

REGULATION 94-101 RESPECTING MANDATORY CENTRAL COUNTERPARTY CLEARING OF DERIVATIVES

Derivatives Act

(chapter I-14.01, s. 175, par. (2), (3), (9), (11), (12), (26), (27) and (29))

PART 1 DEFINITIONS AND INTERPRETATION

1. Definitions and interpretation

(1) In this Regulation,

“local counterparty” means a counterparty to a derivative if, at the time of execution of the transaction, either of the following applies:

(a) the counterparty is a person, other than an individual, to which one or more of the following apply:

(i) the person is organized under the laws of the local jurisdiction;

(ii) the head office of the person is in the local jurisdiction;

(iii) the principal place of business of the person is in the local jurisdiction;

(b) the counterparty is an affiliated entity of a person referred to in paragraph (a) and the person is liable for all or substantially all the liabilities of the counterparty;

“mandatory clearable derivative” means a derivative within a class of derivatives listed in Appendix A;

“participant” means a person that has entered into an agreement with a regulated clearing agency to access the services of the regulated clearing agency and is bound by the regulated clearing agency’s rules and procedures;

“regulated clearing agency” means,

(a) in Alberta, New Brunswick, Newfoundland and Labrador, the Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Saskatchewan and Yukon, a person recognized or exempted from recognition as a clearing agency or clearing house pursuant to the securities legislation of any jurisdiction of Canada,

(b) in British Columbia, Manitoba and Ontario, a person recognized or exempted from recognition as a clearing agency in the local jurisdiction, and

(c) in Québec, a person recognized or exempted from recognition as a clearing house;

“transaction” means any of the following:

(a) entering into a derivative or making a material amendment to, assigning, selling or otherwise acquiring or disposing of a derivative;

(b) the novation of a derivative, other than a novation with a clearing agency or clearing house.

(2) In this Regulation, a person is an affiliated entity of another person if one of them controls the other or each of them is controlled by the same person.

(3) In this Regulation, a person (the first party) is considered to control another person (the second party) if any of the following apply:

(a) the first party beneficially owns or directly or indirectly exercises control or direction over securities of the second party carrying votes which, if exercised, would entitle the first party to elect a majority of the directors of the second party unless the first party holds the voting securities only to secure an obligation;

(b) the second party is a partnership, other than a limited partnership, and the first party holds more than 50% of the interests of the partnership;

(c) the second party is a limited partnership and the general partner of the limited partnership is the first party;

(d) the second party is a trust and a trustee of the trust is the first party.

(4) In this Regulation, in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, the Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Saskatchewan and Yukon, “derivative” means a “specified derivative” as defined in Multilateral Instrument 91-101 Derivatives: Product Determination.

Application

2. This Regulation applies to:

(a) in Manitoba,

(i) a derivative other than a contract or instrument that, for any purpose, is prescribed by any of sections 2, 4 and 5 of Manitoba Securities Commission Rule 91-506 Derivatives: Product Determination not to be a derivative, and

(ii) a derivative that is otherwise a security and that, for any purpose, is prescribed by section 3 of Manitoba Securities Commission Rule 91-506 Derivatives: Product Determination not to be a security,

(b) in Ontario,

(i) a derivative other than a contract or instrument that, for any purpose, is prescribed by any of sections 2, 4 and 5 of Ontario Securities Commission Rule 91-506 Derivatives: Product Determination not to be a derivative, and

(ii) a derivative that is otherwise a security and that, for any purpose, is prescribed by section 3 of Ontario Securities Commission Rule 91-506 Derivatives: Product Determination not to be a security, and

(c) in Québec, a derivative specified in section 1.2 of Regulation 91-506 respecting Derivatives Determination (chapter I-14.01, r. 01), other than a contract or instrument specified in section 2 of that regulation.

| |
|---|
| <p><i>In each other local jurisdiction, this Regulation applies to a derivative as defined in subsection 1(4) of this Regulation. This text box does not form part of this Regulation and has no official status.</i></p> |
|---|

