

ALBERTA SECURITIES COMMISSION

**EXEMPTION ORDER
CLEARING AGENCY RECOGNITION**

Citation: Re Chicago Mercantile Exchange Inc., 2016 ABASC 259

Date: 20161017

Chicago Mercantile Exchange Inc.

Background

1. Chicago Mercantile Exchange Inc. (the **Applicant** or **CME**) seeks from the Alberta Securities Commission (the **Commission**) an order pursuant to section 213 of the *Securities Act* (Alberta) (the **Act**) exempting the Applicant from the clearing agency recognition requirement of section 67 of the Act.

Interpretation

2. Terms defined in the Act or in National Instrument 14-101 *Definitions* have the same meaning in this order unless otherwise defined herein.

Representations

3. The Applicant represents as follows:
 - (a) the Applicant is incorporated under the laws of Delaware and is headquartered in Chicago, Illinois;
 - (b) the Applicant is a wholly-owned subsidiary of CME Group Inc. (**CMEG**), a publicly traded corporation incorporated under the laws of Delaware;
 - (c) CMEG is the holding company for four futures exchanges: CME; Board of Trade of the City of Chicago, Inc.; Commodity Exchange, Inc.; and, New York Mercantile Exchange, Inc. (collectively, the **CMEG Exchanges**);
 - (d) the Applicant is a designated contract market (**DCM**) and a derivatives clearing organization (**DCO**) within the meaning of those terms under the United States (**US**) *Commodity Exchange Act* (**CEA**);
 - (e) the Applicant's DCM and DCO operations are organized under the CME Exchange Division and the CME Clearing Division;
 - (f) the Applicant provides clearing services (i) in relation to over-the-counter derivatives transactions and (ii) to the CMEG Exchanges and Net Energy Inc. (**Net Energy**), an exchange headquartered in Calgary, Alberta and regulated by the Commission;
 - (g) the US Commodity Futures Trading Commission (**CFTC**) is the Applicant's primary regulator;

- (h) the Applicant is subject to reporting requirements in Ontario and Québec pursuant to orders of the Ontario Securities Commission and the Autorité des marchés financiers respectively exempting it from recognition as a clearing agency; and
- (i) because the Applicant is considered to be carrying on business as a clearing agency in Alberta by virtue of the provision of clearing services by the Applicant to Net Energy, the Applicant must obtain either recognition by the Commission as a clearing agency or exemption from the requirement to be so recognized.

Undertakings

4. The Applicant undertakes to:

- (a) maintain its designation as a DCO pursuant to the CEA;
- (b) comply with all requirements applicable to CFTC-regulated DCOs;
- (c) comply with the reporting requirements set out in the Appendix to this order (the **Reporting Requirements**);
- (d) file a document evidencing the Applicant's submission to the non-exclusive jurisdiction of the courts and administrative tribunals of Alberta in any proceeding arising out of, related to, concerning, or in any other manner connected with, the Applicant carrying on business as a clearing agency in Alberta;
- (e) maintain a valid and binding appointment of an agent for service in Alberta upon whom may be served a notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal, penal or other proceeding arising out of, relating to, concerning, or in any other manner connected with, the Applicant carrying on business as a clearing agency in Alberta; and
- (f) promptly provide to the Commission any information that a Commission representative may request.

Decision

5. Based on the above representations and undertakings, the Commission exempts the Applicant from the clearing agency recognition requirement of section 67 of the Act for so long as the Applicant satisfies the undertakings herein.

For the Commission:

"original signed by"

Tom Cotter
Vice-Chair

"original signed by"

Stephen Murison
Vice-Chair

APPENDIX

Reporting Requirements

Event reporting

1. The Applicant will notify the Commission promptly:
 - (a) of any material change to the Applicant's business or operations as described in the Applicant's application for exemption from the clearing agency recognition requirement of section 67 of the Act;
 - (b) if the CFTC revokes, suspends or materially changes the conditions of the Applicant's designation as a DCO; and
 - (c) of details of any material legal proceeding instituted against the Applicant by the CFTC.

Quarterly reporting

2. In the event that any Alberta residents become direct clearing participants of the Applicant (**Alberta-resident Clearing Participants**), the Applicant will provide to the Commission, within 45 days of the end of each calendar quarter:
 - (a) a current list of all Alberta-resident Clearing Participants;
 - (b) a list of all Alberta-resident Clearing Participants against whom disciplinary action has been taken in the last quarter by the Applicant or, to the best of the Applicant's knowledge, the CFTC with respect to clearing activities undertaken with the Applicant;
 - (c) a list of all referrals for disciplinary action by the Applicant relating to Alberta-resident Clearing Participants; and
 - (d) a list of all persons or companies located in Alberta that had sought, but during the quarter were denied, clearing participant status by the Applicant.