

Headnote

Application for an order exempting The London Metal Exchange from the requirement to be recognized as an exchange and registered as a commodity futures exchange in Ontario and for relief from the requirements under section 22 and section 33 of the Commodity Futures Act. – requested order granted.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 21, 147.

Commodity Futures Act, R.S.O. 1990, c. C.20, as am., ss. 15, 22, 33, 38, 80.

**IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, CHAPTER S. 5, AS AMENDED
(THE OSA)**

AND

**IN THE MATTER OF
THE COMMODITY FUTURES ACT,
R.S.O. 1990, CHAPTER C.20, AS AMENDED
(THE CFA)**

AND

**IN THE MATTER OF
THE LONDON METAL EXCHANGE**

ORDER

(Section 147 of the OSA and sections 38 and 80 of the CFA)

WHEREAS London Metal Exchange (**LME**) has filed an application (**Application**) with the Ontario Securities Commission (**OSC**) requesting:

- (a) an order under Section 147 of the OSA exempting the LME from the requirement to be recognized as an exchange under Section 21(1) of the OSA (the **OSA Relief**);
- (b) an order under Section 80 of the CFA exempting the LME from the requirement to be registered as a commodity futures exchange under Section 15(1) of the CFA (the **Section 15 Relief**);
- (c) an order under Section 38 of the CFA exempting trades in contracts on the LME by a “hedger”, as defined in subsection 1(1) of the CFA (**Hedger**), from the registration requirements under Section 22 of the CFA (**Hedger Relief**);
- (d) an order under Section 38 of the CFA exempting trades in contracts on the LME by a bank listed in Schedule I to the *Bank Act* (Canada) (**Bank**) entering orders as principal and for its own account only from the registration requirements under Section 22 of the CFA (**Bank Relief**); and
- (e) an order under Section 38 of the CFA exempting trades in LME contracts by a participant in Ontario from the trading restrictions under Section 33 of the CFA (the **Section 33 Relief**, and together with the OSA Relief and the Section 15 Relief the **Requested Relief**).

AND WHEREAS OSC Rule 91-503 *Trades in Commodity Futures Contracts and Commodity Futures Options Entered into on Commodity Futures Exchanges Situate Outside of Ontario* exempts trades

of commodity futures contracts or commodity futures options made on commodity futures exchanges not registered with or recognized by the OSC under the CFA from sections 25 and 53 of the OSA;

AND WHEREAS the deemed rule titled *In the Matter of Trading in Commodity Futures Contracts and Commodity Futures Options Entered into on Commodity Futures Exchanges Situate Outside Canada Other Than Commodity Futures Exchanges in the United States of America* provides that Section 33 of the CFA does not apply to trades in certain contracts made by and with certain Ontario Participants on the LME but is limited in scope and so may not exempt certain trades by certain other participants in Ontario from the restrictions under Section 33;

AND WHEREAS LME has represented to the OSC that:

