



NOTICE TO MEMBERS

No. 2017 – 157

November 14, 2017

REQUEST FOR COMMENTS

AMENDMENTS TO THE RULES AND OPERATIONS MANUAL OF THE CANADIAN DERIVATIVES CLEARING CORPORATION TO ACCOMMODATE THE EXTENSION OF THE TRADING HOURS AT BOURSE DE MONTREAL INC.

Summary

On November 3rd, 2017, the board of directors of the Canadian Derivatives Clearing Corporation (“CDCC”) approved amendments to CDCC’s Rules and Operations Manual in order to accommodate the extension of the trading hours at Bourse de Montréal Inc. (“MX”).

In line with its mission to be a client focused and globally recognized leading derivatives exchange, MX has proposed to update its rules and procedures to extend its trading hours by opening its market at 2:00 am ET rather than the current 6:00 am ET. In support of MX’s initiative, CDCC is proposing to adjust its operational processes, Rules and Manuals to ensure the clearing of the transactions that will take place between 2:00 am ET and 6:00 am ET. These changes will also ensure that CDCC will continue to comply with relevant regulatory standards, including the *Principles of Financial Market Infrastructure* developed by the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions.

Please find enclosed an analysis document as well as the proposed amendments.

Process for Changes to the Rules

CDCC is recognized as a clearing house under section 12 of the *Derivatives Act* (Québec) by the Autorité des marchés financiers (“AMF”) and is a recognized clearing agency under section 21.2 of the *Securities Act* (Ontario) by the Ontario Securities Commission (“OSC”).

The board of directors of CDCC has the power to approve the adoption or amendment of the Rules and the Operations Manual of CDCC. Amendments are submitted to the AMF in accordance with the self-certification process and to the OSC in accordance with the process provided in its Recognition Order.

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Comments on the proposed amendments must be submitted before January 31st, 2018. Please submit your comments to:

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A copy of these comments shall also be forwarded to the AMF and to the OSC to:

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For any question or clarification, Clearing Members may contact CDCC's Corporate Operations.

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**AMENDMENTS TO THE RULES AND OPERATIONS MANUAL OF THE CANADIAN DERIVATIVES
CLEARING CORPORATION TO ACCOMMODATE THE EXTENSION OF THE TRADING HOURS AT
BOURSE DE MONTREAL INC.**

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I. SUMMARY

In line with its mission to be a client focused and globally recognized leading derivatives exchange, Bourse de Montréal Inc. (“MX”) has proposed to update its rules and procedures to extend its trading hours by opening its market at 2:00 am ET rather than the current 6:00 am ET. In support of MX’s initiative, the Canadian Derivatives Clearing Corporation (“CDCC” or the “Corporation”) is proposing to adjust its operational processes, Rules and Manuals to ensure the clearing of the transactions that will take place between 2:00 am and 6:00 am. These changes will also ensure that CDCC will continue to comply with relevant regulatory standards, including the *Principles of Financial Market Infrastructure* (“PFMI”) developed by the Committee on Payments and Market Infrastructures (“CPMI”) and the International Organization of Securities Commissions (“IOSCO”).

In short, the proposed amendments are primarily twofold:

- i. Introduction of a margin call at 7:15 am to minimize intraday uncovered exposure; and
- ii. Application of an escalation procedure for the management of extreme uncovered risks between 2:00 am and 6:00 am.

II. ANALYSIS

a. Background

One of the main objectives of MX’s extended hours initiative is to attract new international participants. In the context of a 2:00 am opening, the opening period for bond and interest rate derivatives (collectively, “IRD”) products (BAX, CGB, as examples) will shift from 6:00 am (+/- 15 seconds) to 2:00 am (+/- 15 seconds). Following the opening period, these products will trade continuously until the end of the trading day (4:30 pm). For index futures (SXF, as an example), the trading day would consist of two trading sessions: a first session from 2:00 am to 9:15 am and a second session from 9:30 am to 4:15 pm. Meanwhile, the additional trading hours will lead to a supplementary volume and also to a redistribution of the early morning daily volume happening between 6:00 am and 9:00 am to a longer period (2:00 am to 9:00 am). It is in that context that CDCC wishes to support MX’s extended hours initiative.

CDCC applies rigorous risk management methods to protect its Clearing Members. More specifically, CDCC currently benefits from two intraday margin calls (one at 10:30 am and a second one at 12:45 pm) and one “end of day” margin call (5:30 pm) to mitigate risks that may arise from the products cleared.

In the context of an opening of MX’s trading hours at 2:00 am, CDCC will add an early morning intraday margin call at 7:15 am. This additional margin call will minimize any potential risk of uncovered exposure during the extended trading hours (from 2:00 am to 6:00 am).

CDCC has also determined that its current procedures dealing with the management of extreme uncovered risk must be adapted for the anticipated early morning operations (from 2:00 am to 6:00 am). In short, as part of the revised internal procedures, CDCC will launch a risk exposure assessment in case the price level of the products traded during early morning hours violates certain thresholds. These thresholds will be defined in advance by CDCC based on a risk analysis

and CDCC's risk tolerance and appetite framework.

b. Description and Analysis of Impacts

CDCC measures, monitors and controls credit exposures of Clearing Members throughout the day. The credit exposure is monitored through Variation Margin ("VM") and Initial Margin ("IM") calculations and requirements. For all products cleared at the Corporation, the VM is measured and called at least daily and the IM is called three times per day.

For futures, the VM represents, with respect to each Clearing Member, all the gains and losses of the portfolio cumulated during the day and such margin is cash-settled daily before 7:45 am on the next business day. CDCC also performs another process by which it measures the VM at 12:45 pm daily and asks for collateral to cover the exposure if the amount exceeds predefined thresholds. The VM thresholds are defined by CDCC and reflect the risk appetite to unsecured intraday exposure. The IM requirements are measured twice during the day (once at 10:30 am and a second time at 12:45 pm) and such margin has to be collateralized within 1 hour. The IM is also measured at the end of the day and any margin deficit has to be met before 7:45 am on the next business day.

In addition to the foregoing, CDCC's Rules grant CDCC the right to perform as many intraday margin calls as it deems necessary, including unscheduled margin calls, to mitigate any build-up of risk and to ensure the stability of the markets it serves.

The margin call frequency described above has been set to ensure that CDCC mitigates its intraday exposure while providing Clearing Members with a stable and pre-defined time schedule, during which CDCC expects them to cover their exposure in normal circumstances.

What are the proposed changes?

In the context of MX's extended hours initiative, CDCC must ensure that it will continue to mitigate its intraday exposure at all times, i.e. both on a scheduled and an unscheduled fashions.

Therefore, CDCC is proposing to make the following two changes to its processes:

- i. Introduce an intraday margin call at 7:15am;
- ii. Develop an internal monitoring process to measure and take actions in case of significant MX exchange-traded derivative price movements would increase CDCC credit exposure to a Clearing Member over the cover 1 threshold, during the early morning trading hours

i) Scheduled intraday mitigation action: The 7:15 am intraday margin call

CDCC IM methodologies intend to cover the potential market fluctuations (potential future exposure) over the liquidation horizon of a product cleared. However, in order to take into account position shifts and large market movements, CDCC measures the potential future exposure (or IM) 3 times per day.

Currently, the period of uncovered exposure, between the opening (6:00 am) and the first IM requirement calculation (10:30 am) lasts 4.5 hours. In the context of MX's extended hours

initiative, if no change is made to CDCC's intraday margin call process, the uncovered period would expand to 8.5 hours (from 2:00 am to 10:30 am). Since CDCC is of the view that this would not be an acceptable outcome, CDCC will introduce an early morning IM calculation at 7:15 am which will reduce the uncovered period to an acceptable level: 5.25 hours. CDCC will continue to monitor credit risk during the day with the existing intraday margin calls. Please refer to Graph 1 for a schematical view of CDCC's proposed change.

Graph 1: CDCC Intra-day margin call Schedule



CDCC has determined that 7:15 am would be an appropriate time to perform the first IM requirement calculation of the business day. More specifically, as CDCC office business hours begin at 7:00 am and generally ends at 6:00 pm, all CDCC's personnel will be available to perform such calculation. The Clearing Members will then have up to one hour to respond to the margin call (until around 8:30 am). CDCC has also determined that an earlier margin call would have required Canadian Clearing Members to make structural changes to their internal process in order to adapt their operational capability (modification to office hours and staffing, among other changes). Therefore, CDCC believes that the proposed 7:15 am would limit the impact on its Clearing Members.

ii) Unscheduled intraday mitigation action

In between scheduled margin calls, there is a risk that CDCC's exposure increases significantly as a result of intraday changes in prices and/or positions of a Clearing Member. This risk is currently mitigated by CDCC with the following strategies:

- **Clearing Fund:** The level of funds in the Clearing Fund is based on stress scenarios that include extreme, but plausible prices movements. In addition, CDCC's current Clearing Fund methodology includes a 15% buffer up and above the largest shortfall of the past 60 days to take into account sudden shifts in positions.
- **Unscheduled margin call:** On an intraday basis, CDCC has the capacity to make an unscheduled margin call rapidly as a result of intraday changes in prices or positions of a Clearing Member.

However, during early morning hours, CDCC is not able to rely on getting additional collateral from Clearing Members as a mitigation tool between 2:00 am and 6:00 am. First, Clearing

Members would not be able to post collateral in form of cash between 00:30 am and 6:00 am because the LVTS system is not available and, second, Clearing Members would not be able to post collateral in form of securities between 4:00 am and 6:00 am because the CDS system is not available¹. In addition, it would be very challenging for the Clearing Members to implement an internal process by which they would post collateral during early morning hours in very special circumstances. In fact, the Clearing Members would need to review their human and technical capacities to respond to a margin call during that period, within a response timeframe of 1 hour, as expected by CDCC. This means that the Clearing Members would need to ensure that qualified resources are permanently available to manage margin calls.

As a result, CDCC has developed an internal process to monitor and determine if excessive uncovered risk exposure is built. If the MX derivative instruments eligible to trade between 2:00 am and 6:00 am experience a significant price move during the night, such situation will trigger an early morning risk assessment by which CDCC will determine if it has sufficient financial resources to cover the default of the largest exposure from one Clearing Member and its affiliates in stress conditions (also known as "Cover 1 standard"). Any breach to this standard will initiate an interaction with the Clearing Member to assess the Clearing Member financial capabilities to meet the next schedule IM margin call at 7:15 am along with providing collateral to cover its accumulated VM.

CDCC's procedure could be summarized as follows:

1. During the early morning trading hours, CDCC will delegate the price monitoring to MX Market Operations Department² (MOD).
2. MOD will alert CDCC's representatives if prices exceed certain predefined thresholds. Those price variation thresholds have been established by CDCC (relative to the end of day settlement price) for every product traded. The communications will take place by phone and by electronic communications;
3. Following the MOD alert, CDCC will run an unscheduled margin calculation to measure the uncovered exposure of each Clearing Member, i.e. the IM and MTM not covered by collateral.

Based on the results of step 3, CDCC will assess if it disposes of sufficient financial resources to cover the default of the largest exposure from one Clearing Member and its affiliates (Cover 1 standard). If CDCC has sufficient financial resources to cover such potential default, no further actions will be performed before the 7:15 am early morning intraday margin call.

In case of a Cover 1 standard breach, CDCC's Chief Risk Officer ("CRO") will lead the interaction with the Clearing Member, contacting a senior risk officer (or anyone that could legally replace him) to confirm that the Clearing Member is able to meet the margin call by 7:15 am.

¹ CDS online access is suspended during the CNS/BNS process, which starts at 04:00 am and end around 06:00 am. Regarding LVTS, between 00:30am and 06:00am, it is only open for exchanging payments to settle CLS transactions.

² MOD is part of the front line group tasked with overseeing derivatives market activity in real time and ensuring market integrity. Additionally, they are responsible for trade facilitation and providing customer service.

Based on the interaction with the Clearing Member and all other information gathered regarding the Clearing Member solvability and liquidity conditions, CDCC CRO will decide to either:

- Wait until 7:15 am for the early morning intraday margin call; or
- Launch the default management process, as provided in the current Rules of CDCC.

As stated in CDCC's Rules, the default management process begins when CDCC CRO convenes the Default Management Committee ("DMC"). Based on the information provided to them, DMC members could put the Clearing Member in a non-conforming status in accordance with CDCC's Rules and Default Manual.

As part of this process, RMC may decide to request such Clearing Member to reduce or close out existing transactions. The non-compliance of the Clearing Member could result in the DMC recommending the Board to suspend the Clearing Member.

It is important to note that the new internal escalation procedures during early morning hours do not require any specific change to the Rules and Manuals of CDCC.

What are the impacts?

The risk mitigation proposed by CDCC is designed to ensure that CDCC is not exposed to undue credit and liquidity risk during early morning hours, while minimizing the impact on Clearing Members. Nonetheless, the proposed process will still have some impacts on the Clearing Members.

In fact, the Clearing Members will need to adjust their operational and financial capacities to be able to respond to a margin call within one hour following the early morning intraday margin call of 7:15 am. As it is the case right now, Clearing Members can either post collateral within the prescribed timeline or wait for CDCC to cover their margin deficit via a cash transfer from the Clearing Member's cash account to CDCC cash account. Indeed, CDCC acts as agent to all Clearing Member cash accounts at their respective settlement bank. As such, Clearing Members need to ensure that they have the operational and financial capacities to either pledge collateral early in the morning or ensure that their account has the necessary funds or line of credit to cover any potential margin call.

In case of a Cover 1 breach between 2 am and 6 am, Clearing Members need to develop and apply a procedure by which they will be able to respond on timely basis to CDCC's margin call, as mentioned above. More specifically, the Clearing Member's internal procedures should ensure that the senior risk officer or the chief financial officer is reachable during early morning hours in case of a Cover 1 breach.

c. Proposed Amendments

The changes proposed by CDCC to its Rules and Manuals can be summarized as follows:

I. Business Hours versus Office Hours

Changes will be made to certain provisions of the Rules and the Operations Manual (page 2-1) to clarify whether any specific action takes place during Business Hours (from 2 am until the “Close of Business” on any business day) or during Office Hours (between 7 am and 6 pm). As a result, in the French version of the Rules, the term “Close of business”, which was translated as “*heure de fermeture des bureaux*”, will now be replaced by “*heure de fermeture des affaires*”. The proposed changes are minor in nature.

II. Early morning intraday margin call

Section A-705 and the Operations Manual (page 2-2) will be amended to take into account the addition of the early morning intraday margin call at 7:15 am.

As mentioned earlier, the new internal escalation procedures during early morning hours do not require any specific change to the Rules and Manuals of CDCC.

d. Benchmarking

CDCC has completed a review of the intraday risk framework used to manage extended trading hours of three CCPs, namely CME, ASX (Futures) and HKex. The benchmarking is regrouped under two themes:

- I. margin call frequency;
- II. risk management during the early morning hours.

ASX Clear (Futures)

Operating Hours: 23.5 hours starting at 5:00 PM and ending at 4:30 PM.

I. Margin calls frequency:

For futures (Futures and Options over Futures), the margins are calculated based on end of day prices and settled at 10:30 am the following business day. At 8:30 am, the central counterparty also looks at the impact on positions from the trading conducted in the overnight trading session to assess if any of the 10.30 am settlement obligations need to be adjusted.

There are scheduled intraday margin calls at 11:30am and 2:15 pm and Clearing Members will be called for margin when the initial margin on their portfolio has been eroded by a certain percentage and the margin call is greater than \$1 million or the shortfall exceeds the dollar margin threshold.

For all scheduled and ad hoc intraday margin calls, the impacted clearing participants are notified via email and given one hour for exchange-traded derivatives and two hours for OTC derivatives to settle their margin obligations via Austraclear, unless otherwise advised. Any intraday margin call made by ASX Clear (Futures) must be satisfied by the provision of cash in the currency in which the cleared transaction for which such call is made is

denominated.

In addition to or instead of intraday margins, ASX Clear (Futures) may request clearing participants to deposit extra margin in relation to their open positions and price movements by a time determined by ASX board or managing director, or in absence of their determination, the time for deposit shall be one hour from the request. Failure to pay within the prescribed time constitutes an event of default and is immediately referred to the default management team for its consideration.

II. Risk management during the early morning hours:

Although, ASX Clear risk management procedures state that ASX has the capacity to undertake unscheduled margin calls, CDCC has not been able to determine if ASX could proceed with unscheduled margin calls overnight and, if it happens, under what circumstances.

