



<input checked="" type="checkbox"/>	Trading – Interest Rate Derivatives	<input checked="" type="checkbox"/>	Back-office - Options
<input type="checkbox"/>	Trading – Equity and Index Derivatives	<input checked="" type="checkbox"/>	Technology
<input checked="" type="checkbox"/>	Back-office – Futures	<input checked="" type="checkbox"/>	Regulation
		<input type="checkbox"/>	MCeX

**CIRCULAR**  
**April 3, 2013**

**REQUEST FOR COMMENTS**

**STANDARD MONTHLY SATURDAY EXPIRY PROCESSING MOVE TO FRIDAY  
EVENING**

**MODIFICATIONS TO  
EQUITY OPTIONS CONTRACT SPECIFICATIONS AND  
OPTIONS ON EXCHANGE-TRADED FUND CONTRACT SPECIFICATONS**

**AND**

**MODIFICATIONS TO ARTICLE 6637 OF RULE SIX OF THE RULES OF  
BOURSE DE MONTRÉAL INC.**

The Rules and Policies Committee of Bourse de Montréal Inc. (the “**Bourse**”) has approved amendments to the to the Equity Options and Options on Exchange-Traded Fund Contract Specifications and to Article 6637 of Rule Six of the Bourse in order to specify that expiry will occur on the last trading day, as opposed to the day following the last trading day. These changes would take effect as of June 21, 2013 so as to maintain consistency of expiration processing with the U.S. and European markets.

Comments on the proposed amendments must be submitted within 30 days following the date of publication of this notice, at the latest on **May 3, 2013**. Please submit your comments to:

M<sup>e</sup> Pauline Ascoli  
Vice-President, Legal Affairs, Derivatives  
Bourse de Montréal Inc.  
Tour de la Bourse  
P.O. Box 61, 800 Victoria Square  
Montréal, Québec H4Z 1A9  
E-mail: legal@m-x.ca

Circular no.: 057-2013

**Tour de la Bourse**  
P.O. Box 61, 800 Victoria Square, Montréal, Québec H4Z 1A9  
Telephone: 514 871-2424  
Toll-free within Canada and the U.S.A.: 1 800 361-5353  
Website: www.m-x.ca

A copy of these comments shall also be forwarded to the *Autorité des marchés financiers* (the “**Autorité**”) to:

M<sup>e</sup> Anne-Marie Beaudoin  
Corporate Secretary  
*Autorité des marchés financiers*  
800 Victoria Square, 22<sup>nd</sup> Floor  
P.O. Box 246, Tour de la Bourse  
Montréal (Québec) H4Z 1G3  
E-mail: [consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)

## **Appendices**

For your information, you will find in appendices an analysis of the proposed amendments as well as the New Procedures and the amended Cross Procedures. The implementation date of the proposed amendments will be determined by the Bourse, in accordance with the self-certification process as determined by the *Derivatives Act* (R.S.Q., chapter I-14.01).

## **Process for Changes to the Rules**

The Bourse is authorized to carry on business as an exchange and is recognized as a self-regulatory organization (SRO) by the Autorité. The Board of Directors of the Bourse has delegated to the Rules and Policies Committee of the Bourse its powers to approve and amend the Rules and Procedures. The Rules of the Bourse are submitted to the Autorité in accordance to the self-certification process as determined by the *Derivatives Act* (R.S.Q., chapter I-14.01).

Circular no.: 057-2013

**Tour de la Bourse**  
P.O. Box 61, 800 Victoria Square, Montréal, Québec H4Z 1A9  
Telephone: 514 871-2424  
Toll-free within Canada and the U.S.A.: 1 800 361-5353  
Website: [www.m-x.ca](http://www.m-x.ca)



**STANDARD MONTHLY SATURDAY EXPIRY PROCESSING MOVE TO FRIDAY EVENING**

**MODIFICATIONS TO  
EQUITY OPTIONS CONTRACT SPECIFICATIONS AND  
OPTIONS ON EXCHANGE-TRADED FUND CONTRACT SPECIFICATIONS**