1. The LME is a private company registered in England and Wales (registered number 2128666) whose registered office is at 10 Finsbury Square, London, EC2A 1AJ, United Kingdom (**UK**). The LME has no subsidiaries;
2. The LME is a wholly-owned subsidiary of LME Holdings Limited, a private limited company registered in England and Wales (registered number 4081218). LME Holdings Limited has no trading subsidiaries other than the LME;
3. LME Holdings Limited (the sole shareholder of the LME) in turn is a wholly owned subsidiary of HKEx Investment (UK) Limited, which is a wholly owned subsidiary of HKEx International Limited (a public limited company) registered in Hong Kong. HKEx International Limited is wholly owned by Hong Kong Exchanges and Clearing Limited, a publicly listed company registered in Hong Kong and listed on the Hong Kong stock exchange;
4. The LME receives a majority of its revenue from transaction fees for contracts executed through the LME;
5. The LME is subject to a comprehensive regulatory regime in the UK and Europe. As a UK Recognized Investment Exchange (**RIE**), the LME is subject to the UK Financial Services and Markets Act 2000 (**FSMA**) and is regulated by the Financial Conduct Authority (**FCA**). The FCA fulfils its regulatory responsibilities within the framework established by FSMA and related legislation. As an RIE, the LME is also exempt from the general prohibition in respect of any “regulated activity” which is carried on as part of the LME’s business as an investment exchange;
6. The LME operates futures and options markets in thirteen industrial, base metals: (1) copper, (2) tin, (3) lead, (4) zinc, (5) primary aluminium, (6) nickel, (7) aluminium alloy, (8) NASAAC, steel billet, (9) cobalt, (10) molybdenum, (11) cash settled steel scrap, (12) cash settled steel rebar, and (13) regional aluminium. LME also offers London precious metal contracts in gold and silver futures (LMEprecious). The majority of all global non-ferrous trading business is conducted on the LME and the prices discovered on the LME’s trading platforms are used as global reference prices;
7. The LME may be described as an on-exchange forwards market. LME contracts (i.e. contracts under which metal is traded in accordance with the LME rules and regulations (**LME Rules**)) are based on physical settlement by the transfer of ownership of metal stored in listed warehouses; this guarantees price convergence as the far futures settlement dates converge on the cash settlement date (i.e. two days forward);
8. London Metal Exchange members (**Members**) who have specific permission from LME may trade LME contracts. All LME contracts are entered into on a principal to principal basis. LME contracts have at least one party being a Member of LME. LME participants who enter into LME contracts therefore deal off their own book, entering into an equivalent contract with customers for whom they are acting. In addition, organizations or an individual admitted to membership of the LME in accordance with the LME Rules will typically have entered into a separate contractual arrangement

with their customers setting out the basis on which trades will be executed on the instructions of customers;

9. LME Clear Limited (**LME Clear**) has been established to act as the central counterparty in relation to all classes of contracts that are traded on the LME. LME Clear was incorporated on 21 April 2011 by LME as part of its global strategy to expand its clearing activities. LME Clear is also applying to the OSC for exemptive relief from recognition as a clearing agency under Section 21.2 of the OSA.
10. The LME does not have any offices or maintain other physical installations in Ontario or any other Canadian province or territory;
11. The LME proposes to offer prospective participants in Ontario access to the LMEselect system, the Inter-office Market and to Ring-dealing on the LME and to clearing support services. To obtain direct access to the LME, a prospective member in Ontario must execute a membership agreement in which the prospective member agrees to abide by the LME Rules and consent to submit to the jurisdiction of the Exchange. Prospective members in Ontario once admitted as members by LME (**Ontario Participants**) may access the Exchange. The LME Rules provide clear and transparent access criteria and requirements for all market participants, as well as minimum financial requirements for participants to maintain the financial integrity of the LME. The LME applies these criteria to all participants in an impartial manner;
12. The LME is requesting the Hedger Relief and the Bank Relief in order for Ontario Participants (who are either Hedgers, Banks or other participants in Ontario who are exempt from the registration requirement under the CFA) to be able to access trading on the LME directly, without having to be registered as dealers under the CFA. The LME is requesting the s33 relief in order to enable participants in Ontario (who are either compliant with or exempt from the registration requirement under the CFA) to be permitted to enter into LME contracts;
13. All contracts traded on the LME fall under the definitions of “commodity futures contract” or “commodity futures option” set out in section 1 of the CFA. The LME is therefore considered a “commodity futures exchange” as defined in section 1 of the CFA and is prohibited from carrying on business in Ontario unless it is registered or exempt from registration under section 15 of the CFA. The LME seeks to provide Ontario market participants with direct, electronic access to trading in LME contracts and may therefore be considered to be “carrying on business as a commodity futures exchange” in Ontario;
14. The LME is not registered with or recognized by the OSC as a commodity futures exchange under the CFA and no LME contracts have been accepted by the Director (as defined in the OSA) under the CFA. Therefore, LME contracts are considered “securities” under paragraph (p) of the definition of “security” set out in subsection 1(1) of the OSA and the LME is considered an “Exchange” under the OSA. Therefore, LME is prohibited from carrying on business in Ontario unless it is recognized or exempt from recognition under subsection 21(1) of the OSA. The LME seeks to provide Ontario market participants with direct, electronic access to trading in LME contracts and may therefore be considered to be “carrying on business as an Exchange” in Ontario;
15. The LME ensures that all applicants to become Members must satisfy certain criteria, including, among other things: validly organized and in good standing, good reputation, business integrity and adequate financial resources to assume the responsibilities and privileges of being a Member. Members are responsible for, among other things, compliance with the LME Rules, as those rules relate to the entering and executing of transactions, and to comply with all applicable laws pertaining to the use of the LME;