CME

Operating Hours: 23 hours starting at 5:00 PM and ending at 4 PM.

I. Margin calls frequency:

CME Clearing performs mark-to-market settlement variation and initial margin settlements for most products twice per day and for all cleared products at least once per day to timely limit the buildup of risk exposures.

CME Clearing has the right to execute variation and initial margin settlements more frequently as warranted by market conditions in accordance with CME Rule 814. Also, under Rule 824, CME Clearing has the ability to call additional margin based on firm specific risks.

CME Clearing also monitors mark-to-market exposures throughout the day and night based on real-time price and positions information to evaluate account level and clearing firm risks based on new positions activity and/or market moves. This monitoring helps CME Clearing to decide whether or not a calls for additional collateral through ad hoc settlement cycles or additional margin calls are required.

CME Rule 824 also specifies that additional collateral may be requested from a Clearing Member if it is incurring risk that is larger than what it is justified by the financial condition of that clearing member. However, the clearing member shall deposit the additional collateral during the next banking hour after demand.

II. Risk management during the early morning hours:

Mark-to-market exposure are monitored real time overnight and if a clearing member's exposure exceeds certain threshold, CME has in place an escalation procedure to communicate with the Clearing Member in order to ensure that the Clearing Member, and its settlement bank, will be able to meet the morning settlement obligation.

HKEX

Operating Hours: 15.25 hours starting at 8:30 AM until 11:45 PM. The After Hours Trading session (5:15 PM until 11:45 PM).

I. Margin calls frequency:

Clearing members are required to fulfil marks and margin requirements twice a day. To minimize the risk arising from the build-up of futures and options positions on one participant, HKEX has the authority to impose additional margins on individual Clearing Members.

II. Risk management during the early morning hours:

In the absence of a level of banking support to facilitate intraday margin call capability during the after hours trading session, the following additional risk management measures are implemented:

- 1) HKEX will monitor the Clearing Members' net capital-based position limit (CBPL) at regular intervals during the after hours trading Session, supplemented by ad-hoc CBPL monitoring.
- 2) A mandatory variation adjustment and margin call to markets is introduced following the market open of each next day normal session to collect both mark-to-market loss and margin of all positions including those created by trades in after hours trading session.

Finally, there is no intraday variation adjustment or margin call during the after hours trading session.

III. PRIMARY MOTIVATION

CDCC understands that MX's extended hours initiative will align opening of the MX's trading hours with the start of the London trading day. This initiative will also allow domestic and international clients to hedge their positions in Canadian products at non-Canadian times as international events may affect asset values at all hours of the night. It is in that context that CDCC wishes to support MX's extended hours initiative by proposing some changes to its Rules and Manuals.

IV. IMPACTS ON TECHNOLOGICAL SYSTEMS

Technological impact assessment and management are a critical part of MX extended hours project and CDCC's related changes to its clearing model. MX is engaging with its participants as well as independent software vendors with respect to technological and operational impacts, and will continue to do so along the course of the project, in order to ensure technological and operational readiness upon launch.

To fully support the launch of the extended hours initiative, CDCC will perform some internal development to its systems. These developments have been clearly identified by CDCC and an appropriate rollout plan has been established.

From a Clearing Member's perspective, except for the internal adjustments that could be

required for the 7:15 am intraday margin call, CDCC is of the view that the technological impact on the Clearing Member is very minimal, or nonexistent.

V. OBJECTIVES OF THE PROPOSED MODIFICATIONS

The main objective of the proposed amendments to CDCC's Rules and Manuals is to support MX's extended hours initiative while maintaining rigorous risk management methods to protect all Clearing Members. In doing so, CDCC will make the necessary changes in its Rules and Manuals to accommodate the clearing of transactions in the context of a 2 am opening. As previously stated, CDCC needs to mitigate the buildup of risks and ensure the stability of the markets it serves. CDCC is of the view that the proposed amendments are ensuring such mitigation to take place.

VI. PUBLIC INTEREST

The proposed amendments to CDCC's Rules and Manuals are designed to adapt CDCC's risk management framework to MX's extended trading hours project. Therefore, such amendments will foster and perfect CDCC's financial resilience in times of extreme market conditions. Having a strong and resilient financial market infrastructure is a desirable outcome for the Canadian financial markets and ensures that CDCC can fulfill its public interest mandate.

VII. MARKET IMPACTS

By proposing an additional intraday margin call at 7:15 am and developing an efficient escalation procedure to manage extreme uncovered risks during early morning hours, CDCC aims at fostering and adjusting even more its risk management framework.

CDCC has estimated that the overall Clearing Fund amount could increase by up to \$50M following the additional volume generated by the extension of the trading hours. This estimation assumes that all Clearing Members currently trading on the targeted futures contracts will increase their open interest on these contracts by roughly 3%.

However, all things being equal, this Clearing Fund increase will mainly be absorbed by Clearing Members contributing to the increase in open interest during the extended trading hours. Indeed, Clearing Members which are not transacting during the early morning hours should not expect an increase in their Clearing Fund contribution as the overall increase in the total Clearing Fund, if any, will be offset by a reduction of their respective weight in the Clearing Fund.

VIII. PROCESS

The proposed amendments to the Rules and Manuals of CDCC are submitted for approval by the CDCC Board. After the approval has been obtained, the proposed amendments, including this analysis, will be transmitted to the Autorité des marchés financiers in accordance with the self-certification process, and to the Ontario Securities Commission in accordance with the "Rule Change Requiring Approval in Ontario" process. The proposed amendments and analysis will also be submitted for approval to the Bank of Canada in accordance with the Regulatory Oversight Agreement.

IX. EFFECTIVE DATE

Subject to public comments and regulatory approval, the proposed amendments to the Rules and Manuals of CDCC are anticipated to take effect in Q2 2018 or Q3 2018. The effective date of CDCC's proposed amendments to the Rules and Manuals is dependent on MX's extended trading hours project effective date.

X. ATTACHED DOCUMENTS

- Specific amended Rules;
- Specific amended provisions of the Operations Manual;



CANADIAN DERIVATIVES CLEARING CORPORATION
RULES

PART A – GENERAL

RULE A-1 DEFINITIONS

SECTION A-101 SCOPE OF APPLICATION

Unless the context otherwise requires or unless different meanings are specifically defined, for all purposes of these Rules the capitalized terms used herein shall have the meanings given them in Section A-102.

SECTION A-102 DEFINITIONS

“Acceptable Instrument Types” or “Acceptable OTCI” – means Over-The-Counter Instruments which are determined by the Corporation as acceptable for clearing with the Corporation.

“Acceptable Underlying Interests” – means an Underlying Interest which is determined by the Corporation as acceptable for clearing by the Corporation.

“Acceptable Marketplace” – means a bilateral or multilateral marketplace, other than an Exchange, where buyers and sellers conclude transactions in Acceptable Instrument Types including bilateral trades between two Fixed Income Clearing Members and which meets any of the following requirements (i) in the case of a marketplace which is an alternative trading system (“ATS”), it has qualified as such and complies with the applicable requirements of National Instrument 21-101 – Marketplace Operations (“21-101”) and National Instrument 23-101 – Trading Rules (“23-101”) as determined by the Corporation, and (ii) in the case of an inter-dealer bond broker (“IDBB”), it has qualified as such and complies with applicable IROC Rules including IROC Rule 2800 and applicable requirements of 21-101 and 23-101 as determined by the Corporation, and (iii) in the case of bilateral trades between Fixed Income Clearing Members involving an SRO Clearing Member, the SRO Clearing Member complies with applicable requirements of 21-101 and 23-101 as determined by the Corporation.

“Acceptable Security” – means a Security determined by the Corporation as acceptable for purposes of clearing Fixed Income Transactions and Futures for which the deliverable security is a fixed income security.

“Acceptable Treasury Bills” – means a short-term debt instrument, having a maturity of less than one year, issued by the Government of Canada and sold at a discount.

“Acceptance Criteria” – means the criteria established by the Corporation for acceptance or rejection of an OTCI in accordance with the provisions of Section D-104.

“Additional Deposit” – means the additional amount required of the Clearing Member in addition to the Clearing Fund deposit pursuant to Section A-606.

“Affiliate” – means an Entity that controls, is controlled by, or is under common control with the Clearing Member. Control is defined as (a) ownership, control, or holding with power to vote 20 percent or more of a class of voting securities of the Entity or Clearing Member; or (b) consolidation of the Entity or Clearing Member for financial reporting purposes.



“Afternoon Net DVP Settlement Requirement” – has the meaning attributed thereto in Section D-601.

“Afternoon Netting Cycle Timeframe” – has the meaning attributed thereto in Section D-601.

“American Option” (or “American Style Option”) – means an Option which can be exercised at any time from issuance until its Expiration Date.

“Amounts Due” – has the meaning attributed thereto in Subsection A-409(10).

“Application for Membership” – means the Application for Membership which, when completed by a Clearing Member candidate and accepted by the Corporation, forms part of the Membership Agreement together with the Rules which are incorporated by reference therein and form a part thereof, as such Application for Membership may from time to time be amended, changed, supplemented or replaced in whole or in part.

“Approved Depository” – means a financial institution approved by the Corporation to act in such capacity in accordance with the criteria set forth in Subsection A-212(8).

“Approved Processes” – means any CDCS function for processing Transactions for clearing by the Corporation. CDCC may make available more than one Approved Process in respect of any clearing service.

“Assigned Position” – means the position of the Clearing Member in any account for which such Clearing Member is the assigned Clearing Member in such account.

“At-the-Money Option” – means a call Option or a put Option with an Exercise Price that is equal to the Market Price of the Underlying Interest.

“Authorized Representative” – means a person for whom the Clearing Member has filed evidence of authority pursuant to Section A-202.

“Bank Clearing Member” – means a Clearing Member that is a bank to which the Bank Act (Canada), as amended from time to time, applies.

“Base Deposit” – means the minimum Clearing Fund deposit required of each Clearing Member pursuant to Section A-603.

“Board” – means the Board of Directors of the Corporation.

“Business Day” – means any day on which the Corporation is open for business.

“Business Hours” – means from 2 a.m. to the Close of Business on any Business Day.

“By-laws” – means the By-laws of the Corporation as the same may be amended from time to time.

“Calculation Agent” – means the Corporation when calculating certain close-out amounts as provided in Subsection A-409(9).

“Call Underlying Interest Deposit” – means the deposit by an Approved Depository acting on behalf of a Clearing Member or a client thereof of the Underlying Interest of a call Option with the Corporation through a Central Securities Depository.



“Canada Mortgage Bonds (CMB)” – means bullet maturity bonds that are fixed rate with a semi-annual coupon issued by Canada Housing Trust and guaranteed by Canada Mortgage and Housing Corporation.

“Capital Adequacy Return (CAR)” – means the documents specified from time to time by the Office of the Superintendent of Financial Institutions in its guidelines relating to capital adequacy requirements applicable to banks.

“Cash” – means money in the lawful currency of Canada.

“Cash Settlement Amount” – means the amount determined by the Calculation Agent in accordance with Subsection A-409(6).

“Cash Settlement Payment Default” – has the meaning attributed thereto in Subsection A-409(6).

“Cash Settlement Payment Request” – has the meaning attributed thereto in Subsection A-409(6).

“Cash Settlement Amount Calculation Request” – has the meaning attributed thereto Subsection A-409(6).

“Cash Settlement Amount Calculation Request Date” – has the meaning attributed thereto Subsection A-409(6).

“CDCC Daylight Credit Facility” – means the daylight credit facility of the Corporation, the amount of which is subject to change from time to time, with prior notice to Clearing Members.

“CDCC Materials” – means any material, data and information developed, created or compiled by the Corporation and provided by the Corporation to the Clearing Members in any form, and including the software, trade-marks, logos, domain names, documentation (including the Rules), Approved Processes, technical information, systems (including the clearing systems and electronic transmission systems), hardware and networks, that comprises the CDCS provided by the Corporation to the Clearing Members.

“CDCS” – means “Canadian Derivatives Clearing Service” and refers to the clearing and settlement system operated by CDCC, which is governed by the Rules.

“CDS” – means CDS Clearing and Depository Services Inc., acting as Central Securities Depository in Canada or acting in any other capacity, or any successor thereof.

“Central Securities Depository” – means any central securities depository acceptable to the Corporation, including CDS.

“Class Group” – means all Options and Futures relating to the same Underlying Interest.

“Class of Futures” – means all Futures covering the same Underlying Interest.

“Class of Options” – means all Options of the same style within the same maturity category on the same Underlying Interest.

“Clearing Fund” – means the fund established pursuant to Rule A-6 Clearing Fund Deposits.

“Clearing Member” – means an applicant who has been admitted to membership in the Corporation.



“Client” – means those customers of a Clearing Member who are not Market Makers or trading on behalf of a broker.

“Client Account” – means the account or accounts required to be established for Transactions of the Clearing Members' Clients pursuant to Sections B-102, B-103, C-102, C-103, D-102 and D103.

“Clients Settlement Account” – means the account established by Section A-403.

“Close of Business” – means the time at which the Business Day ends, as specified in the CDCC Operations Manual. The time may, at the sole discretion of the Corporation, be modified to address shortened trading days on Exchanges.

“Closing Buy Transaction” – means an Exchange Transaction the result of which is to reduce or eliminate a Short Position in the Series of Futures involved in such transaction.

“Closing Purchase Transaction” – means an Exchange Transaction the result of which is to reduce or eliminate a Short Position in the Series of Options involved in such transaction.

“Closing Sell Transaction” – means an Exchange Transaction the result of which is to reduce or eliminate a Long Position in the Series of Futures involved in such transaction.

“Closing Writing Transaction” – means an Exchange Transaction the result of which is to reduce or eliminate a Long Position in the Series of Options involved in such transaction.

“Commodity” – means any agricultural product, forest product, product of the sea, mineral, metal, hydrocarbon fuel, natural gas, electric power, currency or precious stone or other gem, and any goods, article, service, right or interest, or class thereof, whether in the original or processed state.

“Competent Authority” – has the meaning attributed thereto in Subsection A-409(3).

“Confirmation Transmission” – means the electronic transmission made by a Clearing Member to the Corporation confirming that the Expiry Report detailed in Section B-307 is accepted.

“Consolidated Activity Report” – means a daily report listing all Options, Futures and OTCI transactions.

“Contract Specifications” – means the specifications prescribed by the relevant Exchange with respect to a particular Option or Future.

“Corporation or CDCC” – means Canadian Derivatives Clearing Corporation.

“CORRA Rate” – has the meaning attributed there in Section D-601.

“Corresponding CDCC Delivery Requirement” – has the meaning attributed thereto in Subsection A-804(4).

“Coupon Income” – has the meaning attributed thereto in Section D-601.

“CUSIP/ISIN” – are acronyms standing for Committee on Uniform Security Identification Procedures and International Securities Identification Number respectively, herein used to refer to a security identifier assigned by CDS to any Acceptable Security.



“Daily Settlement Summary Report” – means the report designated as such by the Corporation as described in the Operations Manual.

“Default Management Period” – has the meaning attributed thereto in Section A-411.

“Default Management Period End Date” – has the meaning attributed thereto in Section A-411

“Default Manual” – means any manual designated as such by the Corporation, as amended from time to time.

“Default Value” – means the value determined by the Calculation Agent in accordance with Subsection A-409(6).

“Delivery Agent” – means the party through which the Corporation will effect the transfer of the Underlying Interest between the buyer and seller.

“Delivery Default” – has the meaning attributed thereto in Subsection A-409(6).

“Delivery Month” – means the calendar month in which a Future may be satisfied by making or taking delivery.

“Delivery Request” – has the meaning attributed thereto in Subsection A-409(6).

“Deposit” – means a payment, deposit or transfer, whether of cash, securities, certificates, property, Underlying Interests, Underlying Interest Equivalents or other property or rights.

“Depository Agreement” – means an agreement entered into between the Corporation and an Approved Depository.

“Depository Receipt” – means a Put Escrow Receipt, a Call Underlying Interest Deposit or a Futures Underlying Interest Deposit.

“Derivative Instrument” – means a financial instrument, the value of which derives from the value of an Underlying Interest. Without limiting the foregoing, this Underlying Interest may be a commodity or a financial instrument such as a stock, a bond, a currency, a stock or economic index or any other asset.