**MODIFICATIONS TO ARTICLE 6637 OF RULE SIX OF THE RULES OF BOURSE DE MONTRÉAL INC.**

**I. OVERVIEW**

Over the past several years, it has been the industry goal to move the standard monthly expiry processing from Saturday to Friday. The Options Clearing Corporation (the “OCC”), the clearing corporation for all U.S. options exchanges, has confirmed that options expiration will move from Saturday to Friday night as of June 21, 2013.<sup>1</sup> The Canadian Derivatives Clearing Corporation (“CDCC”), the clearing corporation for Bourse de Montréal Inc. (the “Bourse”), has announced their intention to coordinate their move to Friday night expiry with that of the OCC.<sup>2</sup> Thus, the amendments to the Bourse’s Rules and the associated amendments to the Bourse’s Equity Options contract specifications and Options on Exchange-Traded Fund contract specifications must also go into effect on June 21, 2013. From this date onwards, option expiration will occur on Friday for all U.S., Canadian and European equity derivatives.<sup>3</sup>

**Table I - The current option expiration process**

Day	Time	Event
Friday	4:00 p.m.	The close of trading on the option
Friday	5:00 p.m.	The deadline for submitting expiration instructions on the option
Saturday	3:00 p.m.	The completion of CDCC’s option expiration process

**Table II - The option expiration process as of June 21, 2013**

Day	Time	Event
Friday	4:00 p.m.	The close of trading on the option
Friday	5:00 p.m.	The deadline for submitting expiration instructions on the option
Saturday	Between 12:30 a.m. and 1:30 a.m.	The completion of CDCC’s option expiration process

<sup>1</sup> The OCC Newsletter - November 2012, <http://www.theocc.com/about/publications/occ-news/archives/nov2012.html>

<sup>2</sup> CDCC Member Notice 035-13, [http://www.cdcc.ca/u\\_avis\\_en/035-13\\_en.pdf](http://www.cdcc.ca/u_avis_en/035-13_en.pdf)

<sup>3</sup> For CDCC, should the third Friday of the month not be a business day, option expiration will occur on the first preceding business day.

Over the past nine years, the OCC and CDCC have engaged in numerous industry-wide initiatives to move start times and reduce automatic exercise thresholds<sup>4</sup>, with the ultimate goal of moving options expiry from Saturday to Friday night.

Exercise threshold reductions are key to the move to Friday night expiry as smaller thresholds result in reduced operational risk and improve back office processing.<sup>5</sup>

**Table III - OCC & CDCC threshold reductions implemented to facilitate the move to Friday night expiry**

<b>Year</b>	<b>Client type</b>	<b>Reduced from</b>	<b>Reduced to</b>
2004	Customer	\$0.75	\$0.25
2004	Firm	\$0.25	\$0.15
2004	Market Maker	\$0.25	\$0.15
2006	Customer	\$0.25	\$0.05
2006	Firm	\$0.15	\$0.05
2006	Market Maker	\$0.15	\$0.05
2008	All types	\$0.05	\$0.01

## II. ANALYSIS

### Description and Analysis of Impacts

There are a number of benefits inherent in the move to Friday night expiry. By harmonising the expiration process for all options products, the system risk inherent in processing multiple expirations on multiple days will be reduced. Clearing members will have no choice but to reconcile trades in real-time and to balance their positions in real-time. This will reduce the risk, to both clearing members and market participants, of having an outstanding trade, which has not yet been reconciled, against a clearing member who goes into default before reconciliation. Clearing members will be also able to perform risk management of cleared data on an intra-day basis.

Furthermore, costs will be reduced for clearing members and market participants as staff resource requirements for Saturdays will either be eliminated or greatly reduced, also technology departments will have greater flexibility in running processes on the weekend and expiration processes for North American markets will be brought in line with those of European markets.

<sup>4</sup> Automatic exercise is a procedure implemented by clearing houses to protect option holders. It consists of having an “in-the-money” options automatically exercised by the clearing house when the ‘in-the-money’ amount of the option equals or exceeds the thresholds set by the clearing house.

