

February 9, 2015

DELIVERED VIA EMAIL

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The Secretary  
Ontario Securities Commission  
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**Re: Notice and Request for Comment on Proposed National Instrument 24-102 Clearing Agency Requirements and Related Companion Policy 24-102CP**

Dear Madams,

The Investment Industry Association of Canada (IIAC) appreciates the opportunity to provide comments on CSA Notice and Request for Comment on Proposed National Instrument 24-102 Clearing Agency Requirements and Related Companion Policy 24-102CP (the Proposal). IIAC represents the views of 160 dealer members of the Investment Industry Regulatory Organisation of Canada (IIROC).

We note the Proposal confirms «...*the IIROC-CIPF regime meets the criteria for the alternate approach for CCPs serving certain domestic cash markets, such as CDS' CNS service* ». We are supportive of that conclusion. The IIROC-CIPF regime has shown on several occasions that it provides a high level of protection of customer assets while minimizing the disruptive impact of a dealer's bankruptcy on financial markets.

We also note your statement in the Proposal that *«The PFMI report does not contemplate the availability of the alternate approach in respect of CCPs serving non-cash markets, such as futures and other exchange-traded markets. CSA regulators are considering the need to require enhanced CCP-level segregation and portability frameworks for customer positions and collateral held in omnibus customer account structures in such markets, such as requiring the CCP to collect customer margin on a gross basis.»* A move to gross customer margining would potentially have a significant impact on our members. This conclusion is the object of our response. Our comments on this point reflect the views of the Derivatives Committee of IIAC.

IIAC is supportive of initiatives designed to ensure that Canada's financial markets continue to adhere to evolving international best practices, particularly in markets – such as financial futures listed on the Montreal Exchange – with significant foreign participation. Adhering to best practices fosters confidence in our markets and attracts more participants, both domestic and foreign.

The clearing model currently in place in Canada has been time-tested and has served our futures markets and their participants well, including during times of significant financial stress. We understand that PFMI Principle 14 does not explicitly contemplate the availability of the alternate approach in respect of CCPs serving non-cash markets. However, it is relevant to note that, in the current Canadian futures model, a) IIROC record keeping requirements ensure that customer positions can be identified on a timely basis; b) customers are protected by the CIPF and c) customer positions can be restored in the event of a clearing member default. CIPF coverage of futures contracts is a key difference between Canada and other jurisdictions that have introduced gross margining and must be taken into account.

We therefore believe that any consideration to move toward gross customer margining must be based on a thorough impact assessment, including key differences with other jurisdictions, through a formal consultation process. We understand that the CSA are having ongoing discussions with CDCC, IIROC and CIPF on this issue. IIAC believes the consultation process must be broadened to include clearing members, whose operations would be directly impacted by such a change.

The IIAC committee structure looks forward to having the opportunity to comment on PFMI Principle 14 in the context of Canada's listed futures markets.

Best regards,



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