AND WHEREAS the OSC will monitor developments in international and domestic capital markets and the LME’s activities on an ongoing basis to determine whether it is appropriate for the OSC to continue

to grant the Requested Relief and, if so, whether it is appropriate for the Requested Relief to continue to be granted subject to the terms and conditions set out in Schedule A to this order;

AND WHEREAS the LME has acknowledged to the OSC that the scope of the Requested Relief and the terms and conditions imposed by the OSC set out in Schedule A to this order may change as a result of its monitoring of developments in international and domestic capital markets or the LME's activities, or as a result of any changes to the laws in Ontario affecting trading in derivatives, commodity futures contracts, commodity futures options or securities;

AND WHEREAS based on the Application, together with the representations made by and acknowledgements of the LME to the OSC, the OSC has determined that:

- a. The LME satisfies the criteria for exemption set out in Appendix 1 of Schedule A; and
- b. The granting of the Requested Relief would not be prejudicial to the public interest.

IT IS HEREBY ORDERED by the OSC that:

- a. Pursuant to Section 147 of the OSA, the LME is exempt from the requirement to be recognized as an exchange under Section 21(1) of the OSA;
- b. Pursuant to Section 80 of the CFA, the LME is exempt from the requirement to be registered as a commodity futures exchange under Section 15(1) of the CFA;
- c. Pursuant to Section 38 of the CFA, trades in contracts on the LME by Hedgers who are Ontario Participants are exempt from the registration requirements under Section 22 of the CFA;
- d. Pursuant to Section 38 of the CFA, trades in contracts on the LME by Banks who are Ontario Participants entering orders as principal and only for their own accounts are exempt from the registration requirements under Section 22 of the CFA; and
- e. Pursuant to Section 38 of the CFA, trades in LME contracts by a participant in Ontario are exempt from the trading restrictions under Section 33 of the CFA;

PROVIDED THAT

- a. LME complies with the terms and conditions attached hereto as Schedule A; and
- b. The Bank Relief shall expire on the earliest of:
 - (i) The expiry of any transition period as may be provided by law, after the effective date of the repeal of the CFA;
 - (ii) Six months, or such other transition period as may be provided by law, after the coming into force of any amendment to Ontario commodity futures law (as defined in the CFA) or Ontario securities law (as defined in the OSA) that affects the dealer registration requirements in the CFA; and
 - (iii) Five years after the date of this order.

DATED this 21st day of December 2018.

"Deborah Leckman"

"Robert P. Hutchison"

SCHEDULE A
TERMS AND CONDITIONS

Meeting Criteria for Exemption

- 1 LME will continue to meet the criteria for exemption included in Appendix 1 to this Schedule A.

Regulation and Oversight of the LME

- 2 The LME will maintain its registration as a Recognised Investment Exchange (RIE) in accordance with the UK Financial Services and Markets Act (FSMA) and will continue to be subject to the regulatory oversight of the UK Financial Conduct Authority (FCA).
- 3 The LME will continue to comply with the ongoing requirements applicable to it as an RIE.
- 4 The LME must do everything within its control, which would include cooperating with the OSC as needed, to carry out its activities as an exchange exempted from recognition under subsection 21(1) of the OSA, as a commodity futures exchange exempted from registration under subsection 15(1) of the CFA, and in compliance with Ontario securities law and Ontario commodity futures law.