<sup>5</sup> SIFMA – The Continuing Evolution of Options Clearing  
[https://www.sifma.org/uploadedfiles/events/2012/operations\\_conference\\_and\\_exhibit\\_2012/thecontinuingevolution.pdf](https://www.sifma.org/uploadedfiles/events/2012/operations_conference_and_exhibit_2012/thecontinuingevolution.pdf)

## Drafting Process

The drafting process was driven by the need to harmonize expiration processing for Canadian markets with that for US and European markets.

## Impacts on Technological Systems

The proposed changes will have no impact on the technological systems of the Bourse. The impact on the technological systems of CDCC, their clearing members and other market participants is limited to running expiry processes on Friday evening instead of Saturday morning, every third week of the month.

## Benchmarking

Expiry Processing for Equity Options and Options on Exchange-Traded Funds (ETFs)		
Exchange	Contracts	Expiry
CBOE	Equity Options & Options on ETFs	Expiry moving from Saturday to Friday night as of June 21, 2013
The Boston Options Exchange	Equity Options & Options on ETFs	Expiry moving from Saturday to Friday night as of June 21, 2013
NASDAQ	Equity Options & Options on ETFs	Expiry moving from Saturday to Friday night as of June 21, 2013
NYSE AMEX	Equity Options & Options on ETFs	Expiry moving from Saturday to Friday night as of June 21, 2013
BATS Options	Equity Options & Options on ETFs	Expiry moving from Saturday to Friday night as of June 21, 2013
C2	Equity Options & Options on ETFs	Expiry moving from Saturday to Friday night as of June 21, 2013
ISE	Equity Options & Options on ETFs	Expiry moving from Saturday to Friday night as of June 21, 2013
NASDAQ PHLX	Equity Options & Options on ETFs	Expiry moving from Saturday to Friday night as of June 21, 2013

### III. SUMMARY OF THE PROPOSED AMENDMENTS TO THE RULES OF THE BOURSE

The Bourse proposes to amend the contract specifications for Equity Options and Options on Exchange-Traded Funds to specify that expiry will occur on the last trading day, as opposed to the day following the last trading day. Furthermore, the Bourse intends to amend Article 6637 of Rule Six of the Bourse further to the change in expiration date.

These changes would take effect as of June 21, 2013.

### IV. OBJECTIVE OF THE PROPOSED AMENDMENTS TO THE RULES OF THE BOURSE

The objective of the proposed amendments is to maintain consistency of expiration processing with the U.S. and European markets.

## **V. PUBLIC INTEREST**

The proposed amendments will benefit participants by keeping the expiration process for the Canadian market in line with that of the U.S. and European markets. These amendments to the Bourse Rules and specifications are not contrary to the public interest.

## **VI. PROCESS**

The proposed amendment will be presented for approval to the Rules and Policies Committee of the Bourse and will be transmitted to the *Autorité des marchés financiers* in accordance with the self-certification process. These modifications will also be transmitted to the Ontario Securities Commission for information.

## **VII. REFERENCES**

### **SIFMA – The Continuing Evolution of Options Clearing**

[https://www.sifma.org/uploadedfiles/events/2012/operations\\_conference\\_and\\_exhibit\\_2012/thecontinuingevolution.pdf](https://www.sifma.org/uploadedfiles/events/2012/operations_conference_and_exhibit_2012/thecontinuingevolution.pdf)

## **VIII. ATTACHED DOCUMENTS**

1. Equity Options Contract Specifications
2. Options on Exchange-Traded Fund Contract Specifications
3. Article 6637 of Rule Six of Bourse de Montréal Inc.
4. OCC Memo to All OCC Clearing Members and Service Bureaus
5. CDCC Request for Comments: Amendment to the Rules & Operations Manual Standard Monthly Saturday Expiry Processing Move to Friday Evening

