

## SUPP S-1—EXHIBIT C

### **Request:** Attach:

- (1) A description of the requirements applicable to membership on the governing board and significant committees of the clearing organization.
- (2) A description of how the clearing organization ensures that potential governing board and committee members meet these standards.
- (3) A description of the clearing organization's provisions to minimize and resolve conflicts of interest with respect to membership on the governing board and significant committees of the clearing organization.
- (4) A description of the clearing organization's rules with respect to the disclosure of material non-public information obtained as a result of a member's performance on the governing board or on a significant committee.

### **Response:**

#### **I. The requirements applicable to membership on the governing board and significant committees of the clearing organization.**

Under the CDCC By-Laws, no person shall be qualified as a director if he or she is less than eighteen years of age; is of unsound mind and has been so found by a court in Canada or elsewhere; is not an individual; or has the status of a bankrupt. A director need not be a shareholder. A majority of the directors shall be resident Canadians, and at least two directors shall not be officers or employees of the CDCC or its affiliates, representing at least 50% of the Board representation.

The Risk Management Advisory Committee (RMAC) advises CDCC on the policies of CDCC related to the risk management of the derivative instruments cleared through CDCC.<sup>1</sup> This includes, but is not limited to, membership requirements, clearing fund requirements, margin requirements, acceptable forms of collateral, delivery and settlement procedure, and default management. RMAC members should have sufficient depth of derivative products experience to provide balanced, informed and independent views, and should be familiar with the risk management objectives of clearinghouses that settle and guarantee derivative products.

#### **II. How the clearing organization ensures that potential governing board and committee members meet these standards.**

CDCC takes reasonable steps to ensure that each director and officer of CDCC is a fit and proper person, and the past conduct of each director and officer affords reasonable grounds for belief that he or she will perform his or her duties with integrity. In addition, directors of CDCC complete an annual questionnaire which confirms their experience in derivatives and/or finance. Proper qualifications, limitations of liability and indemnity provisions are set out in the by-laws of CDCC. To uphold ethical standards in all of CDCC's corporate activities, a code of conduct

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<sup>1</sup> See Attachment 55 – CDCC RMAC Charter.

applies to all members of the Board in order to foster a climate of honesty, truthfulness and integrity. That code includes conflict of interest disclosure provisions.

**III. The clearing organization's provisions to minimize and resolve conflicts of interest with respect to membership on the governing board and significant committees of the clearing organization.**

The members of the Board of Directors are bound by the CDCC Board Code of Conduct.<sup>2</sup> Under this Code, every director is obligated to act honestly and in good faith with a view to the best interests of CDCC, and to ensure that the director's personal interest and his or her duty to the TMX Group are not brought into conflict. Every director shall endeavor to deal fairly with the CDCC's sole shareholder, clearing members, suppliers, competitors, and employees. No director shall take unfair advantage of any such person through manipulation, concealment, abuse of privileged information, misrepresentation of facts or any other unfair or unlawful dealing practice.

If a director is (a) a party to a material contract or transaction or proposed material contract or transaction, (b) a director or an officer of any entity who is a party to a material contract or transaction or proposed material contract or transaction, or (c) a person with a material interest in any entity which is a party to a material contract or transaction or proposed material contract or transaction, the director must disclose the nature and extent of the interest in writing, or request to have that interest in the minutes of the meeting of directors at which the contract or transaction is first considered. In addition, that director must retire from the meeting, if required by the Board, while the discussion on the contract or transaction is taking place, and shall refrain from voting on the subject. But the Board can call the director into the meeting to answer any questions regarding the matter, and the director is not released from the obligation to inform the Board of what he or she knows of the situation and any concerns.

However, because it may be impractical for a director or officer who serves as a director or officer of another entity or who has a material interest in another entity to know that the entity is entering into a material contract or transaction (and therefore to give notice of every such contract or transaction), the director can deliver a general notice to the other directors, declaring that he or she is a director or officer of, or has a material interest in, an entity, and is to be regarded as interested in any material conflict or transaction with that entity.

**IV. The clearing organization's rules with respect to the disclosure of material non-public information obtained as a result of a member's performance on the governing board or on a significant committee.**

Under the CDCC Board Code of Conduct, every director has a duty to preserve and protect confidential information. This duty of confidentiality continues even after the director no longer serves on the board. Confidential information includes all information about the business, including marketing plans, agreements, customer lists, databases, trade secrets, intellectual property, as well as information about competitive and strategic matters, and undisclosed material information. Directors must take all reasonable steps to protect confidential information; examples of such steps are provided in the Code of Conduct. In this regard,

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<sup>2</sup> See Attachment 44, CDCC Board Code of Conduct.

Directors must keep confidential information relating to members' execution and clearing positions.