Access

- 5 LME will maintain and operate an electronic trading system where Members trade on a principal-to-principal basis. Members may also trade on the LME's inter-office market or in the LME's open-outcry dealing floor (the Ring).
- 6 The LME will not provide direct access to an Ontario Participant unless the Ontario Participant is appropriately registered to trade in LME contracts, is a Hedger, is a Bank, or has otherwise obtained an exemption from registration under the CFA; in making this determination, LME may reasonably rely on a written representation from the Ontario Participant that specifies that it is appropriately registered to trade in LME contracts or that it is a Hedger, is a Bank or has an exemption from registration, and LME will notify such Ontario Participant that this representation is deemed to be repeated each time it enters an order for a LME contract.
- 7 Each Ontario Participant that intends to rely on the Hedger Relief will be required to, as part of its application or continued access to trading in LME contracts:
 - (a) represent that it is a Hedger (the Hedger Representation);
 - (b) acknowledge that LME deems the Hedger representation to be repeated by the Ontario Participant each time it enters an order for a LME contract and that the Ontario Participant must be a Hedger for the purposes of each trade resulting from such an order;
 - (c) agree to notify LME if it ceases to be a Hedger;
 - (d) represent that (insofar as it relies upon the Hedger Relief) it will only enter orders for its own account;
 - (e) acknowledge that it is a market participant under the CFA and is subject to applicable requirements; and
 - (f) acknowledge that its ability to continue to rely on the Hedger Relief in accessing trading on LME will be dependent on the OSC continuing to grant the relief and may be affected by changes to the terms and conditions imposed in connection with the Hedger Relief or by

changes to Ontario securities laws or Ontario commodity futures laws pertaining to derivatives, commodity futures contracts, commodity futures options or securities.

- 8 Each Ontario Participant that intends to rely on the Bank Relief will be required to, as part of its application documentation or continued access to trading in LME contracts:
- (a) represent that (insofar as it relies on the Bank Relief) it will only enter orders as principal and for its account only;
 - (b) represent that it is a Bank (the Canadian Bank Representation);
 - (c) acknowledge that LME deems the Canadian Bank Representation to be repeated by the Ontario Participant each time it enters an order for a LME contract and that the Ontario Participant must be a Bank for the purposes of each trade resulting from such an order;
 - (d) agree to notify LME if it ceases to be a Bank;
 - (e) acknowledge that the Bank Relief may be affected by changes to the terms and conditions imposed in connection with the Bank Relief or by changes to Ontario securities laws or Ontario commodity futures laws pertaining to derivatives, commodity futures contracts, commodity futures options or securities; and
 - (f) represent that it is not engaging in activities prohibited by its governing legislation.
- 9 The LME will require Ontario Participants to notify LME if their applicable registration or exemption from registration has been revoked, suspended or amended by the OSC (if applicable) or if they have ceased to be a Bank and, following notice from the Ontario Participant or the OSC and subject to applicable laws, LME will promptly restrict the Ontario Participant's access to the LME if the Ontario Participant is no longer appropriately registered or exempt from registration with the OSC or is no longer a Bank.
- 10 The LME must make available to Ontario Participants appropriate training for each person who has access to trade in LME contracts.

Trading by Ontario Participants

- 11 The LME will not provide access to an Ontario Participant to trading in exchange-traded products of an exchange other than those of the LME, unless such other exchange has sought and received appropriate regulatory standing in Ontario.
- 12 The LME will not provide access to an Ontario Participant to trading in LME contracts other than those that meet the definition of "commodity futures contract" or "commodity futures option" as defined in subsection 1(1) of the CFA, and which also fall under paragraph (p) of the definition of "security" in subsection 1(1) of the OSA, without prior OSC approval or pursuant to the Requested Relief.

Submission to Jurisdiction and Agent for Service

- 13 With respect to a proceeding brought by the OSC arising out of, related to, concerning or in any other manner connected with the OSC's regulation and oversight of the activities of the LME in Ontario, the LME will submit to the non-exclusive jurisdiction of (i) the courts and administrative tribunals of Ontario and (ii) an administrative proceeding in Ontario.
- 14 The LME will file with the OSC a valid and binding appointment of Norton Rose Fulbright Canada LLP as the agent for service in Ontario upon which the OSC may serve a notice, pleading,

subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal, penal or other proceeding arising out of or relating to or concerning the OSC's regulation and oversight of the LME's activities in Ontario.

