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Via electronic mail

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
consultation-en-cours@lautorite.qc.ca

Josée Turcotte
Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario M5H 3S8
comments@osc.gov.on.ca

Dear Mmes. Beaudoin and Turcotte:

CLS Bank International ("CLS"), the operator of the CLS settlement system (the "CLS System"), appreciates the opportunity to comment on (i) Proposed National Instrument 94-101 (the "Clearing Rule") and (ii) Proposed Companion Policy 94-101CP, which together address *Mandatory Central Counterparty Clearing of Derivatives*.

Background

CLS is a special purpose corporation organized under the laws of the United States of America and is supervised by the Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York. CLS also is subject to cooperative oversight by 22 central banks, including the Bank of Canada, pursuant to the Protocol for the Cooperative Oversight Arrangement of CLS.[1] The

[1] The Protocol is available at http://www.federalreserve.gov/paymentsystems/files/cls_protocol.pdf.

CLS System is a designated system in Canada under the Payment Clearing and Settlement Act, and CLS Bank also is an exempt clearing agency in Ontario.[2]

CLS's Comments

A key definition in the Clearing Rule is "regulated clearing agency," which relates to a clearing agency in a local jurisdiction other than Québec or a clearing house in Québec.[3] However, depending upon how a local jurisdiction defines clearing agency or clearing house, those terms could include a person or entity that provides clearing or settlement services but does not act as a central counterparty.

In its description of the Clearing Rule, the OTC Committee states that "[t]he purpose of the Clearing Rule is to propose mandatory *central counterparty* clearing of certain standardized over-the-counter (OTC) derivatives transactions…."[4] To the extent that a person or entity qualifies as a clearing agency or clearing house but does not act as a central counterparty, subjecting that person or entity to the Clearing Rule as a regulated clearing agency would exceed the Clearing Rule's stated purpose. Accordingly, CLS requests that the final version of the Clearing Rule be clarified to provide that a "regulated clearing agency" is a person or company that acts as a central counterparty.

Please do not hesitate to contact us if you have any questions or otherwise would like to discuss this letter.

Sincerely,

David A. Trapani,
Executive Director and
Associate General Counsel

cc: Alan Marquard, Group General Counsel
Dino Kos, Head of Global Regulatory Affairs

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[2] Additionally, CLS has been designated under finality legislation in various other jurisdictions and also has been designated as a systemically important financial market utility by the United States Financial Stability Council.

[3] Specifically, as proposed a "regulated clearing agency" means,

(a) except in Québec, a person or company recognized or exempted from recognition as a clearing agency in the local jurisdiction, and

(b) in Québec, a person recognized or exempted from recognition as a clearing house.

Clearing Rule, Part 1(1).

[4] *See* CSA Notice and Request for Comment, Proposed NI 94-101 Mandatory Central Counterparty Clearing of Derivatives and Proposed Companion Policy 94-101CP Mandatory Central Counterparty Clearing of Derivatives (Feb. 12, 2015), at pg. 2 (emphasis added).