## Equity Options

# Specifications

<b>Trading Unit</b>	100 shares of companies eligible for option listing.
<b>Contract Months</b>	Regular full cycle: two nearest months plus two quarterly months as defined in the <a href="#">expiry cycle</a> (.pdf).  Annual expiry of January for terms of one year or greater (long term).  Quoted in Canadian currency.
<b>Price Quotation</b>	
<b>Last Trading Day/Expiration</b>	Equity options trading ceases on the 3rd Friday of the contract month, providing it be a business day; if not, the 1st preceding day. Options <del>will</del> expire on the <del>Saturday following the</del> last trading day.
<b>Contract Type</b>	American style. Exercise is carried out via the Canadian Derivatives Clearing Corporation (CDCC) and delivery is carried out via the CDS Clearing and Depository Services Inc., on the 3rd business day following the exercise date.
<b>Price Fluctuation</b>	<ul style="list-style-type: none"><li>• Minimum fluctuations of C\$0.01 for option price lower than C\$0.10.</li><li>• Minimum fluctuations of C\$0.05 for option price equal or higher than C\$0.10.</li></ul> The premium per contract is obtained by multiplying the quote by 100 (e.g.: quote of C\$2.75 X 100 = C\$275).
<b>Strike Prices</b>	5 exercise prices bracketing the current underlying market price.
<b>Reporting Limit</b>	250 option contracts.
<b>Price Limits</b>	A trading halt will be invoked in conjunction with the triggering of "circuit breakers" in the underlying.
<b>Trading Hours (Montréal time)</b>	9:30 a.m. to 4:00 p.m.  The regular session of the equity option market will open at 9:30am. Each option class will then open for trading when a trade occurs on its underlying security on a recognized Canadian exchange. If no such trade has yet occurred, the option class will open for trading at 9:35am.
<b>Clearing Corporation</b>	Canadian Derivatives Clearing Corporation

## Options on ETFs

# Specifications

<b>Trading Unit</b>	100 shares of one of the exchange-traded funds.
<b>Contract Months</b>	Nearest three months plus the next two months in the designated quarterly cycle <u>of</u> March, June, September and December.  Annual expiry of March (long term).
<b>Price Quotation</b>	Quoted in Canadian currency.
<b>Last Trading Day/Expiration</b>	Trading ceases on the 3rd Friday of the contract month, providing it be a business day; if not, the 1st preceding day. Options <del>will</del> expire on the <del>Saturday following the</del> last trading day.
<b>Contract Type</b>	American style. Exercise is carried out via the Canadian Derivatives Clearing Corporation (CDCC) and delivery is carried out via the CDS Clearing and Depository Services Inc., on the 3rd business day following the exercise date.
<b>Price Fluctuation</b>	<ul style="list-style-type: none"><li>• C\$0.01 for premiums of less than C\$0.10</li><li>• C\$0.05 for premiums of C\$0.10 and up</li></ul>
<b>Strike Prices</b>	<ul style="list-style-type: none"><li>• Set at a minimum of C\$0.50 intervals</li><li>• Set at a minimum of C\$1.00 intervals (long term)</li></ul>
<b>Reporting Limit</b>	500 contracts <del>contracts</del> on the same side of the market in all contract months combined.
<b>Price Limits</b>	A trading halt will be invoked in conjunction with the triggering of "circuit breakers" in the underlying stocks.
<b>Trading Hours (Montréal time)</b>	9:30 a.m. to 4:00 p.m.  The regular session of the equity option market will open at 9:30am. Each option class will then open for trading when a trade occurs on its underlying security on a recognized Canadian exchange. If no such trade has yet occurred, the option class will open for trading at 9:35am.
<b>Clearing Corporation</b>	Canadian Derivatives Clearing Corporation

**Section 6621 - 6650**  
**Trading - Options**

**6637 Expiration Date**

(06.08.86, 20.03.91, 17.12.91, 10.11.92, 07.04.94, 07.09.99, 11.02.00, 28.01.02,  
26.09.05, 00.00.00)

- a) No transaction of options contracts in expiring series shall be made after the close of trading on the last day of trading.
- b) In the case of equity options, bond options, ~~and~~ options on exchange-traded funds, index options and currency options~~index participation units~~, ~~the expiration will occur on date shall be the Saturday following~~ the third Friday of the ~~contract~~expiration month, provided it is a business day. If it is not a business day, expiration will occur on the first preceding business day. ~~In the case of index options, the expiration date shall be the third Friday of the contract month or, if the index is not published on that day, the first preceding trading day for which the index is scheduled to be published.~~ In the case of futures options, the expiration date shall be the last trading day. ~~In the case of currency options, the expiration date shall be the third Friday of the expiration month or, if the Bank of Canada exchange rate fixing is not published that day, the expiration date shall be the first preceding trading day for which the Bank of Canada exchange rate fixing is scheduled to be published.~~
- c) In the case of sponsored options, the expiration date is determined by the sponsor as per the information provided to investors and the Bourse or as provided in the product documentation and set out in article 6643 of the Rules of the Bourse.



