

chapter I-14.01, r. 0.01

## **REGULATION 94-101 RESPECTING MANDATORY CENTRAL COUNTERPARTY CLEARING OF DERIVATIVES**

Derivatives Act

(chapter I-14.01, s. 175, 1<sup>st</sup> par., subpar. (2), (3), (9), (11), (12), (26), (27) and (29))

### **PART 1 DEFINITIONS AND INTERPRETATION**

#### **1. Definitions and interpretation**

(1) In this Regulation,

“investment fund” has the meaning ascribed to it in Regulation 81-106 respecting Investment Fund Continuous Disclosure (chapter V-1.1, r. 42);

“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;

“prudentially regulated entity” means a person that is subject to the laws of Canada, a jurisdiction of Canada or a foreign jurisdiction where the head office or principal place of business of an authorized foreign bank named in Schedule III of the Bank Act (S.C. 1991, c. 46) is located, and a political subdivision of that foreign jurisdiction, relating to minimum capital requirements, financial soundness and risk management, or the

guidelines of a regulatory authority of Canada or a jurisdiction of Canada relating to minimum capital requirements, financial soundness and risk management;

“reference period” means the period beginning on September 1 in a given year and ending on August 31 of the following year;

“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 (the first party) is an affiliated entity of another person (the second party) if any of the following apply:

(a) the first party and the second party are consolidated in consolidated financial statements prepared in accordance with one of the following:

(i) IFRS;

(ii) generally accepted accounting principles in the United States of America;

(b) all of the following apply:

(i) the first party and the second party would have been, at the relevant time, required to be consolidated in consolidated financial statements prepared by the first party, the second party or another person, if the consolidated financial statements were prepared in accordance with the principles or standards referred to in subparagraph (a)(i) or (ii);

(ii) neither the first party's nor the second party's financial statements, nor the financial statements of the other person, were prepared in accordance with the principles or standards referred to in subparagraph (a)(i) or (ii);

(c) except in British Columbia and Quebec, the first party and the second party are both prudentially regulated entities and are consolidated for that purpose.

(3) *(Repealed)*.

(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.

M.O. 2017-01, s. 1; M.O. 2022-07, s. 1.

## **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.

M.O. 2017-01, s. 2.

## **PART 2**

### **MANDATORY CENTRAL COUNTERPARTY CLEARING**

#### **Duty to submit for clearing**

**3.** (0.1) Despite subsection 1(2), an investment fund is not an affiliated entity of another person for the purposes of paragraphs (1)(b) and (c) of this section.

(0.2) Despite subsection 1(2), a person is not an affiliated entity of another person for the purposes of paragraphs (1)(b) and (c) of this section if the following apply:

(a) the person has, as its primary purpose, one of the following:

- (i) financing a specific pool or pools of assets;
- (ii) providing investors with exposure to a specific set of risks;
- (iii) acquiring or investing in real estate or other physical assets;

(b) all the indebtedness incurred by the person whose primary purpose is one set out in subparagraph (a)(i) or (ii), including obligations owing to its counterparty to a derivative, are secured solely by the assets of that person.

(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) had, for the months of March, April and May preceding the reference period in which the transaction was executed, an average month-end gross notional amount under all outstanding derivatives exceeding \$1 000 000 000 excluding derivatives referred to in paragraph 7(1)(a);

(c) the counterparty

(i) is a local counterparty in any jurisdiction of Canada,

(ii) had, during the previous 12-month period, 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 referred to in paragraph 7(1)(a), and

(iii) had, for the months of March, April and May preceding the reference period in which the transaction was executed, an average month-end gross notional amount under all outstanding derivatives exceeding \$1 000 000 000 excluding derivatives referred to in paragraph 7(1)(a).

(2) Unless paragraph (1)(a) applies, a local counterparty to which paragraph (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 90<sup>th</sup> day after the end of the month in which the month-end gross notional amount first exceeded the amount specified in subparagraph (1)(c)(ii).

(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.

M.O. 2017-01, s. 3; M.O. 2022-07, s. 2.

### **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.

M.O. 2017-01, s. 4.

### **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.

M.O. 2017-01, s. 5.

### **PART 3 EXEMPTIONS FROM MANDATORY CENTRAL COUNTERPARTY CLEARING**

#### **Non-application**

6. This Regulation does not apply to a counterparty in respect of a mandatory clearable derivative if any counterparty to the mandatory clearable derivative is any of the following:

(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.