Disclosure

- 15 The LME will provide to its Ontario Participants disclosure that states that:
- (a) rights and remedies against the LME may only be governed by the laws of England and Wales, rather than the laws of Ontario, and may be required to be pursued in England and Wales rather than in Ontario;
 - (b) the rules applicable to trading on the LME may be governed by the laws of the UK, rather than the laws of Ontario; and
 - (c) The LME is regulated by the FCA, rather than the OSC.

Filings with the FCA

- 16 The LME will promptly provide staff of the OSC copies of all material rules of the LME, and material amendments to those rules, that it files with the FCA.
- 17 The LME will promptly provide staff of the OSC copies of all material contract specifications and material amended contract specifications that it files with the FCA.
- 18 The LME will promptly provide staff of the OSC the following information to the extent it is required to file such information with the FCA:
- (a) the annual Board of Directors' report regarding the activities of the Board and its committees;
 - (b) the annual financial statements of the LME;
 - (c) details of any material legal proceeding instituted against the LME;
 - (d) notification that the LME has instituted a petition for a judgment of bankruptcy or insolvency or similar relief, or to wind up or liquidate the LME or has a proceeding for any such petition instituted against it; and
 - (e) the appointment of a receiver or the making of any voluntary arrangement with creditors.

Prompt Notice or Filing

- 19 The LME will promptly notify staff of the OSC of any of the following:
- (a) any material change to its business or operations or the information provided in the Application, including, but not limited to:
 - (i) changes to the regulatory oversight by the FCA;
 - (ii) the corporate governance structure of the LME;
 - (iii) the access model, including eligibility criteria, for Ontario Participants;
 - (iv) systems and technology; and

- (v) the clearing and settlement arrangements for the LME;
 - (b) any change in the LME's regulations or the laws, rules and regulations in the UK relevant to futures and options where such change may materially affect its ability to meet the criteria set out in Appendix 1 to this schedule;
 - (c) any condition or change in circumstances whereby the LME is unable or anticipates it will not be able to continue to meet its obligations under any applicable requirements of the FCA or the FSMA regulations;
 - (d) any revocation or suspension of, or amendment to, the LME's registration as an RIE by the FCA or if the basis on which the LME's registration as a RIE was granted has significantly changed;
 - (e) any known investigations of, or disciplinary action against, the LME by the FCA or any other regulatory authority to which it is subject;
 - (f) any matter known to the LME that may affect its financial or operational viability, including, but not limited to, any significant system failure or interruption; and
 - (g) any default, insolvency, or bankruptcy of any Member known to the LME or its representatives that may have a material, adverse impact upon the LME or any Ontario Participant.
- 20 LME will promptly file with staff of the OSC copies of any enforcement reports regarding LME once issued as final by the FCA.

Quarterly Reporting

- 21 LME will maintain the following updated information and submit such information in a manner and form acceptable to the OSC on a quarterly basis (within 30 days of the end of each calendar quarter), and at any time promptly upon the request of staff of the OSC:
- (a) a current list of all Ontario Participants, specifically identifying for each Ontario Participant:
 - (i) its status as LME or LME Clear Members, and
 - (ii) the basis upon which it represented to the LME that it could be provided with direct access (i.e. that it is appropriately registered to trade in the LME contracts or benefits from another form of exemption);
 - (b) a list of all Ontario Participants against whom disciplinary action has been taken in the last quarter by the LME or, to the best of LME's knowledge, by any non-Canadian regulatory bodies with respect to such Ontario Participants' activities on the LME;
 - (c) a list of all referrals to the LME Head of Risk, Regulation and Compliance by the LME surveillance team concerning Ontario Participants;
 - (d) a list of all Ontario applicants for status as an Ontario Participant who were denied such status or access to the LME during the quarter;
 - (e) a list of all new by-laws, rules, and contract specifications, and changes to by-laws, rules and contract specifications, not already reported;

- (f) a list of all LME contracts available for trading during the quarter, identifying any additions, deletions or changes since the prior quarter;
- (g) for each LME contract,
 - (i) the total trading volume and value originating from Ontario Participants, presented on a per Ontario Participant basis, and
 - (ii) the proportion of worldwide trading volume and value on the LME conducted by Ontario Participants, presented in the aggregate for such Ontario Participants; and
- (h) a list outlining each incident of a significant system outage that occurred at any time during the quarter for any system impacting Ontario Participants' trading activity, including trading, routing or data, specifically identifying the date, duration and reason for the outage, and noting any corrective action taken.