“Detailed Futures Consolidated Activity Report” – means the report created by the Corporation on a daily basis reporting the aggregate position in Futures held by a Clearing Member, which also contains the Settlement of Gains and Losses for that Clearing Member for that day.

“Early Termination Date” – has the meaning attributed thereto in Subsection A-409(7).

“Electronic Communication” – means, in respect of the Corporation, any one or more of the following: the posting of a notice, report or other information on the Corporation’s website, the transmission of a notice, report or other information to a Clearing Member by means of electronic mail and the making available on the Corporation’s computer, in a form accessible to a Clearing Member, a notice, report or other information.

“Emergency” – means a situation materially affecting the Corporation’s operations resulting from i) riot, war or hostilities between any nations, civil disturbance, acts of God, fire, accidents, strikes, earthquakes, labour disputes, lack of transportation facilities, inability to obtain materials, curtailment of or failure in

obtaining sufficient power, gas or fuel, computer malfunction (whether mechanical or through faulty operation), malfunction, unavailability or restriction of the payment, computer or bank wire or transfer system and any other cause of inability that is beyond the reasonable control of the Corporation; ii) any action taken by Canada, a foreign government, a province, state or local government or body, authority, agency or corporation, and any Exchange, Central Securities Depository, Acceptable Marketplace, Market Centre and Delivery Agent ; iii) the bankruptcy or insolvency of any Clearing Member or the imposition of any injunction or other restraint by any government agency, court or arbitrator upon a Clearing Member which may affect the ability of that member to perform its obligations; iv) any circumstance in which a Clearing Member, a Central Securities Depository or any other Entity has failed to perform contracts, is insolvent, or is in such financial or operational condition or is conducting business in such a manner that such Entity cannot be permitted to continue in business without jeopardizing the safety of assets, of any Clearing Member or the Corporation; or v) any other unusual, unforeseeable or adverse circumstance.

“End of Day DVP Settlement Time” – has the meaning attributed thereto in Section D-601.

“Entity” – shall include an individual, a corporation, a partnership, a trust and an unincorporated organization or association.

“European Option” (or “European Style Option”) – means an Option which can be exercised only on its Expiration Date.

“Event of Default” – has the meaning attributed thereto in Subsection A-409(2).

“Exchange” – means an exchange whose trades are guaranteed and/or cleared by the Corporation.

“Exchange Transaction” – means a transaction through the facilities of an Exchange for:

- a) the purchase or writing of an Option or the reduction or elimination of a Long or Short Position in an Option; or
- b) the buying or selling of a Future or the reduction or elimination of a Long or Short Position in a Future.

“Exercise Notice” – means a notice to the Corporation in the form prescribed by the Corporation, notifying the Corporation of the intent of the Clearing Member executing such notice to exercise an Option.

“Exercised Position” – means the position of a Clearing Member in any account in respect of Options which have been exercised by such Clearing Member in such account.

“Exercise Price” – means the specified price per unit at which the Underlying Interest may be purchased (in the case of a call) or sold (in the case of a put) upon the exercise of an Option. (Sometimes referred to as the Strike Price).

“Exercise Settlement Amount” – means the amount which must be paid by the Corporation to the Clearing Member exercising a put Option or who has been assigned a call Option, against delivery of the Underlying Interest.

“Exercise Settlement Date” – means the date prescribed by the relevant Exchange within Contract Specifications of a particular Option.



“Expiration Date” – unless otherwise specified, means, in the case of monthly Options, the third Friday of the month and year in which the Option expires, or in the case of weekly Options, any Friday following the listing week which is a Business Day, but which is not an expiration day for any other Options already listed on the same underlying. If any such Friday is not a Business Day, then the Expiration Date will be the first preceding Business Day that is not an expiration day for any other Options already listed on the same underlying.

“Expiration Time” – means the time on the Expiration Date, as fixed by the Corporation, at which the Option expires. Unless subsequently changed by the Corporation, the Expiration Time shall be 10:45 p.m. on the Expiration Date.

“Expiry Response Screen” – means a computer display also known as the “Expiry Workspace” made available to Clearing Members in connection with Rule B-3.

“Failed Delivery” – has the meaning set out (i) in Subsection A-804(1) with respect to the delivery of an Acceptable Security, (ii) in Section B-407 with respect to the delivery of an Underlying Interest of an Option, (iii) in Section C-512 with respect to the delivery of an Underlying Interest of a Future other than an Acceptable Security, or (iv) in Section D-304 with respect to the delivery of an Underlying Interest of an OTCI that is not a Fixed Income Transaction.

“Failed Payment Against Delivery” – has the meaning attributed thereto in Section A-806.

“Failure to Pay” – has the meaning attributed thereto in Subsection A-409(4).

“Final Settlement Amount” – means the amount determined by the Calculation Agent in accordance with Subsection A-409(10).

“Financial Asset” – has the meaning assigned to this term by the QSTA.

“Financial Institution Clearing Member” – means a Clearing Member that is either

- a) a financial services cooperative regulated pursuant to an Act respecting financial services cooperatives (Québec), or
- b) a credit union central or a central cooperative credit society, which is incorporated and regulated under the laws of Canada or under the legislature of a province,

one of whose principal purposes is to provide liquidity support to local credit unions or financial services cooperatives.

“Firm” – means a Clearing Member acting for its own account.

“Firm Account” – means the account or accounts required to be established for Firm Transactions of the Clearing Members pursuant to Sections B-102, B-103, C-102, C-103, D-102 and D-103.

“Fixed Income Clearing Member” – has the meaning attributed thereto in Section D-601.

“Fixed Income Transaction” – has the meaning attributed thereto in Section D-601.

“Forward Curve” – means the summary representation of the price of a commodity on a forward basis obtained by amalgamating all Reference Prices by tenor as defined in Section D-201.

“Forward Price” – means the price extracted from the Forward Curve and used in the daily Mark-to-Market Valuation and margining processes as defined in Section D-202.

“Future” – means a contract:

- a) in the case of a Future settled by delivery of the Underlying Interest, to make or take delivery of a specified quantity and quality, grade or size of an Underlying Interest during a designated future month at a price agreed upon when the contract was entered into on an Exchange; or
- b) in the case of a Future settled in cash, to pay to or receive from the Corporation the difference between the final settlement price and the trade price pursuant to standardized terms and conditions set forth by the Exchange where the contract is concluded and which is cleared by the Corporation.

“Futures Underlying Interest Deposit” – means the deposit by an Approved Depository acting on behalf of a Clearing Member or a client thereof of the Underlying Interest of a Future with the Corporation through a Central Securities Depository.

“Futures Sub-Accounts Consolidated Activity Report” – means the report created by the Corporation on a daily basis reporting the aggregate position held by a Clearing Member in each of its sub-accounts, which also contains the Settlement of Gains and Losses for that day with respect to each sub-account.

“Good Deliverable Form” – Underlying Interests shall be deemed to be in good deliverable form for the purposes hereof only if the delivery of the Underlying Interests in such form would constitute good delivery under the Contract Specifications.

“Gross Delivery Requirement” – means the quantity of Acceptable Securities required to be physically delivered through a Central Securities Depository by or to a Clearing Member, expressed on a gross basis, in accordance with Subsection D-606(10).

“Gross Payment Against Delivery Requirement” – means the amount required to be paid against physical delivery through a Central Securities Depository by or to a Clearing Member, expressed on a gross basis, in accordance with Subsection D-606(10).

“Guaranteeing Delivery Agent” – means a Delivery Agent who bears the responsibility of guaranteeing the acquisition or delivery of the Underlying Interest in the event of a delivery failure.

“include”, “includes” and “including” – where used in these Rules, means “include”, “includes” and “including”, in each case, without limitation.

“Insolvency Event” – has the meaning attributed thereto in Subsection A-409(3).

“Insolvency Proceedings” – has the meaning attributed thereto in Subsection A-409(3).

“In-the-Money-Option” – means a call Option with an Exercise Price that is less than the Market Price of the Underlying Interest or a put Option where the Exercise Price exceeds the Market Price of the Underlying Interest.

“Instrument” – means a bill, note or cheque within the meaning of the Bills of Exchange Act (Canada) or any other writing that evidences a right to the payment of money and is of a type that in the ordinary course

of business is transferred by delivery with any necessary endorsement or assignment, but does not include a security.

“Intra-Day Margin Call” – means the requirement to deposit supplementary Margin, as determined by the Corporation in accordance with Section A-705, at any time the Corporation deems necessary, and notably at such times as are specified in Section 2 of the Operations Manual.

“Joint Regulatory Financial Questionnaire and Report” – means the documents required under the applicable rules of the Investment Industry Regulatory Organization of Canada.

“Liquidating Settlement Account” – means the account created following the default of a Clearing Member to recognize the value of all gains, losses, and expenses due to or from the Non-Conforming Member during the liquidation of positions and Margin Deposits, in accordance with Section A-402.

“Long Position” – means a Clearing Member’s interest as:

- a) the holder of one or more Options of a Series of Options; or
- b) the buyer of one or more Futures of a Series of Futures; or
- c) the buyer of an Over-The-Counter Instrument.

“Margin” – means any and all the deposits required or made pursuant to Rule A-7 Margin Requirements.

“Margin Deposit” – means, collectively,

- a) any and all Securities, Cash, Instruments, cheques, Underlying Interest, Underlying Interest Equivalent, Long Positions and Short Positions;
- b) any and all of the deposits required or made pursuant to Rule A-6 Clearing Fund Deposits, Rule A-7 Margin Requirements, and Rule B-4 Delivery and Payment with Respect to Options Exercised, Rule C-5 Delivery of Underlying Interest of Futures and Rule D-3 Physical Delivery of Underlying Interest on Over-the-Counter Instruments, including Margins, Base Deposits, Additional Deposits, Variable Deposits, Put Escrow Receipts, Call Underlying Interest Deposits, and Futures Underlying Interest Deposits, and any other form of deposit accepted from time to time are accepted by the Corporation; and
- c) any and all Financial Assets transferred to the Corporation through the facilities of a Central Securities Depository or held by any other type of Securities Intermediary;

deposited by or on behalf of a Clearing Member with the Corporation or another person (including a Central Securities Depository or any other type of Securities Intermediary, a financial institution or the Bank of Canada) for purpose of the performance of the obligations of the Clearing Member under the Rules.

“Mark-to-Market Valuation” – means the value determined by the Corporation representing the net asset value of a Transaction or account held by a Clearing Member, as defined in Section D-202.

“Market Centre” – means the local facility where the exchange of Underlying Interests occurs.

“Market Maker” – means an individual who has been approved by the Exchange on which he trades to trade for his own account or for the account of the Exchange member or non-member by which he is employed



or for which he acts as agent in Options or Futures, and may include a futures trader, an options trader, a trader member, a market maker and a market specialist.

“Market Maker Account” – means the account or accounts required to be established for Exchange Transactions of the Clearing Member’s Market Makers pursuant to Sections B-102, B-103, C-102 and C-103.

“Market Price” – means the aggregate price of the Unit of Trading of the Underlying Interest as determined by the Exchange or Exchanges involved.

“Matured Amounts” – means any financial cash flows resulting from the expiration of an OTCI.

“Maturity Date” – means the date on which final obligations related to a Transaction are executed.

“Minimum Threshold” – means the quantity starting from which an OTCI can be cleared.

“Morning Net Payment Against Delivery Requirement” – has the meaning attributed thereto in Section D-601.

“Morning Net DVP Settlement Timeframe” – has the meaning attributed thereto in Section D-601.

“Morning Netting Cycle Timeframe” – has the meaning attributed thereto in Section D-601.

“Multi-Purpose Account” – means a Market Maker Account and/or a Netted Client Account.

“Net Daily Premium” – when applied to any account of a Clearing Member for any Settlement Time, means the net amount payable to or by the Corporation at such Settlement Time in respect of all Exchange Transactions of the Clearing Member in Options in such account as a purchasing Clearing Member and a writing Clearing Member.

“Net Daily Settlement” – means the amount shown on the Daily Settlement Summary Report.

“Net Delivery Requirement” – with respect to Acceptable Securities, means the quantity thereof required to be physically delivered through a Central Securities Depository by or to a Clearing Member, expressed on a net basis, in accordance with Paragraph A-801(2)(d); and with respect to any Underlying Interest of an OTCI that physically settles other than Acceptable Securities, means the quantity of such Underlying Interest required to be physically delivered through a Delivery Agent by or to a Clearing Member, expressed on a net basis, in accordance with Section D-303.

“Net Payment Against Delivery Requirement” – means the amount required to be paid against physical delivery through a Central Securities Depository by or to a Clearing Member, expressed on a net basis, in accordance with Paragraph A-801(2)(c).

“Netted Client Account” – means a type of Client Account that requires specific documentation be signed between the Clearing Member and the Corporation, in which the Transactions of a sole Client are held on a net basis.

“Netting Cut Off Time” – means, with respect to a Business Day and a Clearing Member, a time specified in the Operations Manual on such Business Day for purposes of determining, in respect of such Clearing Member, all net payment and delivery obligations owing by or to such Clearing Member in accordance with these Rules on such Business Day.

“Non-Conforming Member” – the meaning attributed thereto in Section A-1A04.

“Non-delivered Assets” – has the meaning attributed thereto in Subsection A-409(6).

“Non-Payment of the Cash Settlement Amount following a Delivery Default” – has the meaning attributed thereto in Subsection A-409(6).

“Notional Quantity” – means the size of the OTCI transaction expressed either outright, or in accordance with the number of contracts underlying the OTCI transaction.

“Office Hours” – means from 7:00 a.m. to 6:00 p.m. on any Business Day.

“Open Interest” or “Open Position” – means the position of a buyer or a seller of an Option, of a Future or of an OTCI.

“Opening Buy Transaction” – means an Exchange Transaction the result of which is to create or increase a Long Position in the Series of Futures involved in such transaction.

“Opening Purchase Transaction” – means an Exchange Transaction the result of which is to create or increase a Long Position in the Series of Options involved in such Exchange Transaction.

“Opening Sell Transaction” – means an Exchange Transaction the result of which is to create or increase a Short Position in the Series of Futures involved in such transaction.

“Opening Writing Transaction” – means an Exchange Transaction the result of which is to create or increase a Short Position in the Series of Options involved in such Exchange Transaction.

“Operations Manual” – means the manual designated as such by the Corporation and any schedule to the Operations Manual including the Risk Manual, as amended from time to time.

“Option” – means a contract which, unless otherwise specified, gives the buying Clearing Member the right to buy (a call) or sell (a put) at a specified quantity of an Underlying Interest at a fixed exercise price during a specified time period and which obligates the writing Clearing Member to sell (a call) or buy (a put) the Underlying Interest, pursuant to standardized terms and conditions set forth by the Exchange where the contract is concluded or to the terms determined by the Corporation as acceptable and which is cleared by the Corporation.

“Option Type” – means a put Option or a call Option.

“Options Daily Transaction Report” – means a report created by the Corporation providing the net premium payable/receivable.

“Out-of-the-Money Option” – means a call Option with an Exercise Price that exceeds the Market Price of the Underlying Interest or a put Option where the Exercise Price is less than the Market Price of the Underlying Interest.

“Over-The-Counter Instrument” or “OTCI” – means any bilaterally negotiated transactions as well as any transactions entered into on any Acceptable Marketplaces.

“Payment Default” – has the meaning attributed thereto in Subsection A-409(5).



“Payment Request” – has the meaning attributed thereto in Subsection A-409(5).

“Pending Payment Against Delivery Requirements” – has the meaning attributed thereto in Section D-601.

“Pending Delivery Requirements” – has the meaning attributed thereto in Section D-601.

“Postponed Payment Obligation” – with respect to the Corporation, means the amount by which its Afternoon Net DVP Settlement Requirement consisting of an obligation to pay against delivery of Acceptable Securities or its Gross Payment Against Delivery Requirement resulting from any Same Day Transaction submitted after the Afternoon Netting Cycle Timeframe and before the Submission Cut-Off Time, as the case may be, in favour of a Provider of Securities has been reduced as a result of the Provider of Securities’ failure to deliver Acceptable Securities on the Business Day they were due by the End of Day DVP Settlement Time and the payment by the Corporation of such reduction has been postponed until full delivery by the Provider of Securities in accordance with Subsection A-804(1); and with respect to a Clearing Member who is a Receiver of Securities, means the amount by which its Afternoon Net DVP Settlement Requirement consisting of an obligation to pay against delivery of Acceptable Securities or its Gross Payment Against Delivery Requirement resulting from any Same Day Transaction submitted after the Afternoon Netting Cycle Timeframe and before the Submission Cut-Off Time, as the case may be, in favour of the Corporation has been reduced as a result of the Corporation’s failure to deliver Acceptable Securities on the Business Day they were due by the End of Day DVP Settlement Time and the payment by such Clearing Member of such reduction has been postponed until full delivery by the Corporation in accordance with Subsection A-804(2).