PART 2 MANDATORY CENTRAL COUNTERPARTY CLEARING

Duty to submit for clearing

3. (1) A local counterparty to a transaction in a mandatory clearable derivative must submit, or cause to be submitted, the mandatory clearable derivative for clearing to a regulated clearing agency that offers clearing services in respect of the mandatory clearable derivative, if one or more of the following applies to each counterparty:

(a) the counterparty

(i) is a participant of a regulated clearing agency that offers clearing services in respect of the mandatory clearable derivative, and

(ii) subscribes to clearing services for the class of derivatives to which the mandatory clearable derivative belongs;

(b) the counterparty

(i) is an affiliated entity of a participant referred to in paragraph (a), and

(ii) has had, at any time after the date on which this Regulation comes into force, a month-end gross notional amount under all outstanding derivatives exceeding \$1 000 000 000 excluding derivatives to which paragraph 7(1)(a) applies;

(c) the counterparty

(i) is a local counterparty in any jurisdiction of Canada, other than a counterparty to which paragraph (b) applies, and

(ii) has had, at any time after the date on which this Regulation comes into force, a month-end gross notional amount under all outstanding derivatives, combined with each affiliated entity that is a local counterparty in any jurisdiction of Canada, exceeding \$500 000 000 000 excluding derivatives to which paragraph 7(1)(a) applies.

(2) Unless paragraph (1)(a) applies, a local counterparty to which paragraph (1)(b) or (1)(c) applies is not required to submit a mandatory clearable derivative for clearing to a regulated clearing agency if the transaction in the mandatory clearable derivative was executed before the 90th day after the end of the month in which the month-end gross notional amount first exceeded the amount specified in subparagraph (1)(b)(ii) or (1)(c)(ii), as applicable.

(3) Unless subsection (2) applies, a local counterparty to which subsection (1) applies must submit a mandatory clearable derivative for clearing no later than

(a) the end of the day of execution if the transaction is executed during the business hours of the regulated clearing agency, or

(b) the end of the next business day if the transaction is executed after the business hours of the regulated clearing agency.

(4) A local counterparty to which subsection (1) applies must submit the mandatory clearable derivative for clearing in accordance with the rules of the regulated clearing agency, as amended from time to time.

(5) A counterparty that is a local counterparty solely pursuant to paragraph (b) of the definition of “local counterparty” in section 1 is exempt from this section if the mandatory clearable derivative is submitted for clearing in accordance with the law of a foreign jurisdiction to which the counterparty is subject, set out in Appendix B.

Notice of rejection

4. If a regulated clearing agency rejects a mandatory clearable derivative submitted for clearing, the regulated clearing agency must immediately notify each local counterparty to the mandatory clearable derivative.

Public disclosure of clearable and mandatory clearable derivatives

5. A regulated clearing agency must do all of the following:

(a) publish a list of each derivative or class of derivatives for which the regulated clearing agency offers clearing services and state whether each derivative or class of derivatives is a mandatory clearable derivative;

- (b) make the list accessible to the public at no cost on its website.

PART 3 EXEMPTIONS FROM MANDATORY CENTRAL COUNTERPARTY CLEARING

Non-application

6. This Regulation does not apply to the following counterparties:

- (a) the government of Canada, the government of a jurisdiction of Canada or the government of a foreign jurisdiction;
- (b) a crown corporation for which the government of the jurisdiction where the crown corporation was constituted is liable for all or substantially all the liabilities;
- (c) a person wholly owned by one or more governments referred to in paragraph (a) if the government or governments are liable for all or substantially all the liabilities of the person;
- (d) the Bank of Canada or a central bank of a foreign jurisdiction;
- (e) the Bank for International Settlements;
- (f) the International Monetary Fund.

