

March 20, 2019

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-and-

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-and-

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Dear Sirs/Mesdames,

Re: Canadian Derivatives Clearing Corporation's (CDCC) Notice to Members and Request for Comments No. 2019-28 Regarding Certain Proposed Amendments to Section A-902 of Rule A-9 of the CDCC Rules (the Proposed Amendments)

BMO Capital Markets would like to thank CDCC, the Autorité des marchés financiers and the Ontario Securities Commission for this opportunity to comment on the Proposed Amendments.

However, please note that BMO Capital Markets does not support the amendments in their current form, which removes the adjustment thresholds from the current CDCC Rules and leaves the determination of such thresholds to the discretion of the Adjustment Committee.

While we appreciate that it may have been some time since the CDCC Rules were put in place, and that some updating of the CDCC Rules may be helpful, we are not in favour of removing the adjustment thresholds in the CDCC Rules. Without clear thresholds that are predetermined and publicly available, the CDCC's adjustments will be opaque and unpredictable and the Proposed Amendments could cause the thresholds to change frequently or have inconsistent thresholds applied to otherwise similar corporate actions. It is vitally important that marketplace participants clearly understand how to determine the adjustment thresholds in order to maintain their businesses and understand their risks. We believe that transparent thresholds clearly stated in the CDCC Rules and not subject to frequent changes, are the best way to achieve this goal. Implementing a system which is designed in order to allow the Adjustments Committee to be able to change the thresholds often and/or at its discretion, would, in our view, introduce additional and unnecessary risk into the marketplace and furthermore, possible even serve to undermine the neutrality of the CDCC.

Moreover, we note that that the Options Clearing Corporation (OCC) continues to use clear, pre-determined thresholds (see Section 11A(c) of the By-Laws of The Options Clearing Corporation), and that adjustment criteria that are less transparent and more discretionary will disadvantage the Canadian marketplace in favour of international competitors. We support the continued harmonization between the Canadian and US marketplaces and believe that set thresholds for adjustment of derivatives contracts are important as a result.

Finally, if Adjustment Committee is provided with broader discretion as set out in the Proposed Amendments, then we would request the Adjustment Committee function under a publicly available charter, with specific reference criteria for setting thresholds and that a majority of the members of the committee be independent of CDCC, representing both capital markets industry participants, institutional clients and retail clients and that minutes of such meetings be publicly available. We do not agree that US/CAD exchange rate fluctuations are a proper criteria for setting thresholds.

We would like to thank the CDCC for engaging the industry and for giving us the opportunity to provide feedback on this important topic. We would be happy to discuss any of the above with you by phone or e-mail. Thank you for your consideration.

Yours truly,

“Dave Persaud”

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