



February 4, 2011

Secretariat of the Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002 Basel, Switzerland

Glenn Goucher
President and Chief Clearing Officer
Canadian Derivatives Clearing Corporation
800 Victoria Square
Montréal, Quebec H4Z 1A9
Tel. 514 871-7870
Fax 514 871 3530
ggoucher@cdcc.ca

Public Comment on the Consultative Document on Capitalisation of bank exposures to central counterparties

Dear Sirs,

The Canadian Derivatives Clearing Corporation (CDCC) respectfully submits the following comments with respect to the above mentioned consultation document.

CDCC is a wholly owned subsidiary of the Montreal Exchange, responsible for the clearing of all exchange traded financial derivatives (futures, options on futures and equity options) in the Canadian market. Recently, CDCC has also been awarded a mandate to develop and implement a central netting and clearing solution for the Canadian fixed income and repo market.

CDCC supports the application of higher capital charges for bank OTC derivative transactions relative to charges applied for similar centrally cleared transactions, in particular in relation to the G20 policy objective of encouraging the use of CCP's by banks. The consultative document implies, however, that all trade exposures to a qualifying CCP will be subject to a 2% risk weight, which has the effect of increasing the cost of clearing to bank participants for their trading activities on standard futures contracts and cleared cash and repo transactions, a potential disincentive to the use of these highly standardized, liquid and historically safe hedging tools.

CDCC would respectfully suggest that the risk weight for standardized activity be maintained at zero, consistent with Basel II, to provide the appropriate incentive for the development of the exchange traded markets, another policy objective of the G20 at the 2009 Pittsburgh summit. Contracts traded on well regulated and recognized Exchanges, and cleared in a qualifying CCP are inherently less risky – given their standardized nature – than their comparable OTC contracts.

CDCC is in general agreement with the proposals related to capitalizing default fund exposures, but would suggest that further time to assess the logistics, mechanics, and potential impacts on clearing members is required.

Respectfully submitted,

Glenn Goucher
President and Chief Clearing Officer
Canadian Derivatives Clearing Corporation