



## **TMX Group Calls for a “Made-in-Canada” solution for OTC Derivatives Clearing**

***Solutions must meet the G20 guidelines while addressing the unique requirements of the Canadian market.***

September 8, 2010 (TORONTO) – TMX Group Inc. today issued a position paper that discusses its views on the appropriate Canadian solution to the G-20 leaders’ objectives related to improving the Over-the-Counter (OTC) derivatives markets. The paper, entitled: Transparency, Market Integrity & Risk Management: The Role of the Regulated Exchange, outlines the various goals set out by the G20 leaders and matches them to the capabilities and technology available through Canadian partners operated by TMX Group, such as Montréal Exchange, Canadian Derivatives Clearing Corporation (CDCC) and Natural Gas Exchange (NGX).

Commenting on the position paper, TMX Group Chief Executive Officer Thomas Kloet stated:

“In response to the recent global economic crisis, G-20 leaders have called for important improvements to the Over-The-Counter derivatives market. We are pleased to put forward our views on how TMX Group, in partnership with the dealer and user community, can provide domestic solutions, linked to other global OTC marketplaces and clearinghouses. An effective solution must reduce risk, enhance transparency and, most importantly, increase the integrity of the Canadian system. Canada has a well-earned reputation for stability and trust and the world is looking to us to show leadership in tackling this important challenge.”

Alain Miquelon, President of Montréal Exchange and Group Head, Derivatives for TMX Group added the following comments:

“This is a critical undertaking and work is already underway on a number of initiatives. We look forward to partnering with the industry and regulatory authorities as we bring robust, highly tailored solutions for OTC derivatives clearing to the market rapidly and effectively. As an operator of a globally recognized exchange and an AA-rated derivative clearinghouse, we have the expertise, the technology and the track record and are building solutions to help reduce risk and strengthen the Canadian capital markets.”

### **Overview of Position Paper**

The document expands on the commitments made by the G20 leaders and demonstrates the strong capabilities that exist in Canada today. This includes:

- Prudential oversight of financial institutions – aimed at reducing the risk of insolvency of institutions.
- Improved risk management – in terms of liquidity, operational risk (such as internal processes, people and systems) and counterparty risk.
- Increased transparency – both in the price formation process as well as post-trade.
- Promotion of market integrity – inherent in regulated markets and clearing houses.
- Mitigation of systemic risk – which can benefit from leveraging the existing capabilities of an established Canadian clearing house and electronic exchange.
- Reinforcement of international cooperation – critical in a global environment, effective central counterparty clearing (CCP) linked to other international markets will limit the risk of “too big to fail” and allow for a more robust risk management framework.

The position paper can be found on the TMX Group website at [www.tmx.com](http://www.tmx.com).



## **Repo Market Solution**

Recognizing the capabilities available in Canada, the Investment Industry Association of Canada (IIAC) chose TMX Group's derivatives clearing house, the CDCC, to develop the infrastructure for central-counterparty services to the Canadian fixed-income market on December 15, 2009. The solutions under development, combined with TMX Group's deep expertise in the derivatives exchange and clearing space, provide strong foundations and synergies in the development of broader OTC derivatives clearing solutions.

## **Montréal Exchange**

The Montréal Exchange, a wholly owned subsidiary of TMX Group, is Canada's financial derivatives exchange. MX lists interest rate, index, equity and exchange-rate derivatives on Canadian underlyings. Approximately 94,000 futures contracts, representing \$60 billion CAD in notional value, trade on MX futures markets every day, mainly in its three flagship products: the BAX (Three-Month Canadian Bankers Acceptance Futures), CGB (Ten-Year Canada Government Bond Futures) and the SXF (S&P/TSX 60 Futures). Another 69,000 options on Canadian stocks, ETFs, and the Canada/US exchange rate are traded on a daily basis. (Note: Data as of May, 2010.)

## **CDCC**

As the issuer, clearinghouse and guarantor of MX's exchange-traded derivatives in Canada, the CDCC has filled a key role in the Canadian financial markets since its inception in 1975. CDCC's strategic expansion into the non-listed markets began in 2006 with the introduction of Converge®. Given the current market landscape as well as its strategic focus, CDCC is well prepared to expand its service offerings to the broader over-the-counter markets by delivering:

- A legal and regulatory framework which provides certainty in default scenarios
- A standardized and robust risk management philosophy.
- A sophisticated and flexible technology solution, which provides for short time to market on new initiatives with minimal additional technological investment on the part of users

## **NGX**

Natural Gas Exchange Inc. (NGX) provides electronic trading, central counterparty clearing and data services to the North American natural gas, oil and electricity markets. Contracts listed for trading on NGX include physical fixed price, physical basis contracts, physical spread contracts, and physical daily and monthly index contracts along with various cash-settled contracts. NGX has over 220 contracting parties in Canada and the U.S., who have executed the standard Contracting Party's Agreement (CPA) and transact in aggregate over CAD \$70 billion/annum in gross notional value. NGX also acts as central counterparty for transactions on an electronic marketplace or OTC.

## **About TMX Group (TSX-X)**

TMX Group's key subsidiaries operate cash and derivative markets for multiple asset classes including equities, fixed income and energy. Toronto Stock Exchange, TSX Venture Exchange, Montreal Exchange, Canadian Derivatives Clearing Corporation, Natural Gas Exchange, Boston Options Exchange (BOX), Shorcan, Equicom and other TMX Group companies provide trading markets, clearing facilities, data products and other services to the global financial community. TMX Group is headquartered in Toronto with offices in Montreal, Calgary and Vancouver. For more information about TMX Group, visit our website at [www.tmx.com](http://www.tmx.com).



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