Intragroup exemption

7. (1) A local counterparty is exempt from the application of section 3, with respect to a mandatory clearable derivative, if all of the following apply:

- (a) the mandatory clearable derivative is between a counterparty and an affiliated entity of the counterparty if each of the counterparty and the affiliated entity are consolidated as part of the same audited consolidated financial statements prepared in accordance with “accounting principles” as defined in Regulation 52-107 respecting Acceptable Accounting Principles and Auditing Standards (chapter V-1.1, r. 25);
- (b) both counterparties to the mandatory clearable derivative agree to rely on this exemption;
- (c) the mandatory clearable derivative is subject to a centralized risk management program reasonably designed to assist in monitoring and managing the risks associated with the derivative between the counterparties through evaluation, measurement and control procedures;
- (d) there is a written agreement between the counterparties setting out the terms of the mandatory clearable derivative between the counterparties.

(2) No later than the 30th day after a local counterparty first relies on subsection (1) in respect of a mandatory clearable derivative with a counterparty, the local counterparty must deliver electronically to the regulator, except in Québec, or to the securities regulatory authority a completed Form 94-101F1.

(3) No later than the 10th day after a local counterparty becomes aware that the information in a previously delivered Form 94-101F1 is no longer accurate, the local counterparty must deliver or cause to be delivered electronically to the regulator, except in Québec, or securities regulatory authority an amended Form 94-101F1.

Multilateral portfolio compression exemption

8. A local counterparty is exempt from the application of section 3, with respect to a mandatory clearable derivative resulting from a multilateral portfolio compression exercise, if all of the following apply:

- (a) the mandatory clearable derivative is entered into as a result of more than 2 counterparties changing or terminating and replacing existing derivatives;

(b) the existing derivatives do not include a mandatory clearable derivative entered into after the effective date on which the class of derivatives became a mandatory clearable derivative;

(c) the existing derivatives were not cleared by a clearing agency or clearing house;

(d) the mandatory clearable derivative is entered into by the same counterparties as the existing derivatives;

(e) the multilateral portfolio compression exercise is conducted by an independent third-party.

Recordkeeping

9. (1) A local counterparty to a mandatory clearable derivative that relied on section 7 or 8 with respect to a mandatory clearable derivative must keep records demonstrating that the conditions referred to in those sections, as applicable, were satisfied.

(2) The records required to be maintained under subsection (1) must be kept in a safe location and in a durable form for a period of

(a) except in Manitoba, 7 years following the date on which the mandatory clearable derivative expires or is terminated, and

(b) in Manitoba, 8 years following the date on which the mandatory clearable derivative expires or is terminated.

PART 4 MANDATORY CLEARABLE DERIVATIVES

Submission of information on derivatives clearing services provided by a regulated clearing agency

10. No later than the 10th day after a regulated clearing agency first offers clearing services for a derivative or class of derivatives, the regulated clearing agency must deliver electronically to the regulator, except in Québec, or securities regulatory authority a completed Form 94-101F2, identifying the derivative or class of derivatives.

PART 5 EXEMPTION

Exemption

11. (1) The regulator, except in Québec, or the securities regulatory authority may grant an exemption to this Regulation, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario, only the regulator may grant an exemption.

(3) Except in Alberta and Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of Regulation 14-101 respecting Definitions (chapter V-1.1, r. 3) opposite the name of the local jurisdiction.

PART 6 TRANSITION AND EFFECTIVE DATE

Transition – regulated clearing agency filing requirement

12. No later than May 4, 2017, a regulated clearing agency must deliver electronically to the regulator, except in Québec, or securities regulatory authority a completed Form 94-101F2, identifying all derivatives or classes of derivatives for which it offers clearing services on April 4, 2017.

Transition – certain counterparties' submission for clearing

13. A counterparty specified in paragraphs 3(1)(b) or (c) to which paragraph (3)(1)(a) does not apply is not required to submit a mandatory clearable derivative for clearing to a regulated clearing agency until October 4, 2017.

