



December 19, 2024

Me Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
Autorité des marchés financiers
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The Secretary Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, Ontario M5H 3S8
E-mail: comments@osc.gov.on.ca

VIA ELECTRONIC SUBMISSION

Re: Ontario Securities Commission Notice of Proposed Rulemaking regarding Mandatory Central Counterparty Clearing Under National Instrument 94-101 for Interest Rate Swaps to Account for the Transitions from LIBOR and Other IBORs to Alternative Reference Rates

Dear Mr. Lebel:

CME Group Inc. (“CME Group”)¹ appreciates the opportunity to comment on the Canadian Securities Administrators’ (“CSA”) proposed amendments to National Instrument 94-101 *Mandatory Central Counterparty Clearing of Derivatives*² (“National Instrument 94-101” or “NI 94-101”) to update the list of mandatory clearable derivatives to reflect the transition of Canadian financial markets to new overnight risk-free interest rate (“RFR”) benchmarks.

Chicago Mercantile Exchange Inc. (“CME”) is a wholly-owned subsidiary of CME Group. CME is registered with the Commodity Futures Trading Commission (“CFTC”) as a derivatives clearing organization (“DCO”) (“CME Clearing” or the “Clearing House”). CME Clearing offers clearing and settlement services for listed futures and options on futures contracts, including those listed on CME Group’s CFTC-registered designated contract markets (“DCMs”), as well as over-the-counter derivatives transactions, including interest rate swaps (“IRS”) products. On July 18, 2012, the Financial Stability

¹ As a leading and diverse derivatives marketplace, CME Group enables clients to trade in futures, cash and over-the-counter markets, optimize portfolios, and analyze data – empowering market participants worldwide to efficiently manage risk and capture opportunities. CME Group’s exchanges offer the widest range of global benchmark products across all major asset classes based on interest rates, equity indexes, foreign exchange, energy, agricultural products, and metals. CME Group offers futures trading through the CME Globex platform, fixed income trading via BrokerTec, and foreign exchange trading on the EBS platform.

² [Proposed Amendments to National Instrument 94-101 Mandatory Central Counterparty Clearing of Derivatives](#)

Oversight Council designated CME as a systemically important financial market utility (“SIFMU”) under Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act. As a SIFMU, CME is also a systemically important DCO (“SIDCO”).

CME Group welcomes the CSA’s cessation of certain inter-bank offered rates (“IBORs”) and Canadian dollar offered rate (“CDOR”) and the transition of swaps to the relevant RFR benchmarks. CME Group supports the CSA’s objective that any changes to the relevant clearing requirements should be harmonized to the greatest extent possible with those adopted by its international counterparts, and we further welcome the CSA’s pursuit of improved liquidity and international harmonization.

Given the rapid market adoption and voluntary clearing of various IRS ahead of the determination or implementation of any clearing mandates, in the interest of providing clarity to the marketplace, CME Group believes that the CSA’s proposal of updating products subject to the clearing mandate in Canada and adding certain interest rate products is appropriate. These changes include the addition to the overnight index swap (“OIS”) class clearing requirement of relevant OIS which reference, among others, the corresponding Secured Overnight Financing Rate (“SOFR”), Euro Short-Term Rate (“€STR”), and CAD CORRA as the floating rate index.

Following the cessation of certain IBORs and LIBOR rates, CME Group believes that it is also appropriate to amend National Instrument 94-101 to remove the mandatory central counterparty clearing requirement for certain IRS and forward rate agreements denominated in Canadian dollar (CAD) CDOR, United States dollar (USD) LIBOR, British pound (GBP) LIBOR, and Euro (EUR) Euro Overnight Index Average (EONIA).

CME Group believes that the significant and rapid adoption of voluntary clearing of RFR OIS has demonstrated the beneficial effects on the mitigation of systemic risk in clearing these products. CME Group considers that the high levels of voluntary clearing of these swaps have further ensured that a wide range of clearing members already support clearing of these products and, therefore, that CME Clearing has sufficient diversity in clearing members, as well as a strong capability to default manage RFR OIS portfolios and transfer positions on a default, regardless of the introduction of an RFR OIS clearing requirement.

CME Group’s view is that the CSA should continue to work cooperatively with regulators in other jurisdictions to ensure harmonization on scope of implementation and timing of clearing mandates to the extent appropriate and practicable.

CME Group Support for Addition of New Classes of OTC Derivatives

We welcome the CSA’s recognition of the importance of central clearing in facilitating the transition of derivative markets to new RFR benchmarks, as demonstrated in the National Instrument 94-101. Clearing by a regulated clearing agency increases the level of standardization of the derivative. Additionally, mandating the clearing of these derivatives reduces risk and improves liquidity of the market for these classes of derivatives. Finally, a clearing mandate provides for international harmonization between various regulatory regimes.

CME Group has been active in supporting the transition away from IBOR rates in derivatives markets, working alongside industry groups, market participants and regulatory bodies to promote an orderly

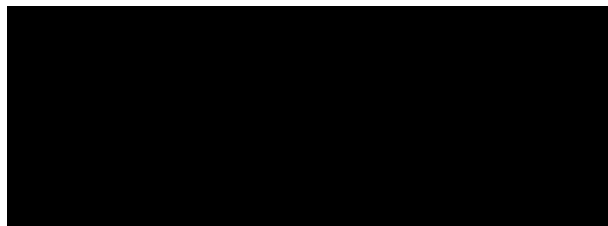
transition to the successor rates in listed futures and OTC interest rate swaps markets. More specifically, CME Group has:

- Supported the clearing of CORRA OIS since October 2016, which has allowed industry participants to move activity on their own accord ahead of any mandatory CCP conversion events if desired.
- Successfully completed, on May 17, 2024, the primary conversion event for all legacy cleared CDOR swaps that contain fixings beyond June 28, 2024 (i.e., cessation date).
- Ran a secondary conversion event to convert any outstanding CDOR swaps on the first good business day following the cessation date (accounting for Canada Day) on July 2, 2024.

CME Group will continue to support market participants in managing their risks and promoting a smooth and orderly transition to RFRs. We are grateful to the significant contribution made by market participants to support the transition to RFRs; in particular, derivatives market participants' support of clearing for and transition to RFR OIS and the provision of trading liquidity in listed interest rate products and swaps representing RFRs.

We would be happy to further discuss our comments with the CSA. If any comments or questions regarding this submission arise, please feel free to contact me at suzanne.sprague@cmegroup.com or Sean Downey, Managing Director, Clearing Chief Compliance Officer, Enterprise Risk Officer and Head of Policy at sean.downey@cmegroup.com.

Very truly yours,



Suzanne Sprague
Senior Managing Director, Chief Operating Officer and Global Head of
Clearing

cc: Alberta Securities Commission
Autorité des marchés financiers
Financial and Consumer Affairs Authority of Saskatchewan
Financial and Consumer Services Commission, New Brunswick
Manitoba Securities Commission
Nova Scotia Securities Commission
Office of the Superintendent of Securities, Newfoundland and Labrador
Office of the Superintendent of Securities, Northwest Territories
Office of the Superintendent of Securities Nunavut
Office of the Yukon Superintendent of Securities
Ontario Securities Commission

Financial and Consumer Services Division, Department of Justice and Public Safety, Prince
Edward Island