



THE MANITOBA
SECURITIES
COMMISSION

MSC Staff Notice 2013-50

The Commodity Futures Act

Standards applicable to Clearing Houses

The Manitoba Securities Commission (Commission or We) is issuing this notice to clarify the position of the Commission with respect to recent regulatory developments and the standards being applied to the regulation of clearing houses recognized under *The Commodity Futures Act* (CFA).

Section 16(1) of the CFA permits the Commission to designate a recognized clearing house for the purpose of conducting clearing activities for a commodity futures exchange.

Currently there is only one clearing house, ICE Clear Canada, Inc. recognized under the CFA as the clearing house for ICE Futures Canada, Inc. The Commission is the primary regulator which oversees the activities of both the clearing house and the exchange.

Recent Regulatory Developments

The Bank for International Settlement's Committee on Payment and Settlement Systems and the Technical Committee of the International Organization of Securities Commissions (CPSS-IOSCO) published *Principles for Financial Market Infrastructures* in April 2012¹ (the "report"). These principles, commonly known as PFMLs, set out risk management standards to be applied to the regulation and oversight of financial market infrastructures.

In addition, on December 18, 2013 the Commission published a rule and companion policy for comment under *The Securities Act*. As stated in the Notice, proposed MSC Rule 24-503 Clearing Agency Requirements would set out certain requirements in connection with the application process for recognition as a clearing agency, or for exemption from the recognition requirement. The Rule also sets out ongoing requirements for recognized clearing agencies

¹ Report available at: www.bis.org/publ/cpss101a.pdf

under *The Securities Act*. The proposed rule is based largely on the PFMI as set out in the report. The Notice was concurrently published with notices issued by the Ontario Securities Commission, the Autorité des marchés financiers, and other members of the Canadian Securities Administrators (CSA). The comment period expires on **March 12, 2014**. It is the intention of the Commission to continue to coordinate the development of the rule and companion policy with other members of CSA.

The Commission also anticipates developing a rule and policy for the regulation of clearing houses under the CFA. We are of the view that this would best be accomplished after completion of the Clearing Agency Requirements rule under *The Securities Act*. In order to assist in the development of a rule and policy regulating clearing houses under the Act, interested parties are encouraged to provide any comments to the proposed rule under *The Securities Act* during the comment period.

Any rule proposed under CFA will be published for comment as required in the rule making regulation.

Current regulation and oversight of clearing houses

The Commission is currently applying applicable PFMI standards as set out in the report to the regulation and oversight of clearing houses recognized under the CFA. We will continue to monitor new regulatory developments to ensure the Commission continues to apply the most current standards.

Please refer your comments or questions to:

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