

B.11

SRO, Marketplaces, Clearing Agencies and Trade Repositories

B.11.3 Clearing Agencies

B.11.3.1 CDCC Canadian Derivatives Clearing Corporation – Amendments to Rules, Operations Manual, Risk Manual and Default Manual of the CDCC to Introduce the Gross Client Margin (GCM) Model – Notice of Commission Approval

CDCC CANADIAN DERIVATIVES CLEARING CORPORATION

AMENDMENTS TO RULES, OPERATIONS MANUAL, RISK MANUAL AND DEFAULT MANUAL OF THE CDCC TO INTRODUCE THE GROSS CLIENT MARGIN (GCM) MODEL

NOTICE OF COMMISSION APPROVAL

Background

The Canadian Derivatives Clearing Corporation (**CDCC**) proposed amendments to its Rules, Operations Manual, Risk Manual and Default Manual to introduce the GCM model. The purpose of the proposed amendments is to support the implementation of the GCM regime and the enhancements of CDCC's porting arrangements under this regime to comply with Principal 14 "Segregation and Portability" of the Principles for Financial Market Infrastructures (PFMI) published in 2012 by CPMI-IOSCO.

Since the GCM model was an industry wide initiative, the Canadian Securities Administrators (**CSA**) were engaged extensively with stakeholders including representatives of the Investment Industry Regulatory Organization of Canada (**IIROC**¹), the Canadian Investor Protection Fund (**CIPF**), certain CCPs (including CDCC), dealer firms, buy-side firms, and other key industry stakeholders since 2015.

In February of 2017, the CSA published an Update on Enhanced Segregation and Portability Initiatives for Clearing Agencies Serving the Domestic Futures Markets², which summarized the industry discussions and confirmed in principle that a GCM model was appropriate for the Canadian Futures marketplace.

In 2019, CDCC resumed its work related to the development of the GCM model and conducted consultation sessions with its Clearing Members, IIROC and CIPF. Following the industry consultation that took place between February 2020 and July 2020, the business operation model proposal was presented and discussed to ensure that all stakeholders plan for their internal technological development to support this significant change. As the proposed GCM model would have implications on investment dealers and the customer protection regimes of IIROC, IIROC amended its Rules relating to the futures segregation and portability customer protection regime and obtained the CSA approval for the changes effective on January 1, 2023.

Commission approval

In accordance with the Rule Protocol between the Ontario Securities Commission (Commission) and CDCC, the Commission approved, on March 24, 2023, the following amendments:

- Amendments to the CDCC Rules, Operations Manual, Risk Manual and Default Manual to Introduce the Gross Client Margin (GCM) Model
- Additional Amendments to the CDCC Rules, Operations Manual, Risk Manual and Default Manual on the GCM Model Initiative
- Additional Amendments to the CDCC Operations Manual on the GCM Initiative

A copy of the CDCC notices were published for comment on July 08, 2021, November 11, 2021 and March 10, 2022, on the Commission's website at: <http://www.osc.gov.on.ca>.

¹ As of January 1, 2023, the IIROC and the Mutual Fund Dealers Association of Canada (MFDA) have amalgamated to become New Self-Regulatory Organization of Canada (New SRO).

² <https://www.osc.ca/en/securities-law/instruments-rules-policies/2/24-315/csa-staff-notice-24-315-update-enhanced-segregation-and-portability-initiatives-clearing-agencies>