“President” – means the person appointed by the Board as chief executive officer and chief administration officer of the Corporation.

“Product Type” – means the attribute of an OTCI which describes the rights and obligations of the counterparties involved in the transaction insofar as cash flows are concerned.

“Provider of Securities” – means a Clearing Member who owes to the Corporation a Net Delivery Requirement with respect to an Acceptable Security in accordance with Subsection D-606(3) and Paragraph A-801(2)(d) or a Gross Delivery Requirement with respect to an Acceptable Security in accordance with Subsection D-606(10), as the case may be.

“Put Escrow Receipt” – means a receipt, in a form that is acceptable to the Corporation, issued by an Approved Depository certifying that it holds Cash in the amount of the Exercise Price of a put Option on behalf of a Clearing Member or a client thereof, in trust for the Corporation.

“QSTA” means the *Act respecting the transfer of securities and the establishment of security entitlements* (Quebec).

“Receiver of Securities” – means a Clearing Member who is owed by the Corporation a Net Delivery Requirement with respect to an Acceptable Security in accordance with Subsection D-606(3) and Paragraph A-801(2)(d) or a Gross Delivery Requirement with respect to an Acceptable Security in accordance with Subsection D-606(10), as the case may be.

“Recovery Event” – has the meaning attributed thereto in Section A-1002.

“Recovery Loss Cash Payment” –has the meaning attributed thereto in Section A-1006.



“Recovery Losses” –has the meaning attributed thereto in Section A-1004.

“Recovery Power” –has the meaning attributed thereto in Section A-1001.

“Recovery Process” – has the meaning attributed thereto in Section A-1003.

“Reference Price” – means the price determined by the Corporation in accordance with Section D-201.

“Registry” – means any registry designated by the Corporation which, for the purposes of clearing Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units with physical settlement, has been established in order to ensure the accurate accounting of holding, transfer, acquisition, surrender, cancellation and replacement of the Carbon Dioxide Equivalent (CO₂e) Units.

“Regulatory Body”

With reference to a Financial Institution Clearing Member, means the Office of the Superintendent of Financial Institutions, association or other body, organization or agency, whether governmental, professional, self-regulatory or otherwise, having jurisdiction over that Clearing Member or over any part of the business carried on by it.

“Risk Limits” – refers to the set of risk management limits imposed by the Corporation on Clearing Members’ clearing activities as updated from time to time by the Corporation.

“Risk Manual” – means the manual designated as such by the Corporation and any schedule to the Risk Manual including the Default Manual, as amended from time to time.

“Rolling Delivery Obligation” – with respect to a Clearing Member who is a Provider of Securities, the means quantity of a given Acceptable Security that it has failed to deliver to the Corporation under an Afternoon Net DVP Settlement Requirement consisting of an obligation to deliver Acceptable Securities under Subsection A-801(4) or a Gross Delivery Requirement resulting from any Same Day Transaction submitted after the Afternoon Netting Cycle Timeframe and before the Submission Cut-Off Time under Subsection D-606(10), as the case may be, on the Business Day it was due by the End of Day DVP Settlement Time, which is rolled into the calculation of the next Business Day’s Net Delivery Requirement (and the Net Delivery Requirement of each subsequent Business Day) of such Clearing Member, in accordance with, and until such time as set out under, Subsection A-804(1); and with respect to the Corporation and a Clearing Member who is a Receiver of Securities, means the quantity of a given Acceptable Security that the Corporation has failed to deliver to such Clearing Member under an Afternoon Net DVP Settlement Requirement consisting of an obligation to deliver Acceptable Securities under Subsection A-801(4) or a Gross Delivery Requirement resulting from any Same Day Transaction submitted after the Afternoon Netting Cycle Timeframe and before the Submission Cut-Off Time under Subsection D-606(10), as the case may be, on the Business Day it was due by the End of Day DVP Settlement Time (as a direct consequence of a Provider of Securities’ failure to deliver all or a part of its Afternoon Net DVP Settlement Requirement consisting of an obligation to deliver Acceptable Securities or its Gross Delivery Requirement resulting from any Same Day Transaction submitted after the Afternoon Netting Cycle Timeframe and before the Submission Cut-Off Time, as the case may be, in respect of such Acceptable Security on such Business Day) which is rolled into the calculation of the Corporation’s next Business Day’s Net Delivery Requirement (and the Net Delivery Requirement of each subsequent Business Day) in favour of such Clearing Members, in accordance with, and until such time as set out under, Subsection A-804(2).

“Rules” or “these Rules” – means the Rules of the Corporation and the Operations Manual, as any such rules, and manual may from time to time be amended, changed, supplemented or replaced in whole or in part.

“SRO Clearing Member” – means a Clearing Member that is within the audit jurisdiction of the Investment Industry Regulatory Organization of Canada.

“Same Day Transaction” – has the meaning attributed thereto in Section D-601.

“Securities Intermediary” – has the meaning assigned to this term by the QSTA.

“Security” – means a document that is

- a) issued in bearer, order or registered form;
- b) of a type commonly dealt in upon securities exchanges or markets or commonly recognized in any area in which it is issued or dealt in as a medium for investment;
- c) one of a class or series or by its terms is divisible into a class or series of documents; and
- d) evidence of a share, participation or other interest in property or in an enterprise or is evidence of an obligation of the issuer;

and includes such a document, not evidenced by a certificate, the issue and any transfer of which are registered or recorded in records maintained for that purpose by or on behalf of the issuer.

“Series of Futures” – means all Futures of the same class covering the same quantity of an Underlying Interest and having the same delivery month.

“Series of Options” – means all Options of the same class, the same type, covering the same quantity of an Underlying Interest and having the same Exercise Price and Expiration Date.

“Settlement Accounts” – has the meaning attributed thereto in Section A-217.

“Settlement Amount” – means the amount calculated in accordance with these Rules payable to the delivering Clearing Member upon delivery of or cash settlement for the Underlying Interest in respect of a Transaction.

“Settlement of Gains and Losses” – means the settlement with the Corporation of the gains and losses on Open Positions in Futures pursuant to Section C-302.

“Settlement Price” – means the official daily closing price of a Future, as determined in accordance with Section C-301.

“Settlement Time” – means, with respect to a particular Transaction and a particular Business Day, the time on such Business Day as established by the Corporation in the Operations Manual and if no Business Day is specified, the time on the next Business Day following the trade day, calculation date or Coupon Payment Date, as applicable, as established by the Corporation in the Operations Manual, by which time Settlement of Gains and Losses, premium payments, all Margin requirements and all other payments required in respect of such Business Day, trade day, calculation date or Coupon Payment Date must be submitted to the Corporation.

“Short Position” – means a Clearing Member’s obligation as:

- a) the writer of one or more Options of a Series of Options; or
- b) the seller of one or more Futures in a Series of Futures; or
- c) the seller of an Over-The-Counter Instrument.

“Spread Position” means:

- a) the situation in which there is carried in a Clearing Member's Client Account both an Option in the Short Position and an Option of the same Class of Options in the Long Position; or
- b) the situation in which there is carried in a Clearing Member’s Client Account both a Long Position and a Short Position in Futures.

“Straddle Position” – means an equal number of call and put Options covering the same Underlying Interest and having the same Exercise Price and Expiration Date.

“Style of Options” – means the classification of an Option as either an American Option or a European Option. (Parts A and B of these Rules shall apply to both Styles of Options unless a specific Style of Option is designated).

“Submission Cut-Off Time” – has the meaning attributed thereto in Section D-601.

“Tender Notice” – means a notice to the Corporation in the form prescribed by the Corporation, notifying the Corporation of the intent of the Clearing Member executing such notice to deliver the Underlying Interest of the Future.

“Termination Value” – means the amount determined by the Calculation Agent in accordance with Subsection A-409(10).

“Trade Confirmation” – means the official document issued to a Clearing Member which details the attributes of the OTCI transaction and which signals the acceptance of the transaction for clearing by the Corporation.

“Trade Price” – means the price agreed upon for the Future when the contract is entered into on an Exchange.

“Transactions” – means all Futures, Options and Over-The-Counter Instruments which are determined by the Corporation as acceptable for clearing.

“Transaction Value” – has the meaning attributed thereto in Subsection A-409(10).

“Type of Options” – means the classification of an Option as either a “put” or a “call”.

“Uncovered Residual Risk” or “URR” – means the amount of risk determined by the Corporation to be uncovered by the Margin model, resulting from an estimation of the loss the Corporation would face in extreme but plausible market conditions done through rigorous stress tests. The URR represents the largest uncovered risk from a Clearing Member and its Affiliates.



“Underlying Interest” – means an asset which underlies and determines the value of a Derivative Instrument or of an OTCI. The Underlying Interest may be a commodity or a financial instrument such as a stock, a bond, a currency, a stock or economic index or any other asset.

“Underlying Interest Equivalent” – means the Securities specified in Section A-708.

“Unit of Trading” – in respect of any Series of Futures and Series of Options or any OTCI means the number of units of the Underlying Interest designated by the Corporation and the Exchange on which the Derivative Instrument is traded (as applicable) as being the number of units subject to a single Future or Option contract.

“Variable Deposit” – means the Clearing Fund deposit which may be required in addition to a Base Deposit pursuant to Section A-603.

RULE A-2 MISCELLANEOUS REQUIREMENTS

SECTION A-201 OFFICES

Every Clearing Member shall maintain an office at a location approved by the Corporation. A representative of the Clearing Member authorized in the name of the Clearing Member to sign all instruments and take all action necessary for conducting business with the Corporation shall be present at such office on every Business Day between such hours as may be specified from time to time by the Corporation. Such representative shall be subject to the approval of the Corporation and shall be authorized to act on behalf of the Clearing Member by a written power of attorney in the case of a partnership or by a resolution of the board of directors in the case of a corporation. Such power of attorney or resolution, as the case may be, shall be in a form approved by the Corporation.

SECTION A-202 EVIDENCE OF AUTHORITY

- 1) Every Clearing Member shall file with the Corporation a certified list of the signatures of the representatives (“Authorized Representatives”) of such Clearing Member (including partners and officers) who are authorized to sign certificates, cheques, agreements, receipts, orders and other papers necessary for conducting business with the Corporation, together with an executed copy of the powers of attorney, resolutions or other instruments giving such authority.
- 2) Any Clearing Member who has given a person a power of attorney or other authorization to transact business with the Corporation shall, immediately upon the withdrawal, retirement, resignation or discharge of such person or the revocation of his power to act, give written notice of such fact to the Corporation.
- 3)
 - a) where a document is presented by a Clearing Member to the Corporation which bears an authorization stamp of a Clearing Member in the form approved by the Corporation or,
 - b) where data is transferred electronically from a Clearing Member to the Corporation,the Corporation shall be entitled to assume the authenticity of the authorization stamp and the authority of the person presenting the document or initiating the electronic transfer to do so on behalf of the Clearing Member.
- 4) The Corporation shall be entitled to rely and act upon any instruction given hereunder. The Corporation shall be under no obligation to ensure the genuineness or validity of any signature purporting to be that of an authorized signatory of the Clearing Member, of any stamp purporting to be an authorized stamp, or of the authority of any person initiating any electronic data transfer. The Corporation shall have no responsibility in the event that any such signature, stamp or data is forged, unauthorized or otherwise invalid or ineffective.

SECTION A-203 RECEIPT OF DOCUMENTS

- 1) A box or other facility at an office of the Corporation (or of a designated agent of the Corporation) will be assigned to each Clearing Member for the distribution of forms, papers, documents, notices, statements and such other items as the Corporation deems appropriate. An item deposited in Clearing Member's box shall be deemed received by such Clearing Member when deposited.
- 2) Every Clearing Member shall be responsible for sending an Authorized Representative at an office of the Corporation for receipt of cheques, drafts and all items placed in the box of the Clearing Member at such intervals as may be necessary for the Clearing Member to perform all obligations and duties required by these Rules.

SECTION A-204 DOCUMENTS AND OTHER ITEMS SUBMITTED TO THE CORPORATION

All reports, documents, papers, statements, notices, cheques, drafts, certificates of deposit and other items required by the Rules to be submitted to the Corporation shall, except as may otherwise be specifically prescribed by the Rules, be delivered to the designated office of the Corporation or its agent at such times, on such forms and in such manner as the Corporation shall prescribe. Each item delivered to the Corporation shall clearly indicate the identity of the Clearing Member making such submission.

INTERPRETATION AND POLICIES

01. Every Clearing Member shall be required to use an authorization stamp, in a form approved by the Corporation, in lieu of manual signatures, on such reports, documents, papers, statements, notices, and other items as the Corporation shall from time to time prescribe.
02. The Corporation shall provide each Clearing Member with two authorization stamps at no charge. Any additional authorization stamps requested by a Clearing Member will be charged by the Corporation to such Clearing Member based upon the Corporation's costs. In lieu of an authorization stamp provided by the Corporation, a Clearing Member may use a member-selected authorization stamp, provided that the stamp meets such requirements as the Corporation may from time to time impose with respect to format and content and the Clearing Member files with the Corporation such documentation as the Corporation may require authenticating the member-selected authorization stamp.
03. Each Clearing Member shall be bound by all such reports, documents, papers, statements, notices and other items as the Corporation shall prescribe pursuant to Paragraph 01. above, bearing the Clearing Member's authorization stamp.

SECTION A-205 RECORDS

- 1) Every Clearing Member shall keep up to date records showing, with respect to each Transaction:
 - a) the names of the parties to the Transaction;
 - b) the trade date;

- c) the name of the client;
 - d) if in respect of a Future, the Class and Series of Futures, the Underlying Interest, the number of contracts, the contract price, the delivery month and year, whether the transaction was a buy or sell transaction and whether it was an opening or closing transaction;
 - e) if in respect of an Option, the Class and Series of Options, the Underlying Interest, the number of contracts, the premium, the Exercise Price, the expiry month, whether the transaction was a purchasing or a writing transaction and whether it was an opening or a closing transaction;
 - f) if in respect of any OTCI the trade details as specified in the Trade Confirmation, and
 - g) such other information as may from time to time be required by law, regulation, an Exchange or the Corporation.
- 2) Every Clearing Member shall retain and keep readily accessible to the Corporation in a form acceptable to the Corporation, all records required by these Rules, including without limitation, the records referred to in Subsection A-205(1), for at least seven (7) years from the end of the calendar year to which such records relate in such form as the Corporation may authorize. The Corporation shall be entitled to inspect or take temporary possession of any such records at any time upon demand. All reports shall be available to the Corporation no later than 8:00 a.m. on the Business Day immediately following the report date. A Clearing Member must file any information requested by the Corporation within the time period specified in such demand.

SECTION A-206 NOTICES AND REPORTS BY THE CORPORATION

- 1)
- a) Unless otherwise specifically provided for in any other Rule, the Corporation may give notice to a Clearing Member in such manner as the Corporation deems appropriate in the circumstances of the notice being given, including by telephone, by hand delivery, by fax and by Electronic Communication.
 - b) Each Clearing Member shall by notice in writing signed by a Clearing Member's Authorized Representative provide to the Corporation the names of at least two individuals and their positions for the purposes of telephone communications. The Corporation shall attempt to contact such individuals (or any other persons at the Clearing Member holding such positions) (the "CDCC Contacts") in connection with all telephone communications during **B**usiness **H**ours. If the CDCC Contacts are not available, the Corporation shall be entitled, during **B**usiness **H**ours, to provide telephone communications to any person answering the telephones at the Clearing Member. All telephone communications by the Corporation will be logged, electronically or manually, by the Corporation in one or more files ("Notice Files") kept for that purpose, recording the time and subject matter of the call, the individual at the Corporation who made the call and the individual at the Clearing Member who received the call. The Notice File, absent manifest error, shall be deemed to be correct.

