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SENT BY EMAIL AND REGULAR MAIL

Autorité des marchés financiers
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Attention: Anne-Marie Beaudoin
Corporate Secretary

Subject: Submissions on the *Proposed Derivatives Framework* Documents, August 10, 2007, of the Autorité des marches financiers

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Dear Sirs/Mesdames:

CIBC and its affiliates (collectively, "**CIBC**") are pleased to submit this comment letter on the documents entitled *Proposed Derivatives Framework* published for comments by the Autorité des marches financiers ("**AMF**") on August 10, 2007 (the "**Proposed Legislation**").

We fully support the AMF's goal of removing regulatory uncertainty in the exchange-traded and over-the-counter ("**OTC**") derivatives marketplaces. In furtherance of this goal and as a general comment on the Proposed Legislation, we feel it is important to develop a framework for derivatives regulation that is not inconsistent with similar frameworks in place or under development in other jurisdictions, including the recently published recommendations of the Ontario Commodity Futures Act Advisory Committee. Ensuring a level of consistency between these jurisdictions will not only help maintain the competitiveness of the Quebec marketplace, but moreover will greatly assist market participants in ensuring compliance with the final legislation and regulations. The end result will be greater protection for investors and for the efficiency of derivatives markets in Quebec.

We have reviewed the Proposed Legislation and have the following specific comments:

1. Section 12 of the Proposed Legislation excludes certain categories of instruments, contract and securities from the definition of derivatives. We are of the opinion that Section 12 should define what a derivative is rather than what is not a derivative. However if this is not possible, we note that "institutional financial products" are excluded in this regard which exclusion we support given the federal jurisdiction over banking related products. We would suggest that the definition of institutional financial product in Section 12 be revised to make it clear that linked deposit products such as linked GIC's, equity linked notes and principal protected notes which are also institutional financial products. We are concerned as the current language only refers to "a deposit of money or credit balance in a [...] certificate of deposit or a debt security".

It is not clear, for example, that principal protected notes constitute "debt securities" and therefore greater clarity would be welcomed in this Section to avoid having the Proposed Legislation purporting to apply to established areas of federal jurisdiction. Furthermore, we would suggest that Section 12 include a more general category of all banking products issued by a bank to account for the fact that different types of banking products may emerge in the future and it may not be possible to exhaustively enumerate them in this Section at this time.

2. We read Section 13(2) of the Proposed Legislation as exempting any OTC derivative offered, distributed, issued or entered into in accordance with the law by any of the enumerated classes of persons irrespective of who the counterparty is. In other words, an OTC derivative entered into by a Canadian bank would be exempt from Titles III and IV even if offered to retail clients. We would appreciate confirmation as to whether our reading of this section is correct.

3. Section 13(2)(c) of the Proposed Legislation exempts wholly owned subsidiaries of Canadian banks and financial institutions from Titles III and IV. We also note that the definition of "accredited client" includes subsidiaries of Canadian banks. These sections would have the effect of excluding securities dealers that are wholly-owned by Canadian banks from the registration requirements contemplated by Title III, understandingly since such dealers are already subject to the registration regime set forth in proposed National Instrument 31-103. However, we note that the statement on page 6 of the introduction to the Proposed Legislation stating that the AMF proposes that IDA member firms be registered under this Proposed Legislation. We would appreciate clarification on the AMF's intentions in this regard, as we do not see any benefits in requiring IDA member firms to comply with another set of registration rules, particularly as the AMF has noted on page 6 of the introduction to the Proposed Legislation that "the IDA rules related to derivatives [...] appear to be adequate".

4. The definition of "accredited client" in Section 14 of the Proposed Legislation includes certain categories of persons in subsection (11). There are three criteria listed in this definition but it is not clear whether a person needs to satisfy all three criteria or just one. However, as a more general comment, the general qualifications for "accredited clients" are more stringent (e.g. "that, at all times, he has assets of $5,000,000" rather than an individual who, either alone or with a spouse, has net financial assets exceeding $1,000,000 or an individual whose net income before taxes exceeded $200,000 or $300,000 combined with that of a spouse in each of the two most recent years) than those for "accredited investors" under National Instrument 45-106 ("**45-106**"). It is not clear to us why a higher standard should be applied in the derivatives context than that applied in the securities context. We would recommend that the definition of "accredited client" track the definition of "accredited investor" (or, indeed, simply incorporate it by reference from 45-106 with the appropriate amendments) while keeping the definition of "hedger" in subsection (18).

5. Under Title III, we would propose that compliance with IDA regulatory capital requirements, proficiency requirements and complaint examination policy should be automatically deemed to be sufficient for the purposes of Sections 71, 73, 85 and 86, respectively. With respect to Section 80(2), beyond disclosure to a client of the conflict and the existing best execution obligation that dealers have, what "measures" is the AMF suggesting be done with respect to derivatives transactions to ensure that a client's interests are not affected by a conflict of interest?

6. Please provide us guidance upon what constitutes a "public offering" under Section 96. In addition, we find Section 98 unnecessary in light of the existing suitability obligation and the delivery of the risk information document.

7. Section 248(2) of the Proposed Legislation makes it an offence to "undertake to assume any obligation with respect to a derivative". We are concerned that the phrase "any obligation with respect to a derivative" could be read as capturing hedging or "back-to-back" arrangements whereby the risks of a particular OTC transaction may be passed on to other market participants through a mirror transaction. We also believe that it would capture swaptions or other OTC contracts under which a party may have a contingent obligation with respect to a particular underlying transaction. We suggest that the language in this Section be revised to clarify that these circumstances are excluded from its scope.

In conclusion, it is our view that addressing the points set forth in this letter will assist the AMF in achieving its stated goal of implementing a “modern and effective regulatory framework for derivatives markets in Quebec”. CIBC looks forward to a response by the AMF to the above as well as an opportunity to review the comments of other marketplace stakeholders to the Proposed Legislation. CIBC remains available for further discussion on the current draft, or any future drafts, of the Proposed Legislation.

Best regards,

André de Maurivez