

NOTICE TO MEMBERS

No. 2025 - 144

October 29, 2025

REQUEST FOR COMMENTS

AMENDMENTS TO THE RULES OF THE CANADIAN DERIVATIVES CLEARING CORPORATION REGARDING THE OFFERING OF CLEARING SERVICES TO CERTAIN U.S. CLEARING MEMBERS FOR CERTAIN EXCHANGE-TRADED DERIVATIVES

On July 28, 2025, the Board of Directors of the Canadian Derivatives Clearing Corporation ("**CDCC**") approved amendments to the CDCC's Rules in order to allow direct access to its clearing services to eligible US clearing members and clear eligible exchange-traded futures and options products traded on Bourse de Montréal Inc.

Please find enclosed an analysis document as well as the proposed amendments.

Process for Changes to the Rules

CDCC is recognized as a clearing house under section 12 of the *Derivatives Act* (Québec) by the Autorité des marchés financiers ("**AMF**") and as a recognized clearing agency under section 21.2 of the *Securities Act* (Ontario) by the Ontario Securities Commission ("**OSC**").

The Board of Directors of CDCC has the power to approve the adoption or amendment of the Rules and the Manuals of CDCC. Amendments are submitted to the AMF in accordance with the self-certification process and to the OSC in accordance with the process provided in the Recognition Order.

Comments on the proposed amendments must be submitted before **December 1, 2025**. Please submit your comments to:

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Legal Counsel
Canadian Derivatives Clearing Corporation
1800-1190 av. des Canadiens-de-Montréal, P.O. Box 37
Montreal, Quebec H3B 0G7
Email: legal@tmx.com

A copy of these comments shall also be forwarded to the AMF and to the OSC to:

M^e Philippe Lebel
Corporate Secretary and
Executive Director, Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour Cominar
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Fax : (514) 864-8381
E-mail: consultation-en-cours@lautorite.qc.ca

Manager, Market Regulation
Market Regulation Branch
Ontario Securities Commission
Suite 2200,
20 Queen Street West
Toronto, Ontario, M5H 3S8
Fax: 416-595-8940
Email: tradingandmarkets@osc.gov.on.ca

For any question or clarification, Clearing Members may contact Maxime Rousseau-Turenne, Legal Counsel, by email at maxime.rousseauturenne@tmx.com.

George Kormas
President



AMENDMENTS TO THE RULES OF THE CANADIAN DERIVATIVES CLEARING CORPORATION REGARDING THE OFFERING OF CLEARING SERVICES TO CERTAIN U.S. CLEARING MEMBERS FOR CERTAIN EXCHANGE-TRADED DERIVATIVES

I. DESCRIPTION

The Canadian Derivatives Clearing Corporation (“CDCC”), wishing to allow direct access to its clearing services to non-Canadian entities from other jurisdictions, hereby proposes to expand membership eligibility to allow new clearing members to join CDCC from the US and clear eligible exchange-traded futures and options products traded on Bourse de Montréal Inc. (the “Bourse”).

CDCC is proposing a change that would allow qualified US Futures Commission Merchants (“FCMs”) regulated by the Commodity Futures Trading Commission (the “CFTC”) to become Direct Clearing Members (“DCMs”), effectively eliminating the current requirement to clear trades for US customers through a local CDCC Clearing Member. By enabling direct clearing, CDCC aims to drive growth by onboarding US firms, increase revenue, provide more cost-efficient access to Bourse-traded Futures clearing, align with international standards, and enhance its risk profile by diversifying its membership with financially robust US entities, which in turn reduces concentration risk currently associated with Canadian entities and clients. This would be accomplished while maintaining current operational and risk models with necessary adaptations to ensure US regulatory compliance.

To that end, CDCC hereby proposes to introduce changes to CDCC’s Rules (the “Rules”) to facilitate the offering of clearing services for eligible exchange-traded contracts to certain foreign clearing members, namely US FCMs (the “Proposed Amendments”).

Unless otherwise defined herein, any defined term used in this analysis will have the meaning ascribed to it in the Rules.