- c) Telephone communications given in accordance with Paragraph A-206(1)(b) or in accordance with Subsection A-206(6) shall constitute full and proper notice notwithstanding the absence of any written or electronic confirmation of same.
 - d) ~~For the purposes of this Section A-206, “business hours” shall mean from 8:00 a.m. to the Close of Business on any Business Day.~~
- 2) The Corporation may from time to time prescribe the form of reports to be given by the Corporation to Clearing Members. These reports may be sent by hand delivery, fax or Electronic Communication.
 - 3) Each Clearing Member shall maintain a computer system at the Clearing Member’s designated office capable of obtaining, displaying and receiving Electronic Communications from the Corporation. Each Clearing Member shall have an obligation to review promptly each report, notice, instruction, data or other information made available by the Corporation to such Clearing Member through Electronic Communication. Each Clearing Member shall be responsible for advising the Corporation by telephone (confirmed in writing), fax or hand delivered notice on the Business Day on which a report is deemed to have been received or the Expiration Date of any item requiring change for any reason and the failure to report any such required change by such time shall constitute a waiver of the Clearing Member’s right to have such item changed.
 - 4) Upon the Corporation delivering or making available a notice or report in accordance with this Section A-206, the Corporation’s obligation to furnish, issue or deliver such notice or report shall have been fulfilled.
 - 5) Subject to Subsection A-206(6):
 - a) a notice given by telephone shall be deemed to have been received by a Clearing Member as of and to be effective from the time of the telephone call to an individual in accordance with Paragraph A-206(1)(b) or Subsection A-206(6), as the case may be, as recorded in the relevant Notice File, unless the notice or another Rule specifically provides otherwise;
 - b) a notice given or report sent by fax shall be addressed to one or more of the CDCC Contacts and shall be deemed to have been received as of and, unless otherwise stated, to be effective from and after the time of the fax on the day it is sent, unless the notice or another Rule specifically provides otherwise;
 - c) a notice or report given by Electronic Communication shall be addressed to one or more of the CDCC Contacts and shall be deemed to have been received on and to be effective as of the day it is sent, unless the notice or another Rule specifically provides otherwise; and
 - d) a notice given by mail shall be addressed to one or more of the CDCC Contacts and shall be deemed to have been received and to be effective on the fifth day after mailing and a notice given or report sent by hand delivery shall be addressed to one or more of the CDCC Contacts and shall be deemed to have been received and to be effective on the earlier of when it actually is received by the Clearing Member and the next Business Day immediately following the date it was sent.
 - 6) Where a notice is given or a report is sent by any means out of Business Hours or on a day that is not a Business Day, the notice or the report, as the case may be, shall be deemed to have been received on the earlier of

- a) the time the Corporation confirms it has actually been communicated to a responsible individual with the Clearing Member; and
- b) the beginning of the Business Hours on the next following Business Day.

For greater certainty, under Paragraph A-206(6)(b), where a notice is given or report is received prior to 9:00 a.m. on a Business Day, it shall be deemed to have been received not later than 9:15 a.m. on that Business Day. The Corporation shall maintain a list of emergency contact telephone and/or fax numbers of not less than three responsible individuals employed by each Clearing Member with whom the Corporation can communicate at all times during the out-of-ordinary Bbusiness Hhours if the Corporation determines such communication is necessary or advisable. It shall be the responsibility of each Clearing Member to ensure that the individuals so selected can be readily contacted during all outside-of-ordinary Bbusiness Hhours, and that the contact numbers for them are kept current.

SECTION A-207 PAYMENT OF FEES AND CHARGES

- 1) The Corporation may levy such fees and charges related to such services provided to Clearing Members as it deems appropriate. All or any part of the proceeds from such levy may be applied to such purposes as the Corporation shall determine from time to time.
- 2) Fees and charges owing by a Clearing Member to the Corporation shall be due and payable within 30 days following the date of the invoice.

SECTION A-208 FORCE MAJEURE OR EMERGENCY

On the happening of a *force majeure* or an Emergency, the Corporation is entitled to take such action as it deems necessary and appropriate or require any Clearing Member to take such action as the Corporation may direct in respect of the same. In taking such action, the Corporation reserves the right, with regards to the settlement of a Transaction, to make a cash settlement in lieu of the delivery of the Underlying Interest.

SECTION A-209 TIME

All times herein are Eastern Time prevailing in Montreal and Toronto at the time of the event.

SECTION A-210 DISTRIBUTION OF INFORMATION, CONFIDENTIALITY AND USE OF CDCC MATERIALS

- 1) Clearing Member Information
 - a) The Corporation may provide, on a confidential basis, any information regarding a Clearing Member to the Exchange(s) of which the Clearing Member is a member, the Clearing Member's applicable self-regulatory organization or regulatory agency, as the case may be, other clearing organizations of which the Clearing Member is a member, Market Centres, Delivery Agents, any Central Securities Depository, any Acceptable Marketplace, the Corporation's auditors and any regulatory authority having jurisdiction over the Corporation, and such other persons and organizations as the Corporation may consider

appropriate, when, in the opinion of the Corporation, such information is relevant to the preservation of the integrity of the securities industry and derivative markets or the provision of such information is in the public interest.

- b) The Corporation may also receive, on a confidential basis, any information regarding a Clearing Member from the Exchange(s) of which the Clearing Member is a member, the Clearing Member's applicable self-regulatory organization or regulatory agency, as the case may be, other clearing organizations of which the Clearing Member is a member, Market Centres, Delivery Agents, any Central Securities Depository, any Acceptable Marketplace, the Corporation's auditors and any regulatory agency having jurisdiction over the Corporation, and such other persons and organizations as the Corporation may consider appropriate. Where in the opinion of the Corporation such information is relevant, the Corporation shall be entitled to rely upon such information for the purposes, among others, of Rule A-3, Capital Requirements.
 - c) Each Clearing Member, by virtue of its membership in the Corporation, is deemed to have authorized the Corporation to provide any information regarding the Clearing Member to the Exchange(s) of which the Clearing Member is a member, the Clearing Member's applicable self-regulatory organization or regulatory agency, as the case may be, other clearing organizations of which the Clearing Member is a member, Market Centres, Delivery Agents, any Central Securities Depository, any Acceptable Marketplace, the Corporation's auditors and any regulatory agency having jurisdiction over the Corporation, and such other persons and organizations as the Corporation may consider appropriate.
 - d) Each Clearing Member, by virtue of its membership in the Corporation, is deemed to have authorized the Corporation to receive any information regarding the Clearing Member from the Exchange(s) of which the Clearing Member is a member, the Clearing Member's applicable self-regulatory organization or regulatory agency, as the case may be, other clearing organizations of which the Clearing Member is a member, Market Centres, Delivery Agents, any Central Securities Depository, any Acceptable Marketplace, the Corporation's auditors and any regulatory agency having jurisdiction over the Corporation, and such other persons and organizations as the Corporation may consider appropriate.
 - e) Each Clearing Member, by virtue of its membership in the Corporation, is deemed to have authorized the Corporation to release any information regarding the Clearing Member that is in a statistical summary or other format, provided the information does not specifically identify a particular Clearing Member.
 - f) The Clearing Member, by virtue of its membership in the Corporation, is deemed to have released the Corporation and each of its directors, officers and employees from any and all liability whatsoever which may arise by virtue of information being furnished to the Corporation or any organization considered appropriate, for such purposes, by the Corporation.
- 2) Corporation Confidential Information
- a) A Clearing Member will not disclose any Confidential Information to any person and will not copy, reproduce or store in a retrieval system or data base any Confidential Information except for such copies and storage as may be required by the Clearing Member for its own internal use when employing CDCCS.

- b) The Confidential Information will remain the exclusive property of the Corporation or the relevant third party.
- c) A Clearing Member will take reasonable security measures and use reasonable care to protect the secrecy of, and to avoid the disclosure to or use by third parties of, Confidential Information.
- d) Upon ceasing to be a Clearing Member or at any time upon the request of the Corporation, the Clearing Member will delete any Confidential Information from all retrieval systems and data bases or destroy same as directed by the Corporation and provide the Corporation with an officer's certificate attesting to such deletion or destruction.

For the purposes of this Subsection A-210(2), "Confidential Information" means all information relating to the Corporation, including all CDCC Material and any other information relating to CDCS such as trading data or procedures furnished by or on behalf of the Corporation to a Clearing Member, regardless of the manner in which it is furnished (whether oral or in writing or in any other form or media), but does not include:

- a) the Rules;
 - b) information that is already published or otherwise is or becomes readily available to the public, other than by a breach of the Rules;
 - c) information that is rightfully received by the Clearing Member from a third party not in breach of any obligation of confidentiality to the Corporation;
 - d) information that is proven to be known by the Clearing Member on a non-confidential basis prior to disclosure by the Corporation; or
 - e) information that is proven to be developed by the Clearing Member independent of any disclosure by the Corporation.
- 3) Use of CDCC Materials
- a) The Corporation grants each Clearing Member a limited, non-exclusive, revocable and non-transferable license to use CDCC Materials only for uses directly related to the Clearing Member's use of CDCS. The Clearing Member will not use CDCC Materials or any information obtained or derived from CDCC Materials except in accordance with this license. The Clearing Member acknowledges and agrees that all ownership right in the CDCC Materials belongs to the Corporation or its suppliers.
 - b) If a Clearing Member (with CDCC's permission) discloses CDCC Materials or any information obtained or derived from CDCC Materials to a client (including to any of its Affiliates) receiving services from a Clearing Member, the Corporation may require the Clearing Member to obtain an undertaking from such client to comply with Section A-210 in its use of CDCC Materials or any information obtained or derived from CDCC Materials.
 - c) Except as provided in Paragraphs (a) and (b) of this Subsection A-210(3), a Clearing Member will not: (i) copy or modify the CDCC Materials; (ii) sell, sublicense or otherwise transfer the CDCC Materials to any third party; (iii) reverse engineer or create derivative works based on the CDCC Materials; or (iv) use, disclose or communicate CDCC Materials or any information obtained or derived from CDCC Materials to or for the benefit of any

third party or any Affiliate of the Clearing Member by any means whatsoever whether as a back-office service provider, outsourcer, or wholesaler to any third party or Affiliate of the Clearing Member or for the benefit of any joint venture or partnership to which the Clearing Member is a party.

SECTION A-211 NOTICE OF PROPOSED AMENDMENTS TO RULES

As required by law, the Corporation shall provide all Clearing Members with the text of any proposed rule change and a statement of its purpose and effect on Clearing Members. This Section A-211 shall not require the Corporation to provide Clearing Members with any proposed rule change in the cases where notice is not required by law including (i) the Corporation is of the opinion that an emergency requires the rule change without public consultation, (ii) the change is in respect of a new derivative, (iii) where the impact of a change on a Clearing Member is minor, (iv) the change pertains to a routine operational process or an administrative practice, (v) the change is intended for purposes of harmonization or compliance with an existing rule or with legislation, or (vi) the change corrects an error of form, a clerical error, a mistake in calculation or makes stylistic changes. The non-receipt by any Clearing Member of proposed rule changes under this Section A-211 shall not affect the validity, force or effect of any action taken by the Corporation pursuant thereto.

SECTION A-212 DEPOSITS AND WITHDRAWALS

- 1) General
 - a) From time to time, each Clearing Member will be required to make payments, deposits or transfers of Cash, Securities, certificates, property, Underlying Interests, Underlying Interest Equivalents or other interests or rights to the Corporation under these Rules, to assure the performance of the obligations of such Clearing Member or to fulfil such Clearing Member's obligations to the Corporation hereunder.
 - b) Each payment, deposit or transfer, whether of Cash, Securities, certificates, property, Underlying Interests, Underlying Interest Equivalents or other interests or rights (a "Deposit") shall be deemed to have been made at the time that (i) the Deposit has been delivered to and accepted by the Corporation, (ii) where the Corporation has the authority or under these Rules is entitled to transfer or apply any monies, securities or position from any Clearing Member's account, whether such account is held at the Corporation or elsewhere, at the time such transfer or application is effected by the Corporation, or (iii) a Put Escrow Receipt, a Call Underlying Interest Deposit or a Futures Underlying Interest Deposit has been accepted by the Corporation.
 - c) At the time of any Deposit hereunder, the Clearing Member shall indicate on the appropriate form filed with the Corporation the details and purpose of the Deposit.
- 2) Put Escrow Receipts, Call Underlying Interest Deposits or Futures Underlying Interest Deposits will be accepted only if the Approved Depository has agreed in writing in the form prescribed by the Corporation, that:
 - a) the Deposit has been received by such Approved Depository and is in Good Deliverable Form;

- b) the Deposit shall be immediately delivered to the order of the Corporation in accordance with the terms and conditions of a Depository Agreement made between such Approved Depository and the Corporation (i) with respect to a Put Escrow Receipt, on demand at any time during the period the Corporation holds the Put Escrow Receipt, and (ii) with respect to a Call Underlying Interest Deposit or Futures Underlying Interest Deposit, by being pledged to the Corporation through a Central Securities Depository during the life of the relevant call Option or Future;
 - c) the Deposit shall remain (i) with respect to a Put Escrow Receipt, on deposit with the Approved Depository in trust for the Corporation until the Put Escrow Receipt is returned to the Approved Depository, or the Deposit is delivered to the order of the Corporation on demand in accordance with the relevant Put Escrow Receipt and the terms of the Depository Agreement; and (ii) with respect to a Call Underlying Interest Deposit or Futures Underlying Interest Deposit, on deposit with the Corporation through a Central Securities Depository until the Call Underlying Interest Deposit or Futures Underlying Interest Deposit is returned to the Approved Depository, or the Deposit is seized by the Corporation in accordance with the terms of the Depository Agreement; and
 - d) the Corporation shall have the right to hold the Put Escrow Receipt, Call Underlying Interest Deposit or Futures Underlying Interest Deposit until the Corporation is satisfied, following the filing of a withdrawal request pursuant to this Section, that all Margin required has been deposited with the Corporation.
- 3) The Clearing Member shall deliver the Deposit to the Corporation (together with such covering forms as the Corporation may require), between the hours specified by the Corporation. Clearing Members shall ensure that at all times the Deposits are not held by them but by the Corporation or an Approved Depository.
- 4) A Deposit may be withdrawn by a Clearing Member between the hours specified by the Corporation; provided, however, that the Corporation may continue to hold a Deposit:
- a) following the Expiration Date of the relevant Options until all obligations of the Clearing Member arising from the assignment of Exercise Notices have been performed; or
 - b) following the acceptance of a Tender Notice until all obligations of the Clearing Member arising from the delivery of or payment for the Underlying Interest have been performed.
- A Clearing Member seeking to withdraw a Deposit shall submit a duly completed withdrawal request in the form prescribed by the Corporation and must comply with the applicable notice requirements as set out in the Operations Manual.
- 5) Put Escrow Receipts, Call Underlying Interest Deposits and Futures Underlying Interest Deposits shall be deemed Underlying Interest Equivalents in accordance with Section A-708.
- 6) Deposits
- a) At the time of the delivery of a Deposit, the Clearing Member shall indicate on the appropriate form filed with the Corporation whether the Deposit is a 'bulk deposit' or a 'specific deposit'.

- b) A bulk deposit may be made in respect of any number of unspecified Option Short Positions or unspecified Futures Short Positions held in the account of the Clearing Member for which the Deposit is made.
 - c) A specific deposit may be made only of Underlying Interest or Underlying Interest Equivalent held for the account of a named depositor in respect of a specified put or call Option Short Position or specified Futures Short Position held by the Clearing Member for such depositor. The Clearing Member shall maintain a record of each specific deposit, identifying the depositor, the account in which the Underlying Interest or Underlying Interest Equivalent is held and the specified positions for which the specific deposit has been made.
 - d) No Underlying Interest or Underlying Interest Equivalent held for the account of a Client may be deposited hereunder in respect of a position in any account other than a Client Account. No Underlying Interest or Underlying Interest Equivalent held for any Market Maker may be deposited hereunder in respect of a position in any account other than such Market Maker Account.
 - e) The Deposit hereunder by a Clearing Member of any Underlying Interest or Underlying Interest Equivalent held for the account of any Client may be made only to the extent permitted by applicable law, regulations and policies of the Corporation and shall constitute the certification of the Clearing Member to the Corporation that such Deposit does not contravene any provision of applicable law, regulations or policies of the Corporation.
 - f) The Clearing Member shall not deposit hereunder more Underlying Interest or Underlying Interest Equivalent held for a Client Account than is fair and reasonable in light of the indebtedness of the Client to such Clearing Member and the Client's positions with the Clearing Member.
 - g) The Corporation shall not use any Underlying Interest or Underlying Interest Equivalent in bulk deposit in a Client Account or a Market Maker Account, or the proceeds therefrom, to satisfy any obligation of the Clearing Member to the Corporation other than an obligation arising out of such Client Account or Market Maker Account.
- 7) Depository Receipts
- a) A Clearing Member may file a Depository Receipt issued by an Approved Depository (in the form approved by the Corporation) which certifies that the Underlying Interest or Underlying Interest Equivalent described therein is held by such Approved Depository in trust for the Corporation (in the case of a Put Escrow Receipt) or is pledged to the Corporation through a Central Securities Depository (in the case of a Call Underlying Interest Deposit or Futures Underlying Interest Deposit) on the instructions of a named depositor.
 - b) In the event any Short Position for which a Depository Receipt has been deposited is closed out by a Closing Purchase Transaction or by a Closing Buy Transaction, as the case may be, the Clearing Member making such Deposit may promptly request the withdrawal of the Depository Receipt evidencing such Deposit.
 - c) If a Clearing Member requests the withdrawal of a Depository Receipt issued in respect of a put or call Option or a Future while it is still outstanding, it may do so subject to satisfying

the Margin requirement with respect thereof. When such Margin is deposited, the Corporation will release and return the Depository Receipt previously filed in respect of such put or call Option or Future, as the case may be.