Effective date

14. (1) This Regulation comes into force on April 4, 2017.

(2) In Saskatchewan, despite subsection (1), if these regulations are filed with the Registrar of Regulations after April 4, 2017, these regulations come into force on the day on which they are filed with the Registrar of Regulations.

APPENDIX A
MANDATORY CLEARABLE DERIVATIVES
(subsection 1 of section 1)

Interest Rate Swaps

| Type | Floating index | Settlement currency | Maturity | Settlement currency type | Optionality | Notional type |
|----------------------|-----------------------|----------------------------|---------------------|---------------------------------|--------------------|----------------------|
| Fixed-to-float | CDOR | CAD | 28 days to 30 years | Single currency | No | Constant or variable |
| Fixed-to-float | LIBOR | USD | 28 days to 50 years | Single currency | No | Constant or variable |
| Fixed-to-float | EURIBOR | EUR | 28 days to 50 years | Single currency | No | Constant or variable |
| Fixed-to-float | LIBOR | GBP | 28 days to 50 years | Single currency | No | Constant or variable |
| Basis | LIBOR | USD | 28 days to 50 years | Single currency | No | Constant or variable |
| Basis | EURIBOR | EUR | 28 days to 50 years | Single currency | No | Constant or variable |
| Basis | LIBOR | GBP | 28 days to 50 years | Single currency | No | Constant or variable |
| Overnight index swap | CORRA | CAD | 7 days to 2 years | Single currency | No | Constant or variable |
| Overnight index swap | FedFunds | USD | 7 days to 3 years | Single currency | No | Constant or variable |
| Overnight index swap | EONIA | EUR | 7 days to 3 years | Single currency | No | Constant or variable |
| Overnight index swap | SONIA | GBP | 7 days to 3 years | Single currency | No | Constant or variable |

Forward Rate Agreements

| Type | Floating index | Settlement currency | Maturity | Settlement currency type | Optionality | Notional type |
|------------------------|-----------------------|----------------------------|-------------------|---------------------------------|--------------------|----------------------|
| Forward rate agreement | LIBOR | USD | 3 days to 3 years | Single currency | No | Constant or variable |
| Forward rate agreement | EURIBOR | EUR | 3 days to 3 years | Single currency | No | Constant or variable |
| Forward rate agreement | LIBOR | GBP | 3 days to 3 years | Single currency | No | Constant or variable |

APPENDIX B
LAWS, REGULATIONS OR INSTRUMENTS OF FOREIGN JURISDICTIONS
APPLICABLE FOR SUBSTITUTED COMPLIANCE
(subsection 3 of section 5)

| Foreign jurisdiction | Laws, regulations or instruments |
|-----------------------------|--|
| European Union | Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories |
| United States of America | Clearing Requirement and Related Rules, 17 C.F.R. pt. 50 |

**FORM 94-101F1
INTRAGROUP EXEMPTION**

Type of Filing: **INITIAL** **AMENDMENT**

Section 1 – Information on the entity delivering this Form

1. Provide the following information with respect to the entity delivering this Form:

Full legal name:
Name under which it conducts business, if different:

Head office
Address:
Mailing address (if different):
Telephone:
Website:

Contact employee
Name and title:
Telephone:
E-mail:

Other offices
Address:
Telephone:
Email:

Canadian counsel (if applicable)
Firm name:
Contact name:
Telephone:
E-mail:

2. In addition to providing the information required in item 1, if this Form is delivered for the purpose of reporting a name change on behalf of the entity referred to in item 1, provide the following information:

Previous full legal name:
Previous name under which the entity conducted business:

Section 2 – Combined notification on behalf of counterparties within the group to which the entity delivering this Form belongs

1. For the mandatory clearable derivatives to which this Form relates, provide all of the following information in the table below:

(a) the legal entity identifier of each counterparty in the same manner as required under the following instruments:

(i) in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, the Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Saskatchewan and Yukon, Multilateral Instrument 96-101 Trade Repositories and Derivatives Data Reporting,

