

## **Canada may establish domestic OTC clearing house**

Securities regulators in Canada are exploring the possibility of establishing a multi-asset-class central counterparty (CCP) for over-the-counter transactions. The CCP would be an answer to the challenge of moving the nation towards mandated derivatives clearing without surrendering supervision of the clearing process to regulators of foreign clearing houses. Canada committed to clear all standardized derivatives contracts through CCPs at the G20 summit in Pittsburgh in September 2009.

The Canadian OTC Derivatives Working Group (OTCDWG) is leading the effort: it was established in December 2009 and is comprised of representatives from the Bank of Canada, the Office of the Superintendent of Financial Institutions, the federal Department of Finance and the Canadian Securities Administrators (CSA).

The group's proposals, published in October, are now open for feedback. ... "We are exploring the feasibility of establishing a single multi-asset-class clearing house. We have to be aware there are going to be several different asset classes and that instruments much more complex than interest rate swaps will have to somehow fit into this model.

A multi-asset class clearing house would certainly provide more benefits and be a better liquidity attractor for the local marketplace," says Derek West, director of the Montreal-based Centre for Excellence in Derivatives and a member of the CSA.

The consultation period closes on January 14, with a second, more detailed proposal paper expected to be published before the end of the first quarter of the year.

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