II. PROPOSED AMENDMENTS

CDCC’s Proposed Amendments aim at expanding the membership eligibility criteria of the Rules to allow US FCMs to apply and be admitted as CDCC DCMs and clear eligible products traded on the Bourse.

The proposed amendments to the CDCC Rules include the following:

- **Definitions (Section A-102):** A new definition for "U.S. Futures Commission Merchant" (FCM) has been added, specifying it as an FCM registered and regulated by the CFTC under the U.S. Commodity Exchange Act.
- **Eligibility for Membership (Section A-1A01):** US FCMs are now eligible to apply for membership and may be subject to additional assessment requirements.
- **Minimum Capital Requirements (Section A-301):** US FCMs must comply with CFTC-mandated minimum capital adequacy requirements.
- **Early Warning (Section A-303):** US FCMs are required to promptly notify the Corporation if they fail to meet CFTC capital adequacy requirements.
- **Filing Procedures (Section A-305):** US FCMs must submit CFTC-prescribed reports demonstrating capital adequacy compliance and annual financial statements to the Corporation promptly after submission to the CFTC.

The Proposed Amendments are provided herein in Appendix "A".

III. ANALYSIS

a. Background

The Bourse currently offers individual and institutional investors, both in Canada and abroad, a wide range of exchange-traded derivatives (ETD). CDCC operates as sole central counterparty clearing house (CCP) for the Bourse and clears all exchange-traded derivatives listed on the Bourse. Guided by Principle 18 of the Principles for Financial Market Infrastructures (PFMIs) on fair and open access, CDCC, which currently limits its membership to Canadian entities, is committed to an inclusive expansion of its membership base while preserving strong risk management. Although the strategic vision includes a globally diverse membership in the future, the immediate priority is the US market, specifically the onboarding of US participants for the clearing of financial futures traded on the Bourse and regulated by the US CFTC. Notably, the Bourse is already registered with the US CFTC as a Foreign Board of Trade (FBOT) and provides foreign futures/options trading to direct US participants through clearing via an existing local CDCC Clearing Member.

CDCC's current operating and risk model will be extended to foreign clearers, maintaining the existing settlement location for margin deposits and eligible collateral. To achieve the objectives of this initiative, CDCC will amend its rules to incorporate the membership requirements to US FCMs. The existing operational infrastructure, risk models, settlement procedures, margin collateral eligibility and default management procedures will be maintained.

In preparation for this initiative, CDCC consulted with its Clearing Members via its Users Groups quarterly meetings. In addition, CDCC directly consulted with relevant stakeholders, including Canadian participants affiliates of US firms, as well as prospective US FCMs clearing applicants, to discuss the proposed rule amendments and how CDCC's operational and risk models would apply to US FCMs.

b. Objectives

CDCC proposes to amend the Rules to introduce direct clearing to certain US foreign clearers of exchange-

traded contracts offered by the Bourse that fall under the umbrella of its FBOT status under the CFTC¹. CDCC believes admitting financially strong foreign firms as direct clearing members will improve its risk profile, resilience, and operational efficiency. This strategic diversification is expected to reduce risk concentration, increase market participation, and balance clearing volumes, all while ensuring consistent risk standards for all members and better serving member interests.

c. Comparative Analysis

International

Several international CCPs offer remote clearing and connect clearing members from foreign jurisdictions. Many such European CCPs accept clearing members from other countries outside of the EU. This was mainly supported by the EU passport, which allows financial companies being registered in one EU member state to offer financial services in all EU member states.

In the US, given the importance of the US capital market, most global financial service providers operate a well-capitalized subsidiary in the US which can offer clearing services (at least for ETD products). Still, CFTC-registered US clearing houses (Derivatives Clearing Organizations or DCOs) generally do permit qualified non-US entities to become direct clearing members, contingent upon the foreign clearing member being subject to a legal and insolvency regime acceptable to the US DCO, and the US DCO being in good standing with applicable foreign regulators to admit such foreign clearing members. Such remote clearing services are notably used by foreign participants within the over-the-counter and energy markets.

