposed National Instrument 94-101, *Mandatory Central Counterparty Clearing of Derivatives* (“Instrument”) and related proposed Companion Policy 94-101CP (“Companion Policy” or “CP”).

### LCH.Clearnet Overview

The LCH.Clearnet Group is the leading multi-asset class and multi-national clearinghouse, serving major international exchanges and platforms as well as a range of OTC markets.<sup>1</sup> It clears a broad range of asset classes including securities, exchange-traded derivatives, commodities, energy, freight, foreign exchange derivatives, interest rate swaps, credit default swaps, and euro and sterling denominated bonds and repos. LCH.Clearnet works closely with market participants and exchanges to continually identify and develop innovative clearing services for new asset classes. LCH.Clearnet Limited is recognized as a clearing agency by the Ontario Securities Commission (“OSC”) and the Autorité des marchés financiers (“AMF”) Quebec. LCH.Clearnet Limited’s SwapClear service is designated as systemically important by the Bank of Canada. LCH.Clearnet LLC is permitted to clear for Ontario-based clearing members pursuant to an OSC exemption. LCH.Clearnet Group Limited is

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<sup>1</sup> LCH.Clearnet Group Limited consists of three operating entities: LCH.Clearnet Limited, the UK entity, LCH.Clearnet SA, the Continental European entity, and LCH.Clearnet LLC, the US entity. Link to Legal and Regulatory Structure of the Group:

<http://www.lchclearnet.com/about-us/corporate-governance/legal-and-regulatory-structure.asp>

majority owned by the London Stock Exchange Group, a diversified international exchange group that sits at the heart of the world's financial community.

The Committee proposes an Instrument and Companion Policy to provide a harmonized statutory approach across Canada for the proposal of mandatory clearing of certain standardized over-the-counter ("OTC") derivatives transactions, in order to improve transparency in the derivatives market and enhance the overall mitigation of systemic risk. The development of the proposed Instrument and Companion Policy follows the Committee's proposal of a draft model provincial rule ("Draft Model Rule") in December 2013. The provisions of the proposed Instrument and Companion Policy build on the Draft Model Rule and the comments submitted on that consultation. LCH.Clearnet submitted a comment letter on the Draft Model Rule. LCH.Clearnet is pleased that the Committee has taken these comments into account in developing the proposed Instrument and Companion Policy.

LCH.Clearnet strongly supports the Committee's decision to develop a uniform Instrument and Companion Policy applicable across Canada. LCH.Clearnet also commends the Committee for working to harmonize the mandatory clearing determination process in Canada with relevant international standards. This approach recognizes that the market for OTC derivatives is truly global, and will make compliance with any Canadian clearing determination more cost-effective and efficient for local counterparties, their global counterparties and regulated clearing agencies.

In LCH.Clearnet's comment letter on the Draft Model Rule, LCH.Clearnet urged the Committee to require a local securities regulator to seek public comment on a proposed mandatory clearing determination. An opportunity for public comment provides market participants with notice about which derivatives may be subject to mandatory clearing, and helps to focus attention on the need to prepare for mandatory clearing.

In its description of the proposed Instrument and Companion Policy, the Committee states

As part of the determination process, we will publish for comment the derivatives we propose to be mandatory clearable derivatives and invite interested persons to make representations in writing. Except in Québec, the determination process is expected to follow our typical rule-making or regulation making process. The list of mandatory clearable derivatives will be included in the Clearing Rule as Appendix A, as amended from time to time. In Québec, the determination process will be made by decision and the list of mandatory clearable derivatives will appear on a public register kept by the Autorité des marchés financiers.<sup>2</sup>

Similarly, in the comment summary and CSA response table in consultation document, the discussion of comments on implementation "notes that a requirement to clear would not be triggered until a proposed determination has been published for comment and a final determination made."<sup>3</sup>

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<sup>2</sup> CSA Notice and Request for Comments – Proposed NI 94-101 Mandatory Central Counterparty Clearing of Derivatives and Proposed Companion Policy 940101CP Mandatory Central Counterparty Clearing of Derivatives (Feb. 12, 2015) at p. 3.

<sup>3</sup> CSA Notice and Request for Comments at p. 6.



However, neither the proposed Instrument nor Companion Policy explicitly states that a public comment period will precede a mandatory clearing determination. LCH.Clearnet requests that the final version of the Instrument or Companion policy contain such a statement to insure that future regulators and market participants are aware of the clear intent of the Committee to seek public comment prior to any mandatory clearing determination.

We hope that our comments will assist the Committee as it develops the Instrument and Companion Policy.

Please do not hesitate to contact us regarding any questions raised by this submission or to discuss our comments in greater detail.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Susan Milligan' with a horizontal line at the end.

**Susan Milligan**  
Head of US Public Affairs