**TO: ALL OCC CLEARING MEMBERS AND SERVICE BUREAUS**

**FROM: DAVE HARRISON,  
VICE PRESIDENT – MEMBER SERVICES**

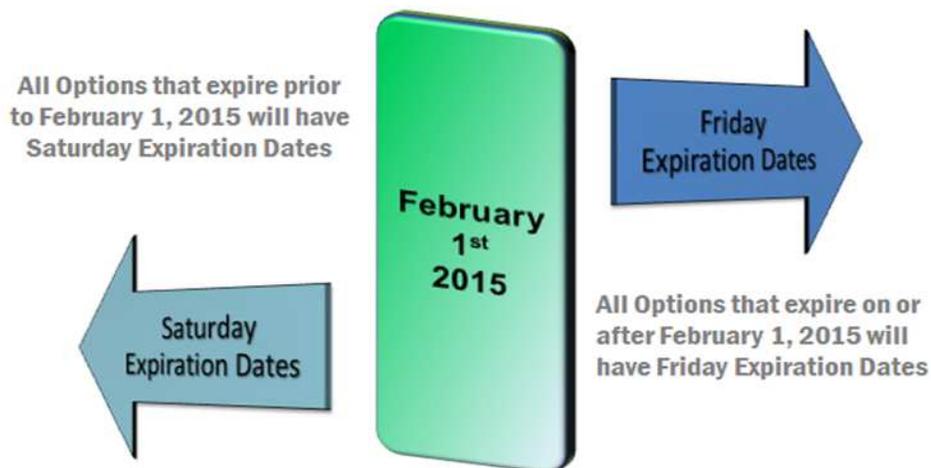
**DATE: AUGUST 28, 2012**

**SUBJECT: INDUSTRY MOVE TO EXPIRATION FRIDAY PROCESSING**

At the July 2012 Board of Directors meeting, OCC received unanimous approval to pursue the transition of Standard Monthly expiration processing from Saturday morning to Friday evening. As part of this approval it was confirmed that June 2013 will be the first month for expiration processing to occur on Friday evening.

The expiration date of existing option contracts will not change. The Board of Directors approved OCC's plan to establish a cutover date of February 1<sup>st</sup>, 2015. All standard monthly options with an expiration prior to February 1<sup>st</sup>, 2015 will retain a Saturday expiration date, and all standard monthly options expiring after February 1<sup>st</sup>, 2015 will have a Friday expiration date. This cutover date will not impact any existing FLEX contracts.

## *Saturday vs. Friday Expiration Date Cutover*



If you have any questions regarding this memo, please contact the Member Services Help Desk at the following numbers: 800-544-6091 or 800-621-6072. Exchange personnel may also e-mail us regarding the Expiration Friday Project at [expfriday@theocc.com](mailto:expfriday@theocc.com).



NOTICE TO MEMBERS

No. 2013-035

February 5, 2013

## REQUEST FOR COMMENTS

### AMENDMENT TO THE RULES AND OPERATIONS MANUAL STANDARD MONTHLY SATURDAY EXPIRY PROCESSING MOVE TO FRIDAY EVENING

On February 1, 2013, The Board of Directors of Canadian Derivatives Clearing Corporation (CDCC) approved amendments to the Rules and to the Operations Manual of CDCC. The purpose of the proposed amendments is to move to Friday Expiry aligning CDCC with OCC and the European markets in respect of expiry processing.

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

#### 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).

The Board of Directors of CDCC has the power to approve the adoption or amendment of Rules and Operations Manual of CDCC. Amendments are submitted to the AMF in accordance with the self-certification process.

