

**Corporation canadienne de compensation de produits dérivés /
Canadian Derivatives Clearing Corporation**

Board of Directors Independence Standards

The Board of Directors (the “Board”) has adopted these standards to determine whether individual members of the Board are independent from Corporation canadienne de compensation de produits dérivés/Canadian Derivatives Clearing Corporation (“CDCC”). These standards are derived from the rules of the Autorité des marchés financiers and the Canadian Securities Administrators. The Board will update these standards from time to time as required. These standards were reviewed and approved by the Board on December 20, 2010.

1. Composition

At least fifty per cent (50%) of the members of the Board shall be independent within the meaning of and as required by Multilateral Instrument 52-110—Audit Committees (“MI 52-110”).

2. Determination by Board

A director is considered independent only where the Board affirmatively determines that the director has no material relationship with CDCC.¹ A “material relationship” is a relationship which could, in the view of the Board, reasonably interfere with the exercise of a director’s independent judgement.² The Board shall make a determination concerning the independence of a director each year at the time the Board is preparing for its annual meeting. Where a director joins the Board mid-year, the Board will make a determination at that time.

3. General Independence Standards

In determining whether a director is independent, the following individuals are considered to have a material relationship with CDCC and are therefore considered NOT to be independent:

- (a) an individual who is, or has been within the last three years, an employee or executive officer³ of CDCC or any of its affiliates;
- (b) an individual whose immediate family member⁴ is, or has been within the last three years, an executive officer of CDCC or any of its affiliates (past or present employment of the individual or immediate family member, on a part-time basis, as the chair or vice-chair of the board or any board committee does not disqualify the individual from being independent);
- (c) an individual who:
 - (i) is a partner of a firm that is the internal or external auditor of CDCC or any of its affiliates,

¹ MI 52-110, section 1.4(1).

² MI 52-110, section 1.4(2).

³ “Executive officer” means a chair, vice-chair, president, any vice-president in charge of a principal business unit, division or function (including sales, finance or production), any officer of the company or its subsidiaries who performs a policy-making function, or any other individual who performs a policy-making function.

⁴ “Immediate family member” means an individual’s spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of the individual or the individual’s immediate family member) who shares the individual’s home.

- (ii) is an employee of that firm, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the audit of CDCC or any of its affiliates within that time;
- (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
- (i) is a partner of a firm that is the internal or external auditor of CDCC or any of its affiliates,
 - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the audit of CDCC or any of its affiliates within that time;
- (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the current executive officers of CDCC or its affiliates serves or served at that same time on the entity's compensation committee; and
- (f) an individual who received, or whose immediate family member who is employed as an executive officer of CDCC or any of its affiliates received, more than \$75,000 in direct compensation from CDCC or any of its affiliates during any 12 month period within the last three years (other than director or board committee fees and retirement plan payments or other deferred compensation for prior service, provided the compensation is not contingent in any way on continued service).

4. Additional CDCC Independence Standards

In determining whether a director is independent, the following individuals are considered to have a material relationship with CDCC and are therefore considered NOT to be independent:

- (a) an individual who is an employee, associate (within the meaning of the *Quebec Securities Act*), or executive officer of an entity that is a Clearing Member⁵; and
- (b) an individual who is an employee, associate (within the meaning of the *Quebec Securities Act*), or executive officer of an entity that has a Clearing Member as a significant affiliate⁶, who is responsible for or is actively or significantly engaged in the day-to-day operations or activities of the Clearing Member.

⁵ "Clearing Member" is defined in Section A-102 of Rule A-1 of CDCC's Rules.

⁶ A Clearing Member is a "significant affiliate" of another entity if the Clearing Member is an affiliate of that entity (as defined in the *Quebec Securities Act*) and if the annual revenues of the Clearing Member for its most recently completed fiscal year represent more than 10% of the consolidated revenues of its group parent.

5. Determination by the Board and Notice to the Autorité des marchés financiers

- (a) The Board may determine that an individual who is considered to have a material relationship under Section 4 is nonetheless independent, if the Board is satisfied that the material relationship under Section 4 will not, in the view of the Board, reasonably interfere with the exercise of the individual's independent judgment.
- (b) If the Board makes the determination referred to in clause 5(a), CDCC will notify the Executive Vice-President of the Autorité des marchés financiers in writing of the Board's intention to make the determination referred to in clause 5(a) as soon as practicable. The Board will:
 - (i) describe the nature of the relationship of the individual with CDCC; and
 - (ii) provide an explanation of the Board's determination as to why the individual should be considered independent.
- (c) Notwithstanding the provisions in clauses 5(a) and (b), if a member of the Finance and Audit Committee of CDCC is considered not to be independent for purposes of sections 1 to 3, he or she cannot be determined to be independent under section 5.