8) Approved Depositories

Clearing Members acknowledge and agree that the Corporation will accept that Deposits be made through an Approved Depository in accordance with these Rules on the basis that the Approved Depository meets the following criteria:

- a) It is (i) a trust company to which the Trust and Loan Companies Act (Canada) applies or subject to the Loan and Trust Corporations Act (Ontario) or An Act Respecting Trust Companies and Savings Companies (Quebec) or equivalent legislation of other provinces of Canada, or (ii) such other institution as the Board may, in its sole discretion, approve from time to time;
- b) It has a minimum capital of \$25,000,000, for which current audited financial statements are available;
- c) It enters into a Depository Agreement with the Corporation in acceptable form;
- d) It enters into an agreement with the depositor (either a Clearing Member or a client of a Clearing Member) wishing to make Deposits in the form of Cash to be held in trust for the Corporation and certified by Put Escrow Receipts, and/or Call Underlying Interest Deposits and/or Futures Underlying Interest Deposits to be pledged to the Corporation through a Central Securities Depository pursuant to Section A-708, which agreement shall clearly set forth the conditions under which the Approved Depository will handle such Deposits, issue Depository Receipts and honour the Corporation's demands for release in respect of Put Escrow Receipts, consistent with the terms of the Depository Agreement;
- e) It holds each Deposit that is the object of a Put Escrow Receipt as custodian for the account of the depositor in trust for the Corporation with the express authority from the depositor to act in such capacity in respect of a specific put Option;
- f) It holds each Deposit that is the object of a Put Escrow Receipt free from liens or encumbrances and does not subject it or any part of it to any right (including any right of set-off), charge, security interest, lien or claim of any sort in its own or in any third party's favour;
- g) It is duly authorized by the depositor to release a Deposit that is the object of a Put Escrow Receipt in favour of the Corporation in accordance with the terms of the Depository Agreement;
- h) It pledges on behalf of the depositor each Deposit that is the object of a Call Underlying Interest Deposit to the Corporation through a Central Securities Depository with the express authority from the depositor to effect such pledge of the relevant Underlying Interest in respect of a specific a call Option;
- i) It pledges on behalf of the depositor each Deposit that is the object of a Call Underlying Interest Deposit free from liens or encumbrances and does not subject it or any part of it to any right (including any right of set-off), charge, security interest, lien or claim of any sort in its own or any third party's favour;

- j) It pledges on behalf of the depositor each Deposit that is the object of a Futures Underlying Interest Deposit to the Corporation through a Central Securities Depository with the express authority from the depositor to effect such pledge of the relevant Underlying Interest in respect of a specific Future; and
- k) It pledges on behalf of the depositor each Deposit that is the object of a Futures Underlying Interest Deposit free from liens or encumbrances and does not subject it or any part of it to any right (including any right of set-off), charge, security interest, lien or claim of any sort in its own or any third party's favour.

SECTION A-213 ACCOUNTS WITH FINANCIAL INSTITUTIONS

Every Clearing Member shall designate an account or accounts established and maintained by it in a Canadian financial institution acceptable to the Corporation for each currency of the Transactions that it enters into.

SECTION A-214 ELECTRONIC INTERFACES

As many functions previously conducted by the movement of paper between the Corporation and Clearing Members are now, or will in the future be, executed by electronic transfers of data to and from the Corporation, the words "access", "deliver", "furnish", "instruct", "issue", "make available", "notify", "receive", "submit" and "tender" shall include, where appropriate, the movement of information by electronic means between the Corporation and a Clearing Member.

SECTION A-215 LIABILITY

- 1) Notwithstanding anything to the contrary in the Rules, all obligations of the Corporation described in the Rules are solely to its Clearing Member. For greater certainty, the Rules are not to be interpreted or construed to imply that the Corporation has any obligation to any Entity other than its Clearing Members. Without limiting the generality of the foregoing, the Corporation is also not liable for obligations of a non-Clearing Member, or of a Clearing Member to a non-Clearing Member, of a Clearing Member to another Clearing Member who is acting for it as an agent, or obligations to a Client by a Clearing Member, nor shall the Corporation become liable to make deliveries to or accept deliveries from any such Entity.
- 2) Notwithstanding the fact that a Clearing Member may not be a member of an Exchange on which Options or Futures trade, such Clearing Member shall nonetheless be subject to the position limits, exercise limits and any risk limits established by such Exchange.
- 3) CDCS provides to Clearing Members, among other things, electronic data transmission services in connection with the acceptance and/or clearance of Transactions including, but not limited to, clearing and settlement, margining, holding of deposits and the preservation or communication of data in or through any computer or electronic data transmission system.
- 4) The Corporation shall not be required to perform any obligation under the Rules or make available CDCS nor shall it be held liable for any failure or delay in the performance of its obligations to any Clearing Member due to the unavailability of CDCS, if, as a result of force majeure or Emergency,

it becomes impossible or impracticable to perform such obligation or make available CDCS, and where the Corporation could not, after using reasonable efforts (which would not require the Corporation to incur a loss other than immaterial, incidental expenses), overcome such impossibility or impracticability.

- 5) The Corporation shall not be liable to a Clearing Member for any direct or indirect or consequential loss, damage, loss of anticipated profit, loss of bargain, cost, expense, or other liability or claim suffered or incurred by or made against a Clearing Member as a result of the use by the Clearing Member of CDCS or any failure of CDCS or any act or omission of the Corporation, its directors, officers or employees, or members of any standing or ad hoc committee formed by the Corporation, regardless of whether such act or omission constitutes negligence. By making use of CDCS, Clearing Members expressly agree to accept any and all such loss, damage, cost, expense, or other liability or claim arising from the use of CDCS.
- 6) The Corporation shall not be liable to a Clearing Member for any indirect or consequential loss, damage, loss of anticipated profit, loss of bargain, cost, expense, or any other liability or claim suffered or incurred by or made against a Clearing Member as a result of the failure by the Corporation to pay a Settlement Amount owing in respect of a transaction, regardless of whether such failure constitutes negligence.
- 7) In the event any legal proceeding is brought by any person against the Corporation seeking to impose liability on the Corporation as a direct or indirect result of the use by a Clearing Member of CDCS, the Clearing Member shall reimburse the Corporation for:
 - a) all expenses and legal fees incurred by the Corporation in connection with the proceeding;
 - b) any award pronounced against the Corporation in any judgment in the event it is found to be liable; and
 - c) any payment made by the Corporation, with the consent of the Clearing Member, in settlement of any such proceeding.
- 8) The exemption from liability of the Corporation set out in this Section A-215 shall not extend to, nor limit liability for damages caused through an intentional or gross fault as defined in Article 1474 of the Civil Code of Québec.

SECTION A-216 AUDITED STATEMENTS OF THE CORPORATION

After they have been presented to the Board, the Corporation shall furnish at its expense to each Clearing Member one copy of:

- a) the balance sheet forming part of its audited financial statements for such fiscal year, with accompanying notes related to the balance sheet;
- b) the report of the Corporation's independent auditor thereon;
- c) the report of the Corporation's independent auditors on the suitability of the system of internal controls of the Corporation with the objectives of internal control stated by the Corporation pertaining to its:



- i) administration;
- ii) information technology;
- iii) trading/assignment/exercise; and
- iv) margin and collateral.

SECTION A-217 CORPORATION AS AGENT RE SETTLEMENT ACCOUNTS

Each Clearing Member will establish a separate Canadian dollar bank account, and if a Clearing Member clears Options, Futures, or Options and Futures, a separate United States of America dollar Bank account, for settling Transactions in this currency (the “Settlement Accounts”). Each Clearing Member hereby appoints the Corporation to act as its agent, and the Corporation hereby accepts such appointment upon the terms and conditions hereof, solely for the purpose of effecting, on behalf of such Clearing Member, electronic payment instructions from the Settlement Accounts for the purpose of paying all amounts owing by the Clearing Member to CDCC. Nothing herein shall abrogate a Clearing Member’s obligations hereunder to maintain sufficient funds in the Settlement Accounts for the purposes of ensuring complete and timely settlement of the Clearing Member’s obligations hereunder.

SECTION A-218 WAIVER OF IMMUNITY

Each Clearing Member irrevocably waives, with respect to itself and all of its revenues and assets, all immunity on the grounds of sovereignty or other similar grounds from suit, jurisdiction of any court, relief by way of injunction, order for specific performance or for recovery of property, attachment of its assets (whether before or after judgment) and execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any proceedings in the courts of any jurisdiction and irrevocably agrees that it will not claim any such immunity in any proceedings.

SECTION A-219 PARAMOUNTCY

In the event of any conflict between the Operations Manual (including any Schedule to the Operations Manual) and these Rules (without reference to the Operations Manual), the terms and conditions of the Rules (without reference to the Operations Manual) will govern to the extent of such inconsistency.

SECTION A-220 GOVERNING LAW

The Rules shall be governed by and construed in accordance with the laws of the province of Quebec and the federal laws of Canada applicable therein. Each Clearing Member, by virtue of its membership in the Corporation, attorns to the jurisdiction of the courts of Quebec.

The term “pledge” (and any correlative term) in the Rules and any Application for Membership includes a security interest and hypothec and any provision whereby a pledge is or shall be granted includes the grant of a security interest and hypothec.

RULE A-7 MARGIN REQUIREMENTS

SECTION A-701 MARGIN MAINTENANCE AND PURPOSE

- 1) Prior to the Settlement Time on every Business Day, every Clearing Member shall be obligated to deposit Margin with the Corporation, as determined by the Corporation, in respect of
 - a) each Long Position,
 - b) each Short Position,
 - c) each Assigned Position,
 - d) each exercised Option position, and
 - e) each tendered Futures position.

in each account maintained by such Clearing Member with the Corporation at the opening of such Business Day, including each such position that arises out of a Transaction having a Settlement Time on such Business Day, but excluding Short Positions and Assigned Positions for which either the Underlying Interest or the Underlying Interest Equivalent as specified in Section A-708 has been deposited with the Corporation. When determining whether additional Margin is required from a Clearing Member, the Corporation shall take into account, subject to Subsection A-704(2), all Margin Deposits deposited by or on behalf of such Clearing Member with the Corporation (and not returned to such Clearing Member).

- 2) The Corporation shall apply the Non-Conforming Member's Margin Deposit (including, without limitation, Margin and Clearing Fund), subject to Subsection A-701(3), to the discharge of:
 - a) the Non-Conforming Member's obligation with respect to any Transaction accepted by the Corporation, whether such failure is caused or not by the Non-Conforming Member;
 - b) a failure or anticipated failure to make any payment to the Corporation required of a Non-Conforming Member, whether such failure is attributable to the Non-Conforming Member or not;
 - c) any loss or expense anticipated or suffered by the Corporation upon the liquidation of the Non-Conforming Member's position;
 - d) any loss or expense anticipated or suffered by the Corporation pertaining to the Non-Conforming Member's obligations in respect of exercised Options or tendered Futures or OTCI for which settlement has not yet been made or in connection with hedging transactions effected for the account of the Corporation pursuant to Rule A-4 in respect of the Non-Conforming Member's positions in Options, Futures and OTCI;
 - e) any protective or hedging transaction effected for the account of the Corporation pursuant to Rule A-4 in respect of the Non-Conforming Clearing Member's positions in Options and Futures;

- f) any protective or hedging transaction effected for the account of the Corporation pursuant to Rule A-4 in respect of the Non-Conforming Clearing Member's positions in any OTCI; or
 - g) any other situation determined by the Board.
- 3) Each Clearing Member grants to the Corporation a first ranking pledge over all property (including without limitation Margin and Clearing Fund) that constitutes Margin Deposit or other property which may from time to time be in the possession or control of the Corporation, or in the possession or control of a person acting on behalf of the Corporation. This pledge shall secure the performance by the Clearing Member of all of its obligations to the Corporation and, to the extent such pledge relates to Clearing Fund deposits, it shall also secure the performance by another Clearing Member which is a Non-Conforming Member of its obligations to the Corporation, all subject to the provisions of Rule A-6 and the Default Manual, provided that, except for Clearing Fund deposits, Margin Deposits with respect to a Client Account shall only secure the performance by the Clearing Member of its obligations in respect of that Client Account, and Margin Deposits with respect to a Market Maker Account shall only secure the performance by the Clearing Member of its obligations in respect of that Market Maker Account. Notwithstanding the foregoing, if the Clearing Member does not identify its Margin Deposits with respect to each of its accounts, the Corporation shall use all Margin Deposits without distinction as securing all the obligations of the Clearing Member in respect of all its accounts. The Clearing Member shall execute and deliver (or cause to be executed and delivered) such other documents as the Corporation may from time to time request for the purpose of confirming or perfecting the pledge granted to the Corporation by the Clearing Member; provided that the failure by the Corporation to request or by the Clearing Member to execute and deliver (or cause the execution and delivery of) such documents shall not limit the effectiveness of the pledge in favour of the Corporation.
- 4) Except as permitted under Subsection A-609(4) in respect of Clearing Fund deposits, and without limiting the right of the Corporation to invest the Margin Deposits in the form of cash under Subsections A-608(1) and A-709(1), the Corporation shall not grant a pledge over or transfer any property deposited as Margin Deposit by a Clearing Member which has not been designated as a Non-Conforming Member by the Corporation as security for, or in connection with, the Corporation's own obligations to any person.
- 5) Without limiting the rights of the Corporation under Subsection A-701(2), the Corporation may at its sole discretion grant a pledge over or transfer all property deposited with the Corporation as Margin Deposit (including, without limitation, Margin and Clearing Fund) by a Clearing Member which has been designated as a Non-Conforming Member as security for, or in connection with, the Corporation's own obligations to any person incurred in order to obtain liquidity or credit for the purpose of assisting the Corporation to honour its obligations on a timely basis further to the designation by the Corporation of such Clearing Member as being a Non-Conforming Member. In such circumstances, the Corporation shall grant a pledge over or transfer such Non-Conforming Member's Margin Deposits before doing so with respect to the Clearing Fund deposits of other Clearing Members, in accordance with Subsection A-609(4). The Corporation shall be deemed to continue to hold all Margin Deposit deposited with the Corporation, regardless of whether the Corporation has exercised its rights under this Subsection 701(5).
- 6) Any account or sub-account of a Clearing Member with the Corporation that reflects Financial Assets deposited with the Corporation by or on behalf of such Clearing Member for Margin



purposes and to which such Financial Assets are credited, shall be considered a securities account for purposes of the QSTA or any similar securities transfer law of any other jurisdiction.

SECTION A-702 DISCRETIONARY MARGIN RULE

The amount of Margin Deposits which may be required from a Clearing Member pursuant to this Rule A-7 may be varied by the Corporation at any time and from time to time without advance notice whenever the Corporation, in its sole discretion, considers such variation necessary or advisable for the protection of the Corporation, Clearing Members or the investing public.