Comments on the proposed amendments must be submitted within 30 days following the date of publication of the present notice. Please submit your comments to:

*Me Pauline Ascoli*  
*Assistant Secretary*  
*Canadian Derivatives Clearing Corporation*  
*Tour de la Bourse*  
*P.O. Box 61, 800 Victoria Square*  
*Montréal, Québec H4Z 1A9*  
*E-mail: [legal@m-x.ca](mailto:legal@m-x.ca)*

---

#### Canadian Derivatives Clearing Corporation

The Exchange Tower	800 Victoria Square
130 King Street West, 5 <sup>th</sup> Floor	3 <sup>rd</sup> Floor
Toronto, Ontario	Montréal, Québec
M5X 1J2	H4Z 1A9
Tel. : 416-367-2463	Tel. : 514-871-3545
Fax :: 416-367-2473	Fax: : 514-871-3530

[www.cdcc.ca](http://www.cdcc.ca)

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

*Anne-Marie Beaudoin  
Corporate Secretary  
Autorité des marchés financiers  
Tour de la Bourse, P.O. Box 246  
800 Victoria Square, 22<sup>nd</sup> Floor  
Montréal, Québec H4Z 1G3  
E-mail: [consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)*

For any question or clarification, Clearing Members may contact the CDCC Member Services.

Glenn Goucher  
President and Chief Clearing Officer

## **STANDARD MONTHLY SATURDAY EXPIRY PROCESSING MOVE TO FRIDAY EVENING**

### **AMENDMENT TO CDCC RULES AND OPERATIONS MANUAL**

#### **A. Overview**

Canadian Derivatives Clearing Corporation (CDCC) has a member of its Management team on The Options Clearing Corporation's (OCC) Expiry Streamline Committee (Committee) as a way to ensure that CDCC's processes remain compatible with those of OCC.

Over the past several years it has been the industry goal to move the standard Expiry processing from Saturday to Friday. CDCC has been working with its Clearing Members and the OCC to streamline the Expiration process. Lowering of the Auto-Ex Thresholds now at a penny and moving Saturday Expiry cut-off now at 10:00 a.m. Eastern were all executed with the ultimate goal to move the complete Saturday Expiry to Friday end of day. The move to Friday Expiry will align CDCC with OCC and the European markets in respect of expiry processing. In addition, the Montreal Exchange (MX) is currently investigating a number of initiatives that will require CDCC to run daily expiries.

CDCC has, through its Users' Group meetings and Operational Notices to Members been keeping its Clearing Members advised of this project. The intention is to implement this change for the June 2013 expiry, consistent with the OCC timeline.

#### **B. Analysis**

##### Nature and Purpose of Proposed Changes:

A number of rule changes are necessary to move from Saturday Expiry to Friday, namely to the following sections of CDCC Rules:

1. Rule A-1, Section A-102 – definitions of "Business Day", "Expiration Date" and "Expiration Time" amended;
2. Rule B-2, Subsection B-201(6) – change of time in respect of Expiry Friday;
3. Rule B-3, Subsection B-305(3) and Subsections B-307(a), (b)(ii), (h)(ii) and (l) – timing of the exercise procedure amended;
4. Rule B-10, Subsection B-1004(1) – timing of the exercise procedure amended;
5. Rule B-16, Subsection B-1603(1) – timing of the exercise procedure amended.

Also, the following sections of the Operations Manual need to be amended:

1. Section 1, page 2 – term of "Expiry Saturday" changed to "Expiry Friday";
2. Section 2, page 1 – change of time in respect of Expiry Friday;
3. Section 2, page 5 – all the time frames for online access changed for Expiry Friday;
4. Section 3, page 4 – change of title of CDCC reports for Options Expiry and description of MT01 / Options Daily Transaction Report, and MP11 / Expired Options Positions Report;
5. Section 6, page 2 – replace references to Expiry Saturday by Expiry Friday.

##### Description and Analysis of Impacts:

In order to successfully move to Friday Expiry, CDCC initiated the FiXML project which will allow the Clearing Members access to real time messaging to facilitate Clearing Members' Real-Time Reconciliations.

