

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

May 24, 2016

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

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 des marchés financiers  
800, square Victoria, 22e étage  
C.P. 246, tour de la Bourse  
Montréal, Québec H4Z 1G3

**Re: Draft Regulation 94-101 respecting Mandatory Central Counterparty Clearing of Derivatives; Proposed Policy Statement to Regulation 94-101 respecting Mandatory Central Counterparty Clearing of Derivatives**

Dear Sirs/Madams:

LCH Limited, LCH SA and LCH LLC (together "LCH")<sup>1</sup> welcomes the opportunity to respond to this request for comment from the Canadian Securities Administrators ("CSA") 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 Limited is recognized as a clearing agency by the Ontario Securities Commission ("OSC") and the Autorité des marchés financiers ("AMF") Quebec.

---

<sup>1</sup> The LCH Group is the leading multi-asset class and multi-national group of clearing houses, serving major international exchanges and platforms as well as a range of OTC markets. 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 Group Limited is majority owned by the London Stock Exchange Group (LSEG), a diversified international exchange group.

LCH has supported regulatory reform enhancements to the global structure governing derivatives markets that have resulted in a comprehensive, stronger and more robust risk management framework for central counterparties (“CCP”), clearing members and end-users of derivatives. We continue to work with regulators and the industry to strengthen the resiliency of CCPs and the safety and soundness of the broader derivatives industry.

LCH commends the CSA Derivatives Committee’s work on implementation of the G20 mandate through the broader regulatory framework being developed.<sup>2</sup>

Our responses to specific questions in the Companion Policy 94-101CP are included below:

...

*2. Is the Proposed Determination appropriate for the Canadian market? Please provide specific concerns relating to any or all of the following:*

- (i) US IRD;*
- (ii) GBP IRD;*
- (iii) EUR IRD;*
- (iv) CAD IRS;*
- (v) any other derivatives.*

The Proposed Determination is consistent with international standards and appropriate for Canadian markets.

...

*4. As currently contemplated, the Proposed National Instrument and the Proposed Determination would become effective simultaneously. Do you agree with this approach or should a transition period be provided after the Proposed National Instrument has come into force and before mandatory clearable derivatives must be cleared? Please identify significant consequences that could arise from the current approach and what length of time would be appropriate if you deem that a phase-in is necessary.*

LCH supports a simultaneous effective date for both the Proposed National Instrument and the Proposed Determination. A majority of mandatory clearable derivatives are already cleared by mandates of other jurisdictions.

*5. Please discuss any significant consequences that could arise from a determination of CAD IRS as a mandatory clearable derivative absent a corresponding CAD IRS mandate in one or more foreign jurisdictions.*

LCH recognizes the importance of CAD IRS to the financial stability of the Canadian market. In terms of LCH clearing volumes, CAD IRS currently falls within the top six: (1) EUR, (2) USD, (3) GBP, (4) JPY, (5) AUD, (6) CAD.<sup>3</sup>

---

<sup>2</sup> See Proposed National Instrument 94-102 *Derivative Customer Clearing and Protection of Customer Positions and Collateral* and National Instrument 24-102 *Clearing Agency Requirements*.

Indeed, other jurisdictions have also proposed expanding the scope of their clearing mandates in the absence of similar mandates in foreign jurisdictions. The EU has responded to a similar question with respect to Swedish Krona (SEK), Norwegian Krone (NOK), and Polish Zloty (PLN) IRD. Under the European Market Infrastructure Regulation (EMIR), there are proposals to mandate SEK, NOK and, PLN, which is inconsistent globally yet designed to level the playing field in Europe while balancing the financial stability considerations across the region.<sup>4</sup>

*6. Are the characteristics used in Appendix A and the table above to define mandatory clearable derivatives adequate? If not, what other variables should be considered?*

LCH agrees with the criterion proposed.

\* \* \*

We appreciate the opportunity to comment on 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,



Jonathan Jachym  
Head of North America Regulatory Strategy & Government Relations

---

<sup>3</sup> See Daily Volumes, LCH: <http://www.lch.com/asset-classes/otc-interest-rate-derivatives/volumes>

<sup>4</sup> ESMA Final Report: Draft technical standards on the Clearing Obligation – Interest rate OTC Derivatives in additional currencies, [https://www.esma.europa.eu/sites/default/files/library/2015/11/esma-2015-1629\\_-\\_final\\_report\\_clearing\\_obligation\\_irs\\_other\\_currencies.pdf](https://www.esma.europa.eu/sites/default/files/library/2015/11/esma-2015-1629_-_final_report_clearing_obligation_irs_other_currencies.pdf)