In Asia, remote clearing is also offered but often in a more restrictive way (i.e. remote clearers are not allowed to service local clients and are expected to set up a local presence should their clearing volume become substantial), and is understood to be used as an entry point to the local market.

CDCC's unique position

With regards to the admission of foreign clearing members, CDCC is in a unique position due to the close relationship between the Canadian and the US financial markets.

As previously noted, CDCC's present initiative to admit CFTC-regulated foreign clearing members is facilitated by the Bourse's existing registration as a Foreign Board of Trade (FBOT) with the US Commodity Futures Trading Commission (CFTC). This FBOT status is the established regulatory pathway that already allows eligible US participants to seek direct market access to the Bourse and CDCC's clearing services for eligible products.

In addition, the introduction of the PFMI delivered a global standard for CCPs that eases remote clearing as international CCPs follow similar rules and procedures. These global standards, coupled with the close relationship between the capital market standards in Canada and the US will significantly facilitate access of US-based clearers to CDCC.

d. Analysis of Impacts

i. Impacts on the Market

¹ Current FBOT-listed products include Futures and Options products that are not based on equity underlyings.

Guided by Principle 18 of the PFMLs, CDCC seeks to promote a fair and open access to its services to encourage effective competition and promote payment, clearing and settlement efficiency, while adhering to appropriate standards of safety and security. The Proposed Amendments seek to address existing operational inefficiencies faced by global market participants, while ensuring a level-playing field between domestic and foreign clearing members.

By allowing the admission of additional Clearing Members from a non-Canadian jurisdiction in line with international standards and CFTC regulations, including customer funds segregation requirements, the Proposed Amendments will facilitate market participants access to exchange-traded derivatives clearing, while enhancing CDCC's risk profile by diversifying its membership with financially robust US entities, to the benefit of all its Clearing Members.

By maintaining equivalent risk standards for both domestic and foreign clearing members, CDCC expects to enhance its overall risk profile. Remote membership, particularly from financially robust US entities, should diversify the clearing membership base, reduce concentration risk, and increase the total number of participants. This diversification will strengthen CDCC's resilience and stability, as parent companies of remote clearers often possess stronger financial positions than their Canadian subsidiaries. Targeting major US clearers, many of whom currently clear through CDCC indirectly, will further distribute clearing volumes and create a more balanced ecosystem. In essence, strategically expanding to include foreign clearers, particularly from the US, will positively impact CDCC's safety, soundness, and operational efficiency.

ii. Impacts on Technology

As CDCC's existing operational infrastructure, risk models, settlement procedures, margin collateral eligibility and default management procedures will be maintained, the Proposed Amendments will have no impact on the technological systems of CDCC.

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iii. Impacts on Trading Functions

As the Proposed Amendments only pertain to CDCC, they will have no impact on the trading functions of the Bourse.

iv. Public Interest

CDCC considers the Proposed Amendments to be in the interest of the public as they provide more cost-efficient access to exchange-traded derivatives clearing, align with international standards, and enhance CDCC's risk profile by diversifying its membership with financially robust US entities.

IV. PROCESS

The Proposed Amendments, including this analysis, must be approved by CDCC's Board of Directors and submitted to the Autorité des marchés financiers, in accordance with the regulatory self-certification process, and to the Ontario Securities Commission in accordance with the rules stated in Appendix "A" of

Schedule “A” CDCC Recognition Order dated June 15, 2023. The Proposed Amendments and analysis will also be submitted to the Bank of Canada in accordance with the Oversight Agreement. Subject to public comments and following regulatory approval, the Proposed Amendments are expected to take effect during Q4-2025.

APPENDIX A
AMENDMENTS TO THE RULES OF CDCC
BLACKLINE VERSION

CANADIAN DERIVATIVES CLEARING CORPORATION
RULES

~~FEBRUARY 28, 2025~~ [...]

Part A - GENERAL
RULE A-1 - DEFINITIONS

[...]

Section A-102 - Definitions

[...]