M.O. 2017-01, s. 6; M.O. 2022-07, s. 3.

#### **Intragroup exemption**

7. (1) A local counterparty is exempt from 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;

(b) *(paragraph repealed)*;

(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) *(Repealed)*.

(3) *(Repealed)*.

M.O. 2017-01, s. 7; M.O. 2022-07, s. 4.

### **Multilateral portfolio compression exemption**

**8.** A local counterparty is exempt from 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 multilateral portfolio compression exercise involved both counterparties to the mandatory clearable derivative;;

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

M.O. 2017-01, s. 8; M.O. 2022-07, s. 5.

### **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.

M.O. 2017-01, s. 9.

#### **PART 4 (REPEALED)**

**10.** *(Repealed).*

M.O. 2017-01, s. 10; M.O. 2022-07, s. 6.

#### **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.

M.O. 2017-01, s. 11.

#### **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.

M.O. 2017-01, s. 12.

##### **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.

M.O. 2017-01, s. 13.



**Effective date**

**14.** *(Omitted).*

M.O. 2017-01, s. 14.

**APPENDIX A  
MANDATORY CLEARABLE DERIVATIVES**

**(subsection 1(1))**

**Interest Rate Swaps**

<b>Type</b>	<b>Floating index</b>	<b>Settlement currency</b>	<b>Maturity</b>	<b>Settlement currency type</b>	<b>Optionality</b>	<b>Notional type</b>
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
Overnight index swap	FedFunds	USD	7 days to 3 years	Single currency	No	Constant
Overnight index swap	EONIA	EUR	7 days to 3 years	Single currency	No	Constant

Overnight index swap	SONIA	GBP	7 days to 3 years	Single currency	No	Constant
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### 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
Forward rate agreement	EURIBOR	EUR	3 days to 3 years	Single currency	No	Constant
Forward rate agreement	LIBOR	GBP	3 days to 3 years	Single currency	No	Constant

M.O. 2017-01, App. A; M.O. 2022-07, s. 7.

**APPENDIX B  
LAWS, REGULATIONS OR INSTRUMENTS OF FOREIGN JURISDICTIONS  
APPLICABLE FOR SUBSTITUTED COMPLIANCE**

**(subsection 3 (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, as amended by Regulation (EU) 2019/2099
United Kingdom	<p>Financial Services and Markets Act 2000 (Over the Counter Derivatives, Central Counterparties and Trade Repositories) Regulations 2013</p> <p>The Over the Counter Derivatives, Central Counterparties and Trade Repositories (Amendment, etc., and Transitional Provision) (EU Exit) Regulations 2020</p> <p>The Over the Counter Derivatives, Central Counterparties and Trade Repositories (Amendment etc., and Transitional Provision) (EU Exit) (No 2) Regulations 2019</p> <p>The Over the Counter Derivatives, Central Counterparties and Trade Repositories (Amendment, etc., and Transitional Provision) (EU Exit) Regulations 2019</p> <p>The Central Counterparties (Amendment, etc., and Transitional Provision) (EU Exit) Regulations 2018</p> <p>The Technical Standards (European Market Infrastructure Regulation) (EU Exit) (No 2) Instrument 2019</p> <p>The Technical Standards (European Market Infrastructure Regulation) (EU Exit) (No 3) Instrument 2019</p>
United States of America	Clearing Requirement and Related Rules, 17 CFR Part 50

M.O. 2017-01, App. B; M.O. 2022-07, s. 7.

**FORM 94-101F1  
(REPEALED)**

M.O. 2017-01, App. 94-101F1; M.O. 2022-07, s. 8.

**FORM 94-101F2  
(REPEALED)**

M.O. 2017-01, App. 94-101F2; M.O. 2022-07, s. 8.

Decision 2017-PDG-0031, 2017-03-15  
Bulletin de l'Autorité: 2017-03-30, Vol. 14 n°12  
M.O. 2017-01, 2017 G.O. 2, 633

**Amendments**

Decision 2022-PDG-0019, 2022-03-23  
Bulletin de l'Autorité: 2022-04-21, Vol. 19 n°12  
M.O. 2022-07, 2022 G.O. 2, 1153