SECTION A-703 DAILY MARGIN ACTIVITY REPORT

- 1) Each Business Day, the Corporation shall issue to each Clearing Member for each account maintained by the Clearing Member with the Corporation a report (“Daily Margin Activity Report”) which shall show the amount of Margin required to be deposited with the Corporation by virtue of the Clearing Member's positions. All Margin requirements shall be satisfied by Settlement Time on each Business Day notwithstanding any error in such report.
- 2) If for any reason the Daily Margin Activity Report is not available to a Clearing Member, it shall be the responsibility of that Clearing Member to ascertain from the Corporation the amount of Margin required to be deposited with the Corporation, so that the Margin requirements are met before Settlement Time each Business Day.

SECTION A-704 WITHDRAWALS OF MARGIN

- 1) Subject to Subsection A-704(2), in the event that on any particular day the amount of a Clearing Member's Margin on deposit exceeds the amount required to be deposited by such Clearing Member on such day pursuant to this Rule A-7, as shown by a report (“Deposits/Withdrawals Report”) for such day, the Corporation shall authorize the withdrawal of the amount of the excess upon the submission to the Corporation, by such Clearing Member during the hours specified by the Corporation, of a withdrawal request in the form prescribed by the Corporation provided that the Clearing Member shall provide the Corporation with sufficient prior notice of such withdrawal request as set out in the Operations Manual.
- 2) If a Clearing Member has excess Margin deposited in respect of any Firm Account, the Corporation shall be entitled to apply such excess (or a portion thereof) as is necessary to meet the Margin requirements in respect of a Client Account or Market Maker Account. If a Clearing Member has excess Margin deposited in respect of any Client Account or any Market Maker Account, the Clearing Member shall not be entitled to apply such excess (or a portion thereof) to meet the Margin requirements in respect of a Firm Account; provided, however, that if the Clearing Member does not identify its Margin Deposits with respect to each of its accounts, the Corporation shall apply the Margin deposited by a Clearing Member indistinctively to meet the Margin requirements in respect of all its accounts.

SECTION A-705 INTRA-DAY MARGIN CALLS

- 1) Section 2 of the Operations Manual specifies ~~three~~ one Intra-Day Margin Calls: one in the early hours of a Business Day (the “Early Morning Intra-Day Margin Call”); one in the morning (the “Morning Intra-Day Margin Call”) and another one in the afternoon (the “Afternoon Intra-Day Margin Call”). The Corporation may also require the deposit of supplementary Margin by any Clearing Member in any account at any time during any Business Day which the Corporation, in its sole discretion, considers necessary or advisable to reflect changes during such day in the Market Price of any Underlying Interest, or changes in the financial position of the Clearing Member or to protect the Corporation, Clearing Members or the public.
- 2) Subject to Subsection A-704(2), if a Clearing Member has excess Margin on deposit with the Corporation, the Corporation shall be entitled, upon determining that supplementary Margin is required, immediately to apply such portion of the excess Margin as is necessary to meet the supplementary Margin requirements. The Corporation shall notify the Clearing Member as soon as practicable of such application. If there is no excess Margin then on deposit, the Corporation will notify the Clearing Member of the amount of supplementary Margin required. Such supplementary Margin shall be deemed to be owing upon a Clearing Member receiving notice thereof and shall be deposited by the Clearing Member within one hour of the Clearing Member receiving such notice, or such longer time as may be permitted by the Corporation. Credit for all such supplementary Margin deposits, shall be reflected on the Daily Settlement Summary Report on the following Business Day.

SECTION A-706 MARGIN CALCULATIONS

The Corporation uses SPAN® for its risk-based Margin system which analyzes Options and Futures positions in each account of each Clearing Member. The system projects a liquidating value for each such account and collects sufficient Margin to cover the Corporation’s projected costs in the event that such a liquidation should be required. Offsetting positions are considered and, where determined prudent, the Corporation may reduce its Margin requirements.

The Corporation uses a proprietary margining system for the purposes of margining any OTCI transactions presented to the Corporation for clearing. The components of margin for all OTCI transactions are as follows:

- a) Outstanding settlement amounts not yet paid;
- b) Mark-to-Market Valuation from current Open Positions within each account; and
- c) A worst-case liquidating value for each account.

Margin off-sets are considered in the margining process and where determined prudent, the Corporation may reduce the Margin requirements for specific accounts.

The Corporation provides Clearing Members with information on the calculation of Margins on request.

SECTION A-707 MARGIN ON OPTIONS SPREAD POSITIONS CARRIED IN CLIENT ACCOUNTS

- 1) Where a Clearing Member maintains an Options Spread Position in its Client Account, the Clearing Member may inform the Corporation of this fact with a view to reducing the Margin required on the positions held in that account by filing a report (“Options Spread Position Report”) with the Corporation.
- 2) Each Clearing Member shall maintain a record of each Spread Position held for in its Client Account identifying the client, the Client Account in which the Spread Position is held, and the specified Long Positions and Short Positions making up the Spread Position.
- 3) Prior to the time established by the Corporation, on every Business Day, each Clearing Member shall inform the Corporation, in the form prescribed, of the quantity and composition of any additions to or deletions from the Spread Positions carried for individual clients.
- 4) No Clearing Member shall inform the Corporation of a Spread Position or permit a Spread Position to remain recorded by the Corporation unless the Clearing Member is simultaneously carrying in the relevant Client Account Long and Short Positions for an equal number of Options of the same Class of Options and the Margin required to be deposited by such client in respect of such positions has been reduced accordingly. The filing by a Clearing Member of an Options Spread Position Report shall constitute the certification by the Clearing Member to the Corporation that such filing is authorized, is in accordance with the foregoing and is in compliance with all applicable laws and regulations.
- 5) If a Client Account with the Corporation has Spread Positions for a Series of Options in respect of which the Corporation has been notified and the total Long Position in such Series of Options is reduced by the filing of an Exercise Notice or the execution of a closing transaction in such account, such reduction shall also be applied by the Corporation against the Spread Position in such account. If the Clearing Member wishes such reduction to be applied in a different manner, it shall so instruct the Corporation by filing an appropriate spread instruction.

SECTION A-708 UNDERLYING INTEREST AND UNDERLYING INTEREST EQUIVALENT

Clearing Members shall NOT be required to deposit Margin in respect of Short Positions in Futures or Options for which they have deposited the Underlying Interest or Underlying Interest Equivalent as herein defined.

- 1) For **CALL OPTIONS** the Underlying Interest or Underlying Interest Equivalent shall mean:
 - a) Equity Options –
 - i) the underlying Security or any Security exchangeable or convertible without restriction, other than the payment of Cash, into the underlying Security shall be acceptable, provided that neither the Security nor the right to exchange or convert lapses throughout the life of the Option. Where the payment of money is a condition of conversion such Cash shall be deposited with the Corporation at the same time as the convertible Security. This provision applies to warrants, rights, and convertible Securities.

- ii) a Call Underlying Interest Deposit issued by an Approved Depository in favour of the Corporation.
 - b) Bond Options – Government of Canada Bonds (excluding Canada Savings Bonds) which:
 - i) are the underlying bond; or
 - ii) have been determined by the Corporation as acceptable on the basis that they:
 - have higher coupon rates;
 - have an aggregate face value at maturity of at least \$1,000,000,000;
 - trade at a premium of \$5 greater than the underlying bond; and
 - mature no sooner than 2 years prior to the underlying bond.
 - c) Silver Options – silver certificates issued by organizations acceptable to the Corporation.
 - d) Cash Settlement Options
 - i) Government Securities as specified in Section A-709 equal in value to the aggregate current value (which for the purposes of this Section have the meaning attributed thereto in Section B-1001 as the context requires) of the Option at the close of trading on the Business Day prior to the deposit.
 - ii) If the value of the government Securities deposited for each contract falls below the value of the aggregate current value on any Business Day the Corporation may call for an additional deposit or Margin.
 - e) Options on short term money-market instruments expiring in one year or less
The Underlying Interest or any other instrument acceptable to the Corporation.
 - f) Futures Options – Government of Canada Bonds (excluding Canada Savings Bonds) which:
 - i) are the underlying bond; or
 - ii) have been determined by the Corporation as acceptable.
 - g) Gold Options – gold certificates issued by organizations acceptable to the Corporation.
- 2) For **PUT OPTIONS** Underlying Interest and Underlying Interest Equivalent shall mean:
- a) Cash deposited at the Corporation in the amount of the relevant Exercise Price,
 - b) a Put Escrow Receipt issued by an Approved Depository in favour of the Corporation.
- 3) For **FUTURES** Underlying Interest and Underlying Interest Equivalent shall mean:
- a) any Underlying Interest which would be considered to be in Good Deliverable Form on the corresponding Futures contracts.



- b) a Futures Underlying Interest Deposit issued by an Approved Depository in favour of the Corporation.

For cash settlement Futures, the Corporation may impose from time to time at its sole discretion Margin requirements on the Underlying Interest or Underlying Interest Equivalent as determined by the Corporation.

SECTION A-709 ELIGIBLE COLLATERAL

Margin requirements may be fulfilled by depositing with the Corporation, subject to Section A-212, one or more of the following forms of eligible collateral which meet certain criteria as described in the Risk Manual:

- 1) Cash – Clearing Members may deposit Cash by way of an irrevocable funds transfer to the Corporation. Funds so deposited may, from time to time, be partially or wholly invested by the Corporation for its account and, to the extent not so invested, shall be deposited to the credit of the Corporation in such financial institutions as the Board may select. Any interest or gain received or accrued on the investment of such funds shall belong to the Corporation. Such funds shall not be used by the Corporation as working capital.
- 2) Debt – Clearing Members may deposit with the Corporation debt Securities which respect certain eligibility criteria determined by the Corporation in the Risk Manual (“Debt Securities”). The Corporation establishes, reviews on a regular basis and publishes the list of eligible Debt Securities on its web site.

Debt Securities shall be freely negotiable and shall be valued at a discounted rate to their market value, as determined by the Corporation from time to time in accordance with the methodology set forth in the Risk Manual. Such valuation rate shall be applied to the market value of the relevant Securities. “Market value” as used in this Subsection A-709(2) shall be determined on the close of each Business Day by the Corporation through reference to one or more data supply services retained by the Corporation for such purpose. If a market value is required to be determined on a non-Business Day, and the data supply service does not provide a market value for such day, the market value on the immediately preceding Business Day shall be used. If no market value is generally available for any Debt Securities accepted by the Corporation as eligible collateral, such Securities shall be valued at an amount determined by the Corporation.

The Debt Securities shall be deemed to be deposited with the Corporation at the time the Corporation accepts the Debt Securities as Margin. All interest or gain received or accrued on such Debt Securities prior to any sale or negotiation thereof shall belong to the depositing Clearing Member and such interest will be paid to such depositing Clearing Member by the relevant issuer.

- 3) Valued Securities – In addition to the Underlying Interest and Underlying Interest Equivalent which may be deposited under Section A-708, Clearing Members may deposit with the Corporation certain Security which respect certain eligibility criteria determined by the Corporation in the Risk Manual (“Valued Security”).



The Valued Securities shall be deemed to be deposited with the Corporation at the time the Corporation accepts the Valued Securities as Margin.

The Corporation may from time to time and at its sole discretion accept other forms of eligible collateral or cease accepting any form of eligible collateral and require, if applicable, the replacement of such collateral. When the Corporation ceases to accept a form of eligible collateral, the Corporation shall notify all Clearing Members who, where required, shall promptly replace all unacceptable forms of collateral deposited with the Corporation with eligible collateral.

SECTION A-710 DAILY CAPITAL MARGIN MONITORING CALLS

The Corporation will monitor the Margin requirement of a Clearing Member as a percentage of its capital. In the event that this ratio exceeds 100%, additional margin in the amount of the excess over the ratio of 100% will be collected from the Clearing Member in the form of acceptable Margin in accordance with Section A-709.

PART B – OPTIONS

RULE B-1 CLEARING OF EXCHANGE TRANSACTIONS IN OPTIONS

[...]

SECTION B-117 SETTLEMENT WHEN DELIVERY OF UNDERLYING INTEREST IS RESTRICTED

- 1) Notwithstanding anything contained in these Rules, the Board shall be empowered to impose such restrictions on the exercise of one or more Series of American Options as the Board in its judgment deems necessary or advisable in the interest of maintaining a fair and orderly market in Options or in the Underlying Interest or otherwise deems advisable in the public interest or for the protection of investors.
- 2) During the effectiveness of any such restriction, no Clearing Member shall effect an exercise for any account in contravention of such restriction. Notwithstanding the foregoing, no such restriction on exercise shall remain in effect with respect to any Series of Options on the Expiration Date for such Series of Options or, in the case of American Options, during the ten days prior to the Expiration Date of such Series of American Options. During such ten day period, or thereafter, the Board may restrict the delivery upon exercise of the Underlying Interest not owned/held by the Clearing Member holding a Short Position in a call Option to whom an Exercise Notice is assigned, in which event the Corporation shall, at the beginning of Office Hours of each Business Day during which such restriction is in effect, fix a settlement value, if any, for such series of call Options; and any Clearing Member holding a Short Position in call Options of that series who is assigned an Exercise Notice shall, to the extent that the Clearing Member does not own/hold the Underlying Interest required to be delivered, be obligated to pay, and the Clearing Member holding a Long Position in a call Option whose Exercise Notice has been assigned shall give a receipt in full for, a cash amount equivalent to the settlement value so determined for the day the Exercise Notice is assigned. Further, during the ten day period or thereafter, the Board may restrict the delivery upon exercise of the Underlying Interest not owned/held by the Clearing Member holding a Long Position in a put Option who has exercised such put Option, in which event the Corporation shall, at the beginning of Office Hours of each Business Day during which such restriction is in effect, fix a settlement value, if any, for such series of put Options and any Clearing Member holding a Short Position in put Options of that series who exercises such Options shall, to the extent that he does not own the Underlying Interest required to be delivered, be obligated to accept, and the Clearing Member holding a Short Position in the put Option to whom an Exercise Notice is assigned shall pay a cash amount equal to the settlement value so determined for the day the Exercise Notice is assigned.



RULE B-3 TENDER AND ASSIGNMENT OF EXERCISE NOTICES

SECTION B-301 EXERCISE OF OPTIONS

Unless otherwise determined by the Corporation, issued and unexpired Options may be exercised only in the following manner, during the Business Hours of each Business Day:

- 1) American Options:
 - a) on the Expiration Date in accordance with Rule B-307 hereof; or
 - b) on a Business Day other than the Expiration Date a Clearing Member desiring to exercise an Option may tender an Exercise Notice to the Corporation until the Close of Business on such Business Day.
- 2) European Options:
 - a) on the Expiration Date in accordance with Rule B-307 hereof.

Only the Clearing Member who holds the relevant open position may tender an Exercise Notice on that position.

SECTION B-302 TENDER OF EXERCISE NOTICES

- 1) Every Exercise Notice must refer to a full Option and no Option is exercisable in part.
- 2) Every tender of an Exercise Notice in accordance with Subsection B-301(1) shall be irrevocable except that where an Exercise Notice is tendered in error, it may be cancelled by the Clearing Member until the Close of Business on the Business Day when the erroneous tender was made.
- 3) Every tender of an Exercise Notice in accordance with Subsection B-301(2) shall be irrevocable.
- 4) Exercise Notices may be tendered in respect of Opening Purchase Transactions which have not yet been accepted by the Corporation, and shall be assigned by the Corporation at the same time and in the same manner as Exercise Notices filed on the same Business Day in respect of issued Options, provided that any such Exercise Notice shall be deemed null and void and of no force or effect if the Opening Purchase Transaction in respect of which it was tendered is not accepted by the Corporation on the earlier of the Expiration Date or the Business Day immediately following the date on which such Exercise Notice was filed.

SECTION B-303 RESTRICTIONS ON THE TENDER OF EXERCISE NOTICES

Whenever the Corporation or an Exchange on which a member of the Corporation is member, acting pursuant to its rules, imposes a restriction on the exercise of one or more series of American Options on the grounds that such restriction is deemed advisable in the interests of maintaining a fair and orderly market in Options or in the Underlying Interest or is otherwise in the interest of the market in general or for the protection of investors, Options of such Series of Options shall not be exercisable by any Clearing Member except in accordance with the terms of such restriction. Notwithstanding the foregoing, no such restriction

on exercise shall remain in effect with respect with any series of Options on the Expiration Date for such series of Option or, in the case of American Options, during the ten days immediately prior to the Expiration Date of such series of Options.