“U.S. Futures Commission Merchant” – means a futures commission merchant registered as such under the U.S. Commodity Exchange Act and regulated by the U.S. Commodity Futures Trading Commission.

[...]

RULE A-1A - MEMBERSHIP IN THE CORPORATION

Section A-1A01 - Eligibility for Membership

- (a) In order to apply for membership and subject to Subsection A-1A01(b), an applicant must be:
 - (i) a member or approved participant in good standing with an exchange recognized in a Canadian province or a dealer member in good standing with the Investment Industry Regulatory Organization of Canada; or
 - (ii) a bank or an authorized foreign bank to which the *Bank Act* (Canada), as amended from time to time, applies; or
 - (iii) a Financial Institution that is either:
 - (A) a financial services cooperative regulated pursuant to an *Act respecting financial services cooperatives* (Québec), or
 - (B) a credit union central or a central cooperative credit society, which is incorporated and regulated under the laws of Canada or under the legislature of a province,

one of whose principal purposes is to provide liquidity support to local credit unions or financial services cooperatives; or
 - (iv) a U.S. Futures Commission Merchant.

[...]

- (i) An applicant that is a U.S. Futures Commission Merchant shall meet any additional requirement that may be reasonably required to assess the impact of the potential application.

[...]

RULE A-3 - FINANCIAL RESILIENCE REQUIREMENTS

Section A-301 - Minimum Capital Requirements

- (1) This Section A-301 is not applicable to Limited Clearing Members.
- (2) Unless a specific temporary exception is made by the Corporation in the case of a particular Clearing Member due to unusual circumstances, a Clearing Member shall not at any time permit its minimum capital to be less than:
 - (a) the minimum capital adequacy requirement adopted from time to time by the Investment Industry Regulatory Organization of Canada, for an SRO Clearing Member;
 - (b) the minimum capital adequacy requirement adopted from time to time by the Office of the Superintendent of Financial Institutions, for a Bank Clearing Member; ~~or~~
 - (c) the minimum capital adequacy requirement adopted from time to time by the Regulatory Body having jurisdiction over the Clearing Member, and that is judged by the Corporation to be comparable to such capital adequacy requirement applicable to a Bank Clearing Member, for a Financial Institution Clearing Member; ~~or~~
 - (d) the minimum capital adequacy requirement equal to the minimum capital adequacy requirement adopted from time to time by the U.S. Commodity Futures Trading Commission, for a U.S. Futures Commission Merchant.

[...]

Section A-303 - Early Warning

[...]

- (6) A U.S. Futures Commission Merchant shall advise the Corporation immediately if such U.S. Futures Commission Merchant fails to meet the minimum capital adequacy requirements that may be set from time to time by the U.S. Commodity Futures Trading Commission.
- (~~6~~7) A Limited Clearing Member shall advise the Corporation immediately if such Limited Clearing Member fails to maintain its Designated Eligibility Rating or Designated Maintenance Rating; or its Replacement Eligibility Metric or Replacement Maintenance Metric, as applicable.

[...]

Section A-305 - Filing Procedures

[...]

(4) Each U.S. Futures Commission Merchant shall deliver to the Corporation one copy of such report as required and in the form prescribed by the CFTC demonstrating the U.S. Futures Commission Merchant's compliance with the capital adequacy requirement applicable to it and one copy of its annual financial statements, in the form prescribed by the CFTC and promptly after such documents are provided to the CFTC, as the case may be.

~~(4)~~(5) Each Limited Clearing Member shall deliver to the Corporation one copy of the annual audited financial statements prescribed by the governmental agency or the pension regulator having jurisdiction promptly after such documents are provided to such agency or regulator. In the case of a Limited Clearing Member which is a pension plan board, it shall additionally deliver to the Corporation one copy of the annual information return prescribed by its pension regulator promptly after such return is provided to its pension regulator.

AMENDMENTS TO THE RULES OF CDCC

CLEAN VERSION

CANADIAN DERIVATIVES CLEARING CORPORATION

RULES

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 - (A) a financial services cooperative regulated pursuant to an *Act respecting financial services cooperatives* (Québec), or
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