Annual Reporting

- 22 LME will arrange to have the annual audited financial statements of the LME filed with the OSC promptly after their issuance.

Reporting

- 23 If an IT Service Auditor's Report (**Report**) is prepared for the LME, the LME will promptly file with the OSC the Report after the Report is issued as final by its independent auditor.

Information Sharing

- 24 The LME will provide information (including additional periodic reporting) as may be requested from time to time by, and otherwise cooperate with, the OSC or its staff, subject to any applicable privacy or other laws (including solicitor-client privilege) governing the sharing of information and the protection of personal information.

APPENDIX 1

CRITERIA FOR EXEMPTION

PART 1 REGULATION OF THE EXCHANGE

1.1 Regulation of the Exchange

The exchange is regulated in an appropriate manner in another jurisdiction by a foreign regulator (**Foreign Regulator**).

1.2 Authority of the Foreign Regulator

The Foreign Regulator has the appropriate authority and procedures for oversight of the exchange. This includes regular, periodic oversight reviews of the exchange by the Foreign Regulator.

PART 2 GOVERNANCE

2.1 Governance

The governance structure and governance arrangements of the exchange ensure:

- (a) effective oversight of the exchange,
- (b) that business and regulatory decisions are in keeping with its public interest mandate,
- (c) fair, meaningful and diverse representation on the board of directors (**Board**) and any committees of the Board, including:
 - (i) appropriate representation of independent directors, and
 - (ii) a proper balance among the interests of the different persons or companies using the services and facilities of the exchange,
- (d) the exchange has policies and procedures to appropriately identify and manage conflicts of interest, and
- (e) there are appropriate qualifications, remuneration, limitation of liability and indemnity provisions for directors, officers and employees of the exchange.

2.2 Fitness

The exchange has policies and procedures under which it will take reasonable steps, and has taken such reasonable steps, to ensure that each director and officer is a fit and proper person.

PART 3 REGULATION OF PRODUCTS

3.1 Review and Approval of Products

The products traded on the exchange and any changes thereto are reviewed by the Foreign Regulator, and are either approved by the Foreign Regulator or are subject to requirements established by the Foreign Regulator that must be met before implementation of a product or changes to a product.

3.2 Product Specifications

The terms and conditions of trading the products are in conformity with the usual commercial customs and practices for the trading of such products.

3.3 Risks Associated with Trading Products

The exchange maintains adequate provisions to measure, manage and mitigate the risks associated with trading products on the exchange including, but not limited to, margin requirements, intra-day margin calls, daily trading limits, price limits, position limits, and internal controls.

PART 4 ACCESS

4.1 Fair Access

- (a) The exchange has established appropriate written standards for access to its services including requirements to ensure
 - (i) participants are appropriately registered as applicable under Ontario securities laws or Ontario commodity futures laws, or exempted from these requirements,
 - (ii) the competence, integrity and authority of systems users, and
 - (iii) systems users are adequately supervised.
- (b) The access standards and the process for obtaining, limiting and denying access are fair, transparent and applied reasonably.
- (c) The exchange does not unreasonably prohibit, condition or limit access by a person or company to services offered by it.
- (d) The exchange does not
 - (i) permit unreasonable discrimination among participants, or
 - (ii) impose any burden on competition that is not reasonably necessary and appropriate.

PART 5 REGULATION OF PARTICIPANTS ON THE EXCHANGE

5.1 Regulation

The exchange has the authority, resources, capabilities, systems and processes to allow it to perform its regulation functions, whether directly or indirectly through a regulation services provider, including setting requirements governing the conduct of its participants, monitoring their conduct, and appropriately disciplining them for violations of exchange requirements.

PART 6 RULEMAKING

6.1 Purpose of Rules

- (a) The exchange has rules, policies and other similar instruments (Rules) that are designed to appropriately govern the operations and activities of participants.
- (b) The Rules are not contrary to the public interest and are designed to
 - (i) ensure compliance with applicable legislation,

- (ii) prevent fraudulent and manipulative acts and practices,
- (iii) promote just and equitable principles of trade,
- (iv) foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in the products traded on the exchange,
- (v) provide a framework for disciplinary and enforcement actions, and
- (vi) ensure a fair and orderly market.