SECTION B-304 ACCEPTANCE OF EXERCISE NOTICES

An Exercise Notice properly tendered to the Corporation in accordance with Paragraph B-301(1)(b) or deemed to have been properly tendered in accordance with Section B-307 shall normally and routinely be accepted by the Corporation on the day of tender, except when the Corporation determines that to do so may not be in the interest of the Corporation, the public, or to the integrity of the market. The Corporation shall not be under any obligation to verify that an Exercise Notice received from a Clearing Member is or is deemed to be properly tendered.

SECTION B-305 RANDOM ASSIGNMENT OF EXERCISE NOTICES

- 1) Exercise Notices accepted by the Corporation shall be assigned, in accordance with the Corporation's procedures of random selection, to accounts with open Short Positions in the Series of Options involved. The Corporation shall treat the accounts of all Clearing Members equally, provided, however, that an Exercise Notice for more than 10 Options will be randomly assigned to accounts in blocks not exceeding 10 Options, except on the Expiration Date when an Exercise Notice may be randomly assigned in total.
- 2) Subject to Subsection B-309(2) Assignment of Exercise Notices shall be made at or before 8 a.m. on the Business Day next following the day on which the Exercise Notice was tendered in accordance with Paragraph B-301(1)(b) or was deemed to have been tendered in accordance with Section B-307.
- 3) If an Exercise Notice is tendered in accordance with Paragraph B-301(1)(b), the assignment of such Exercise Notice shall be deemed tendered as of the day on which the Exercise Notice was tendered. If an Exercise Notice is tendered in accordance with Paragraph B-301(1)(a), the assignment of such Exercise Notice shall be deemed tendered as of the Expiration Date.
- 4) An Exercise Notice shall not be assigned to any Clearing Member which has been suspended for default or insolvency. An Exercise Notice assigned to a Clearing Member which is subsequently so suspended shall be withdrawn and thereupon assigned to another Clearing Member in accordance with this Section.

SECTION B-306 REPORTING OF EXERCISES AND ASSIGNMENTS

A Clearing Member submitting an Exercise Notice and a Clearing Member to whom an Exercise Notice is assigned shall be notified of the receipt and assignment of such Exercise Notice in:

- a) reports (“Options Exercised and Assigned Report” and “Options Unsettled Delivery Report”) issued on the following Business Day; or
- b) a report (“Expiry Report”) issued for expiring Series of Options only on Expiration Date.

SECTION B-307 EXPIRATION DATE EXERCISE PROCEDURE

The following rules shall apply to the exercise of an Option on its Expiration Date:

- a) At or before 7:15 p.m. on each Expiration Date, the Corporation shall make available to each Clearing Member an Expiry Response Screen listing, by account, each expiring Option in each of the Clearing Member's accounts with the Corporation. The Expiry Response Screen shall reflect the closing price (as herein defined) of the Underlying Interest for each Series of Options listed therein and shall include such further information as the Corporation may deem appropriate.
- b)
 - i) Each Clearing Member shall be required to access the Expiry Response Screen by electronic means. Each Clearing Member may notify the Corporation of the number of Options of each series, if any, to be exercised for each account. If no Options of a particular series are to be exercised for a particular account, the Clearing Member must notify the Corporation to this effect.
 - ii) Each Clearing Member shall make a Confirmation Transmission in the form prescribed no later than 10:45 p.m. on the Expiration Date. Instructions to exercise Options transmitted to the Corporation shall be irrevocable and may not thereafter be modified.
- c) It shall be the duty of each Clearing Member to review the Expiry Response Screen against the Clearing Member's own position records and to verify the accuracy of the closing prices reflected on such Expiry Response Screen. If a Clearing Member discovers any error or omission on an Expiry Response Screen, the Clearing Member shall immediately notify the Corporation thereof and co-operate with the Corporation in reconciling any discrepancies. If a Clearing Member's position records reflect expiring Options not listed in its Expiry Response Screen, and the Clearing Member and the Corporation are unable to reconcile their respective position records, the Clearing Member may exercise any Option not listed in its Expiry Response Screen (to the extent that such Options are subsequently determined to have existed in the Clearing Member's accounts) by input to the Expiry Response Screen, together with appropriate exercise instructions, or by tendering Exercise Notices with respect to such Options in accordance with Subsection (d) hereafter.
- d) If, after the Clearing Member has made a Confirmation Transmission but prior to the Expiration Time, a Clearing Member desires to exercise Options expiring on such Expiration Date in addition to those which the Clearing Member has previously instructed the Corporation to exercise, the Clearing Member may do so by tendering a written Exercise Notice to the Corporation, prior to the Expiration Time, using such facilities as the Corporation may designate from time to time.
- e) Each Clearing Member shall be deemed to have properly and irrevocably tendered to the Corporation, immediately prior to the Expiration Time on such Expiration Date, an Exercise Notice with respect to:
 - i) each Option listed on the Clearing Member's Expiry Response Screen which the Clearing Member has instructed the Corporation to exercise in accordance with Subsections (b), (c) or (d) of this Section B-307; and

- ii) every Option of each series listed in the Clearing Member's Expiry Response Screen which is of a Class of Options subject to automatic exercise and which has an exercise price below (in the case of a call) or above (in the case of a put) the closing price of the Underlying Interest by such amounts as may be specified by the Corporation from time to time, unless the Clearing Member shall duly instruct the Corporation in accordance with Subsection (b) to exercise none or fewer than all of the Options of such series carried in such account. If the Clearing Member desires that such Option not be exercised, it shall be the responsibility of the Clearing Member to give appropriate instructions to the Corporation in accordance with Subsection (b).

INTERPRETATION AND POLICIES:

The Predetermined Limits relevant to Paragraph B-307 (e) (ii) are as follows:

Equity, Silver, Bond and Index Participation Unit Options	-\$0.01 or more in-the-money for Client Accounts \$0.01 or more in-the-money for Firm and Market Maker Accounts
Index, Gold and Futures Options	-No limits. All in-the-money Long Positions will be automatically exercised.

- f) Every Clearing Member shall ensure that an Authorized Representative is available by telephone to the Corporation between the hours stipulated by the Corporation on each Expiration Date.
- g) The Corporation shall have no liability to any Clearing Member in respect of any claims, costs, losses, damages or expenses resulting from the exercise or non-exercise of any Option due to any error or omission (whether relating to the inclusion of Options, the determination of closing prices, the making of computations or otherwise) on any Expiry Response Screen whether or not the Clearing Member reviewed such Expiry Response Screen. Any Clearing Member who fails to comply with Paragraphs (b) (i) and (ii) and Subsection (f) shall indemnify and hold the Corporation harmless from any costs, losses, expenses or claims which may arise, directly or indirectly, from the Clearing Member's failure to comply with these provisions.
- h) On any Expiration Date, the Corporation may in its discretion extend any or all of the times prescribed in Subsections (a) to (f) provided that in no event, except pursuant to Section A-208 of these Rules, shall
 - i) the deadline for the Confirmation Transmission to the Corporation be extended beyond the Expiration Time,
 - ii) the time of the availability of any Expiry Response Screen be extended to a time less than three hours before the Expiration Time.

- i) The untimely transmission of the Confirmation Transmission by a Clearing Member shall be deemed a violation of the Rules and shall cause the Clearing Member to be deemed a Non-Conforming Member subject to disciplinary action pursuant to Rule A-4 and Rule A-5, unless the Clearing Member was prevented by unusual or unforeseen conditions or events (including, but not limited to fire, strike, power failure, extraordinary weather conditions, accident, computer malfunction, acts of public authorities and business or banking moratoriums) from returning such report to the Corporation on a timely basis.
- j) The tendering of an Exercise Notice by a Clearing Member pursuant to Subsection (d) after the time established for the Confirmation Transmission shall be deemed a violation of the Rules and shall cause the Clearing Member to be deemed a Non-Conforming Member, subject to disciplinary action pursuant to Rule A-4 and Rule A-5 unless the Exercise Notice was tendered for the account of a client of the Clearing Member, and
- k) the Clearing Member was prevented from giving the exercise instruction contained therein to the Corporation on a timely basis by unusual or unforeseen condition or events of the type described in Subsection (i) affecting the Clearing Member's ability to communicate such instructions to the Corporation or to receive or process such instructions from clients, or
- l) in the case of exercise instructions given for the account of clients other than Market Makers or other broker-dealers submitting exercise instructions for their own accounts, the Clearing Member was satisfied that the client was unable, due to exceptional circumstances, to communicate such instructions on a timely basis.
- m) Notwithstanding that a Confirmation Transmission shall be deemed to have been made or an Exercise Notice shall be deemed to have been tendered in violation of the Rules pursuant to Subsection (i) or (j), all exercise instructions properly given therein shall be valid and effective provided that such Confirmation Transmission shall be made or such Exercise Notice is tendered prior to the Expiration Time. If a Clearing Member makes a Confirmation Transmission after the time required for making such transmission, or files an Exercise Notice pursuant to Subsection (d) after making the Confirmation Transmission, the Clearing Member shall be obligated to advise the Corporation in writing of the specific reasons therefore within two Business Days thereafter.
- n) The term “closing price”, as used with respect to any Underlying Interest in this Section B-307, means the price of the Underlying Interest at or about the close of trading on the Expiration Date as reported to the Corporation by the Primary Exchange. If no trading took place on the Primary Exchange on such Business Day, then the price for such Security at or about the close of trading as reported to the Corporation by the other Exchange will be used.

Notwithstanding the foregoing, if an Underlying Interest was not traded on the Expiration Date or circumstances indicate that there may be other uncertainty regarding the Underlying Interest, the Corporation may determine not to fix a closing price for that Underlying Interest. In the event of such a determination, Expiry Response Screens will not include a daily closing price for that Underlying Interest, and Clearing Members may exercise Options for the Underlying Interest only by giving affirmative exercise instructions in accordance with Subsection (b) or (e).

SECTION B-308 ASSIGNMENT OF EXERCISE NOTICES TO CLIENTS

- 1) Assignment to an account other than that indicated on a report (“Options Exercised and Assigned Report”) is not permitted.
- 2) Each Clearing Member shall establish fixed procedures for the allocation of Exercise Notices assigned to it in respect of a Short Position in the Clearing Member's Client Account. The allocation shall be on a “first in, first out” basis, on a basis of random selection, or another allocation method that is fair and equitable to the Clearing Member's clients and consistent with the regulations, rules and policies of each Exchange on which the Option is traded, if applicable. Such allocation procedures and any changes thereto shall be reported to the Corporation on request.
- 3) No Clearing Member shall permit, unless there is no alternative, the allocation of an exercise against a Short Position that was opened on the day of such allocation.

SECTION B-309 REASSIGNMENT

- 1) With the exception of an Expiration Date, Clearing Members have until 1.5 hours prior to the Close of Business on the Business Day following the date on which an assignment of an Exercise Notice is effective pursuant to Subsection B-305(3) to notify the Corporation of any condition which may make such assignment invalid.
- 2) The Corporation may reassign Exercise Notices when it considers it necessary or advisable to do so until one-half hour prior to the Close of Business on the Business Day following the date on which such Exercise Notice was first assigned.

SECTION B-310 ACCELERATION OF EXPIRATION DATE

When a Security Option contract, where the Underlying Interest is an equity stock, is adjusted pursuant to Rule A-9 – Adjustment In Contract Terms, to require the delivery upon exercise of a fixed amount of cash, the Expiration Date of the Option contract will ordinarily be accelerated to fall on or shortly after the date on which the conversation of the underlying security to a right to receive Cash occurs.

The Expiration Date of the closest month’s Option contract will remain unchanged. All Options contracts set to expire after this date will be revised to expire on the business days after that of the closest month’s Options contracts. OTCI contracts that expire prior to the expiration of the closest month’s expiration date will not be revised.

Exercised Options will continue to settle with the delivery delay as defined within the Contract Specification.

The fixed amount of Cash will be delivered according to CDCC’s payment process.



**CANADIAN DERIVATIVES CLEARING CORPORATION
CORPORATION CANADIENNE DE COMPENSATION DE PRODUITS DÉRIVÉS**

OPERATIONS MANUAL



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CLEARING MEMBER SECURITY OFFICER

ON-LINE ACCESS

Clearing Members must be connected to the CDCC Clearing Application using their PC terminals to perform a variety of functions. (Clearing Members must supply their own PC terminals and Internet connection, at their own cost).

All instructions (corrections, Open Position changes, Position Transfers, Deposits, withdrawals, and submission of Exercise Notices and Tender Notices) must be entered on-line.

The CDCC Clearing Application allows Clearing Members to view their current information throughout the day electronically (except during scheduled maintenance or unforeseen outages). In addition, Clearing Members can download their reports after 7:00 p.m. every day using the FTP Download function.

Should a Clearing Member not have electronic access (due to technical issues) to the CDCC Clearing Application during Office Hours, CDCC can perform instructions on behalf of the Clearing Member. This requires a phone call from the Clearing Member to CDCC, along with the appropriate form faxed or scanned and e-mailed to CDCC. Such form must be authorized with the approved Clearing Member's stamp.

~~The regular business hours of CDCC are 7:00 a.m. to 5:30 p.m. on every Business Day.~~

With respect to operational activity related to Options with an Expiration Date on Expiry Friday, CDCC staff members are on-site from 7:00 a.m. to fifteen (15) minutes after delivery of the Options Exercised and Assigned Report (MT02).

CLEARING MEMBER SECURITY OFFICER

TIME FRAMES FOR ON-LINE ACCESS

ON EVERY BUSINESS DAY

Activity	Deadlines
<u>Early Morning Intra-Day Margin Call</u>	<u>7:15 a.m.</u>
Settlement Time with respect to payments for overnight settlement	7:45 a.m.
Fixed Income Transactions – Netting Cycle Timeframe in respect of any Pending Settlement Requirements (Morning Net DVP Settlement Requirements sent to CDS for settlement)	8:30 to 8:45 a.m.
Fixed Income Transactions – Morning Netting Cycle Timeframe in respect of any Pending Payment Against Delivery Requirements (Morning Net Payment Against Delivery Requirements sent to CDS for settlement during the Morning Net DVP Settlement Timeframe)	10:00 to 10:15 a.m.
Morning Net DVP Settlement Timeframe	10:15 to 10:30 a.m.
Morning Intra-Day Margin Call	10:30 a.m.
Fixed Income Transactions – Netting Cycle Timeframe in respect of any Pending Settlement Requirements (Afternoon Net DVP Settlement Requirements sent to CDS for settlement)	12:15 to 12:30 p.m.
Afternoon Intra-Day Margin Call	12:45 p.m.
Specific Deposits (same day withdrawal)	12:45 p.m.
Fixed Income Transactions – Netting Cycle Timeframe in respect of any Pending Settlement Requirements (Afternoon Net DVP Settlement Requirements sent to CDS for settlement)	2:00 to 2:15 p.m.
Cash Deposits (Margin Deposits) – \$10,000,000 and under (same day deposit)	2:45 p.m.
Cash Deposits (Margin Deposits) – over \$10,000,000 (2 Business Days notice)	2:45 p.m.
Cash withdrawal requests (Margin Deposits) – \$10,000,000 and under (same day withdrawal)	2:45 p.m.
Cash withdrawal requests (Margin Deposits) – over \$10,000,000 (2 Business Days notice)	2:45 p.m.
Fixed Income Transactions – (Same Day Transactions) – Submission Cut-Off Time	3:30 p.m.
All assets deposits other than cash (Margin Deposits)	3:30 p.m.
All assets withdrawal requests other than cash (Margin Deposits) for same day withdrawal	3:30 p.m.
All assets substitution requests other than cash (Margin Deposits) for same day substitution	3:30 p.m.
Specific Deposits (overnight valuation)	3:30 p.m.
Fixed Income Transactions – Afternoon Netting Cycle Timeframe in respect of any Pending Settlement Requirements (Afternoon Net DVP Settlement Requirements	

CLEARING MEMBER SECURITY OFFICER

sent to CDS for settlement by End of Day DVP Settlement Time)	3:35 to 3:40 p.m.
End of Day DVP Settlement Time	4:00 p.m.
OTCI (other than Fixed Income Transactions) – Unmatched entry	4:30 p.m.
Position Transfers	5:25 p.m.
Same Day and T+1 Trade corrections	5:30 p.m.
Open Position changes	5:30 p.m.
Fixed Income Transactions and Futures contracts on Acceptable Securities – Netting Cut Off Time (Netted settlement instructions (Net Delivery Requirements and Net Payment Against Delivery Requirements) sent to CDS for settlement on the next business day)	5:30 p.m.