On November 7, 2011, CDCC published *Operational Notice 2011-M96* to announce that it had published the SOLA Clearing API FiXML Specifications Guide and the SOLA Clearing API FiXML Business Design Guide. Prior to the publication of these documents, CDCC solicited, and received comments from a number of firms with regards to the content of the messaging.

On November 14, 2011, CDCC published *Operational Notice 2011-105* to request Clearing Members' comments which were taken into consideration during the development process.

On December 23, 2011, CDCC published *Operational Notice 2011-M118* to announce the target dates for

the availability of the test environment and when the service will be in production.

CDCC has been communicating with all Clearing Members and Service Vendors to ensure that their respective Technical staff is aware of this important initiative. It is CDCC's goal to migrate all Clearing Members towards real-time trades and positions reconciliation and coordinate the implementation of this change with that of OCC.

A copy of CDCC's *Operational Notices 2011-M96, 2011-105 and 2011-M118* are included herewith.

Drafting Process:

The drafting process was driven by the need to remain consistent with OCC.

No other alternatives were considered.

Impacts on Technological Systems:

The impact on the technological systems of CDCC, Clearing Members or other market participants is limited to running expiry processes on the Friday evening instead of Saturday morning every third week of the month.

Benchmarking:

The proposed changes are aligned with OCC.

A document entitled *OCC – Expiration Friday FAQs*, dated August 2012, included herewith, provides details in respect of the proposed OCC model in respect of moving expiry Saturday to Friday.

**C. Public Interest**

These amendments to the CDCC Rules and Operations Manual are not contrary to the public interest.

**D. Process**

The proposed amendments are submitted for approval by the CDCC Board. Once 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 for information. The proposed amendments and analysis will also be submitted for approval to the Bank of Canada in accordance with the Oversight Regulatory Agreement.

**E. Attached Documents**

- Amended Rules A-1, B-2, B-3, B-10 and B-16 of the CDCC Rules
- Amended Sections 1, 2, 3 and 6 of the Operations Manual
- Operational Notices 2011-M96, 2011-105 and 2011-M118
- OCC – Expiration Friday FAQs, dated August 2012

## **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” – Over-The-Counter Instruments which are determined by the Corporation as acceptable for clearing with the Corporation.

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

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

“Additional Deposit” – the additional amount which may be required to be added to a Clearing Fund deposit pursuant to Section A-606.

“Affiliate” – means, in relation to any Clearing Member, any Entity controlled, directly or indirectly, by the Clearing Member, any entity that controls, directly or indirectly, the Clearing Member, or any Entity directly or indirectly under common control with the Clearing Member. For this purpose, “control” of any Clearing Member or Entity means ownership of a majority of the voting power of the Clearing Member or Entity.

“Afternoon Net DVP Settlement Requirement” – has the meaning assigned to this term by Section D-601.

“Afternoon Netting Cycle Timeframe” – has the meaning assigned to this term by Section D-601.

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

“Amounts Due” – has the meaning assigned to this term by Subsection D-409(10).

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

“Approved Depository” – 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” – 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” – 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” – a call Option or a put Option with an Exercise Price that is equal to the Market Price of the Underlying Interest.

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

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

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

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

“Business Day” – any day on which the Corporation is open for business. ~~The term Business Day shall exclude the Expiration Date of any Options which expires on a Saturday.~~

“By-laws” – 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” – 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 to the Corporation through a Central Securities Depository.

“Canada Mortgage Bonds (CMB)” – 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)” – 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” – 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 assigned to this term by Subsection A-409(6).

“Cash Settlement Payment Request” – has the meaning assigned to this term by Subsection A-409(6).

“Cash Settlement Amount Calculation Request” – has the meaning assigned to this term by Subsection A-409(6).

“Cash Settlement Amount Calculation Request Date” – has the meaning assigned to this term by 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” – 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” – stands for “Canadian Derivatives Clearing Service” and refers to the clearing and settlement system operated by CDCC, which is governed by the Rules.

“CDS” – 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” – any central securities depository acceptable to the Corporation, including CDS.

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

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

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

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

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

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

“Client Account” – 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” – the account established by Section A-403.