PART 7 DUE PROCESS

7.1 Due Process

For any decision made by the exchange that affects a participant, or an applicant to be a participant, including a decision in relation to access, exemptions, or discipline, the exchange ensures that:

- (a) parties are given an opportunity to be heard or make representations, and
- (b) it keeps a record of, gives reasons for, and provides for appeals or reviews of its decisions.

PART 8 CLEARING AND SETTLEMENT

8.1 Clearing Arrangements

The exchange has appropriate arrangements for the clearing and settlement of transactions through a clearing house.

8.2 Regulation of the Clearing House

The clearing house is subject to acceptable regulation.

8.3 Authority of Regulator

A foreign regulator has the appropriate authority and procedures for oversight of the clearing house. This includes regular, periodic regulatory examinations of the clearing house by the foreign regulator.

8.4 Access to the Clearing House

- (a) The clearing house has established appropriate written standards for access to its services.
- (b) The access standards for clearing members and the process for obtaining, limiting and denying access are fair, transparent and applied reasonably.

8.5 Sophistication of Technology of Clearing House

The exchange has assured itself that the information technology used by the clearing house has been adequately reviewed and tested and provides at least the same level of safeguards as required of the exchange.

8.6 Risk Management of Clearing House

The exchange has assured itself that the clearing house has established appropriate risk management policies and procedures, contingency plans, default procedures and internal controls.

PART 9 SYSTEMS AND TECHNOLOGY

9.1 Systems and Technology

Each of the exchange's critical systems has appropriate internal controls to ensure completeness, accuracy, integrity and security of information, and, in addition, has sufficient capacity and business continuity plans to enable the exchange to properly carry on its business. Critical systems are those that support the following functions:

- (a) order entry,
- (b) order routing,
- (c) execution,
- (d) trade reporting,
- (e) trade comparison,
- (f) data feeds,
- (g) market surveillance,
- (h) trade clearing, and
- (i) financial reporting.

9.2 Information Technology Risk Management Procedures

The exchange has appropriate risk management procedures in place including those that handle trading errors, trading halts and circuit breakers.

PART 10 FINANCIAL VIABILITY

10.1 Financial Viability

The exchange has sufficient financial resources for the proper performance of its functions and to meet its responsibilities.

PART 11 TRANSPARENCY

11.1 Transparency

The exchange has adequate arrangements to record and publish accurate and timely trade and order information. This information is provided to all participants on an equitable basis.

PART 12 RECORD KEEPING

12.1 Record Keeping

The exchange has and maintains adequate systems in place for the keeping of books and records, including, but not limited to, those concerning the operations of the exchange, audit trail information on all trades, and compliance with, and/or violations of exchange requirements.

PART 13 OUTSOURCING

13.1 Outsourcing

Where the exchange has outsourced any of its key services or systems to a service provider, it has appropriate and formal arrangements and processes in place that permit it to meet its obligations and that are in accordance with industry best practices.

PART 14 FEES

14.1 Fees

- (a) All fees imposed by the exchange are reasonable and equitably allocated and do not have the effect of creating an unreasonable condition or limit on access by participants to the services offered by the exchange.
- (b) The process for setting fees is fair and appropriate, and the fee model is transparent.

PART 15 INFORMATION SHARING AND OVERSIGHT ARRANGEMENTS

15.1 Information Sharing and Regulatory Cooperation

The exchange has mechanisms in place to enable it to share information and otherwise co-operate with the OSC, self-regulatory organizations, other exchanges, clearing agencies, investor protection funds, and other appropriate regulatory bodies.

15.2 Oversight Arrangements

Satisfactory information sharing and oversight agreements exist between the OSC and the Foreign Regulator.

PART 16 IOSCO PRINCIPLES

16.1 IOSCO Principles

To the extent it is consistent with the laws of the foreign jurisdiction, the exchange adheres to the standards of the International Organisation of Securities Commissions including those set out in the "Principles for the Regulation and Supervision of Commodity Derivative Markets" (2011).