(ii) in Manitoba, Manitoba Securities Commission Rule 91-507 Trade Repositories and Derivatives Data Reporting,

(iii) in Ontario, Ontario Securities Commission Rule 91-507 Trade Repositories and Derivatives Data Reporting, and

(iv) in Québec, Regulation 91-507 respecting Trade Repositories and Derivatives Data Reporting;

(b) whether each counterparty is a local counterparty in a jurisdiction of Canada.

| Pairs | LEI of counterparty 1 | Jurisdiction(s) of Canada in which counterparty 1 is a local counterparty | LEI of counterparty 2 | Jurisdiction(s) of Canada in which counterparty 2 is a local counterparty |
|-------|-----------------------|---|-----------------------|---|
| 1 | | | | |
| | | | | |

2. Describe the ownership and control structure of the counterparties identified in item 1.

Section 3 – Certification

I certify that I am authorized to deliver this Form on behalf of the entity delivering this Form and on behalf of the counterparties identified in Section 2 of this Form and that the information in this Form is true and correct.

DATED at _____ this _____ day of _____, 20____

(Print name of authorized person)

(Print title of authorized person)

(Signature of authorized person)

(Email)

(Phone number)

FORM 94-101F2
DERIVATIVES CLEARING SERVICES

Type of Filing: **INITIAL** **AMENDMENT**

Section 1 – Regulated clearing agency information

1. Full name of regulated clearing agency:
2. Contact information of person authorized to deliver this form
Name and title:
Telephone:
E-mail:

Section 2 – Description of derivatives

1. Identify each derivative or class of derivatives for which the regulated clearing agency offers clearing services in respect of which a Form 94-101F2 has not previously been delivered.
2. For each derivative or class of derivatives referred to in item 1, describe all significant attributes of the derivative or class of derivatives including
 - (a) the standard practices for managing life-cycle events associated with the derivative or class of derivatives, as defined in the following instruments:
 - (i) in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, the Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Saskatchewan and Yukon, Multilateral Instrument 96-101 Trade Repositories and Derivatives Data Reporting;
 - (ii) in Manitoba, Manitoba Securities Commission Rule 91-507 Trade Repositories and Derivatives Data Reporting;
 - (iii) in Ontario, Ontario Securities Commission Rule 91-507 Trade Repositories and Derivatives Data Reporting;
 - (iv) in Québec, Regulation 91-507 respecting Trade Repositories and Derivatives Data Reporting,
 - (b) the extent to which the transaction is confirmable electronically,
 - (c) the degree of standardization of the contractual terms and operational processes,
 - (d) the market for the derivative or class of derivatives, including its participants, and
 - (e) the availability of pricing and liquidity of the derivative or class of derivatives within Canada and internationally.
3. Describe the impact of providing clearing services for each derivative or class of derivatives referred to in item 1 on the regulated clearing agency's risk management framework and financial resources, including the protection of the regulated clearing agency on the default of a participant and the effect of the default on the other participants.
4. Describe the impact, if any, on the regulated clearing agency's ability to comply with its regulatory obligations should the regulator, except in Québec, or

securities regulatory authority determine a derivative or class of derivatives referred to in item 1 to be a mandatory clearable derivative.

5. Describe the clearing services offered for each derivative or class of derivatives referred to in item 1.
6. If applicable, attach a copy of every notice the regulated clearing agency provided to its participants for consultation on the launch of the clearing service for a derivative or class of derivatives referred to in item 1 and a summary of concerns received in response to the notice.

Section 3 – Certification

CERTIFICATE OF REGULATED CLEARING AGENCY

I certify that I am authorized to deliver this form on behalf of the regulated clearing agency named below and that the information in this form is true and correct.

DATED at _____ this _____ day of _____, 20____

(Print name of regulated clearing agency)

(Print name of authorized person)

(Print title of authorized person)

(Signature of authorized person)