

15 January 2019

Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Financial and Consumer Services Commission (New Brunswick)
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Nova Scotia Securities Commission
Nunavut Securities Office
Ontario Securities Commission
Office of the Superintendent of Securities, Newfoundland and Labrador
Office of the Superintendent of Securities, Northwest Territories
Office of the Yukon Superintendent of Securities
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island

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

The Secretary
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, Ontario M5H 3S8

Re: *CSA Notice and Request for Comment: Proposed National Instrument 24-102 Clearing Agency Requirements and Proposed Changes to Companion Policy 24-102 Clearing Agency Requirements*

Dear Sirs and Madams:

CME Group Inc. (“CME Group”) appreciates the opportunity to provide comments on the Canadian Securities Administrators’ (the “CSA”) *Proposed National Instrument 24-102* (“Proposed NI”) and *Proposed Companion Policy 24-102CP, Clearing Agency Requirements* (“Proposed CP”). The Proposed NI and Proposed CP are collectively referred to herein as “Proposed NI 24-102”.

CME Group is the parent company of Chicago Mercantile Exchange Inc. (“CME”) and of CME’s clearing division (“CME Clearing”). CME Clearing is one of the largest central counterparty (“CCP”) clearing services for regulated derivatives contracts, offering clearing and settlement services for exchange-listed and over-the-counter (“OTC”) derivatives transactions, including interest rate swaps and other OTC contracts.

CME is registered as a derivatives clearing organization with the U.S. Commodity Futures Trading Commission (“CFTC”), which is the primary regulator for CME’s clearing operations. The Financial Stability Oversight Council designated CME as a systemically important financial market utility, which subjects CME to additional regulatory standards and oversight from the Board of Governors of the

Federal Reserve with respect to new rules or rule changes that may have a material impact on the risk profile of CME Clearing. CME is exempt from the requirement to be recognized as a clearing agency in Ontario under Section 147 of the *Securities Act* (Ontario), in Quebec under section 12 of the *Derivatives Act* (Quebec), and in Alberta under section 67 of the *Securities Act* (Alberta).

Introduction

CME Group generally supports the CSA's aim to improve cyber resilience of financial market infrastructures and to align local standards applicable to recognized clearing agencies with the *Principles for financial market infrastructures* (PFMI) published by the Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO). However, Proposed NI 24-102 includes requirements applicable to exempt clearing agencies that create the potential for regulatory overlap and duplicative requirements. CME Group also notes that exempt clearing agencies are subject to home-country regulatory regimes that are substantially comparable to Canadian regulations.

CME Group has long advocated in support of a global framework whereby regulators permit access to a third-party market under the concepts of substituted compliance and mutual recognition. Such frameworks facilitate cross-border transactions in the global marketplace by reducing the need to harmonize multiple or conflicting regulatory regimes and the duplicative procedural burdens resulting from their concurrent application. The activities of CME Clearing involving local Canadian counterparties are subject to U.S. legal and regulatory requirements analogous in all material respects to those set forth in Proposed NI 24-102, and in light of the comparability of the U.S. regulatory regime, we respectfully request the CSA permit substituted compliance for exempt clearing agency requirements reflected in Proposed NI 24-102 that overlap with CFTC regulatory requirements.

Significant changes, fee changes and other changes in information

Section 2.2(5) of Proposed NI 24-102 requires each exempt clearing agency notify in writing the securities regulatory authority of any material change to its PFMI Disclosure Framework Document and related application materials. CFTC Regulation §39.37 requires CME Clearing to complete and publicly post its Disclosure Framework for Financial Market Infrastructures published by CPMI-IOSCO ("Disclosure Framework")¹ and to update the Disclosure Framework at least every two (2) years and following material changes to its practices and environment in which it operates. Although standards for demonstrating compliance with PFMI vary across international financial centers, deference to the home-country regulatory requirement is a generally accepted practice across these financial center regulatory frameworks and we strongly support this approach. Accordingly, we request that the CSA amend the Proposed NI 24-102 to permit substituted compliance and provide that an exempt clearing agency's updating of its Disclosure Framework in accordance with the requirements of its home-country regulator be deemed adequate to meet this requirement.

¹ CME Clearing publicly posts its responses to the Disclosure Framework at <http://www.cmegroup.com/clearing/risk-management/files/cme-clearing-principles-forfinancial-market-infrastructures-disclosure.pdf>.

Filing of annual audited and interim financial statements

Section 2.5(2) of Proposed NI 24-102 requires an exempt clearing agency to file interim financial statements with the securities regulator no later than the 45th day after the end of each interim period, in addition to filing annual financial statements with the securities regulator. CFTC Regulation 39.19 requires CME Clearing to provide the CFTC with quarterly updates on its financial resources, promptly report enumerated changes to the same, and to annually file audited financial statements. Quarterly financial statements for CME are produced at significant cost largely to satisfy international reporting requirements such as those in Proposed NI 24-102. We view the financial disclosure requirement and associated oversight reflected in Proposed Instrument NI 24-102 as adequately covered by U.S. regulations and respectfully request that the CSA, in the context of granting substituted compliance determinations, permit U.S. financial reporting requirements suffice for purposes of compliance by U.S.-based exempt clearing agencies.

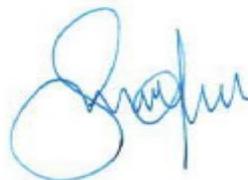
Books and Records

Section 5.1(1) of Proposed NI 24-102 continues to contemplate a seven-year period for retention of applicable records for regulated clearing agencies, including those that are exempt from the requirement to be recognized in Canada. As CME Group noted in response to a prior consultation, the equivalent recordkeeping requirements under applicable U.S. laws is five years. While we understand that seven years may apply in other areas of Canadian securities regulation, we believe the regulatory burden associated with requiring two additional years for regulated clearing agencies doing business with local Canadian counterparties is disproportionate and presents a disincentive for foreign firms to provide clearing services into Canada. We again request that the CSA consider reducing the retention period from seven years to five years or, in the context of granting substituted compliance determinations, permit U.S. record retention requirements to suffice for purposes of compliance by U.S.-based exempt clearing agencies.

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CME Group appreciates the opportunity to submit feedback to the CSA on Proposed NI 24-102. Please feel free to contact the undersigned via email at sunil.cutinho@cmegroup.com or John McKinlay at john.mckinlay@cmegroup.com if you have any questions.

Yours sincerely,



Mr. Sunil Cutinho
President, CME Clearing