“Close of Business” – 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” – 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” – 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” – 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” – 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” – 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 assigned to this term by Subsection A-409(3).

“Confirmation Transmission” – 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” – daily report listing either Options, Futures or OTCI transactions.

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

“Corporation or CDCC” – Canadian Derivatives Clearing Corporation.

“CORRA Rate” – has the meaning assigned to this term by Section D-601.

“Corresponding CDCC Delivery Requirement” – has the meaning assigned to this term by Subsection A-804(4).

“Coupon Income” – has the meaning assigned to this term by Section D-601.

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

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

“Default Manual” – 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” – the party through which the Corporation will effect the transfer of the Underlying Interest between the buyer and seller.

“Delivery Default” – has the meaning assigned to this term by Subsection A-409(6).

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

“Delivery Request” – has the meaning assigned to this term by Subsection A-409(6).

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

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

“Depository Receipt” – 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” – the report created by the Corporation on a daily basis reporting the aggregate position 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 assigned to this term by 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” – 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 assigned to this term by 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) – an Option which can be exercised only on its Expiration Date.

“Event of Default” – has the meaning assigned to this term by Subsection A-409(2).

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

“Exchange Transaction” – 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” – 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” – the position of a Clearing Member in any account in respect of Transactions providing optionality to the holder and which may have been exercised by such Clearing Member in such account.

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

“Expiration Date” – unless otherwise specified ~~the Saturday immediately following~~ the third Friday of the month and year in which the Option expires.

“Expiration Time” – the time on the Expiration Date, as fixed by the Corporation, at which the Option expires. Unless changed by the Corporation, the Expiration Time shall be ~~10:00 a.m.~~ 10:45 p.m. on the Expiration Date.

“Expiry Response Screen” – 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 under an Option, (iii) in Section C-512 with respect to the delivery under a Future of an Underlying Interest other than an Acceptable Security, or (iv) in Section D-304 with respect to the delivery under an OTCI that is not a Fixed Income Transaction.

“Failed Payment Against Delivery” – has the meaning assigned to this term by Section A-806.

“Failure to Pay” – has the meaning ascribed to this term by Subsection A-409(4).

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

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

“Firm Account” – 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 assigned to this term by Section D-601.

“Fixed Income Transaction” – has the meaning assigned to this term by Section D-601.

“Forward Curve” – 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” – 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” – 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” – the deposit by an Approved Depository acting on behalf of a Clearing Member or a client thereof of the Underlying Interest of a Future to the Corporation through a Central Securities Depository.

“Futures Sub-Accounts Consolidated Activity Report” – 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” – 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” – 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” – 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 assigned to this term by Subsection A-409(3).

“Insolvency Proceedings” – has the meaning assigned to this term by Subsection A-409(3).

“In-the-Money-Option” – 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” – shall mean 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” – shall mean 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 specified in Section 2 of the Operations Manual.

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

“Liquidating Settlement Account” – 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” – 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” – 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 Margin, Base Deposit, Additional Deposit, Variable Deposit, Put Escrow Receipts, Call Underlying Interest Deposits, and Futures Underlying Interest Deposits, and any other form of deposit as from time to time are accepted by the Corporation; and
- c) any and all securities pledged or assigned to the Corporation through the facilities of a Central Securities Depository;

deposited by or on behalf of the Clearing Member with the Corporation.

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

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

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

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

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

“Morning Net Payment Against Delivery Requirement” – has the meaning assigned to this term by Section D-601.

“Morning Net DVP Settlement Timeframe” – has the meaning assigned to this term by Section D-601.

“Morning Netting Cycle Timeframe” – has the meaning assigned to this term by Section D-601.

“Multi-Purpose Account” – 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” – the amount shown on the Daily Settlement Summary Report.

“Net Delivery Requirement” – with respect to Acceptable Securities, 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, the quantity of such Underlying Interest needed to be delivered through the relevant Delivery Agent by or to a Clearing Member, expressed on a net basis, in accordance with Section D-303.

“Net Payment Against Delivery Requirement” – 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” – 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 assigned to this term by Section A-1A04.

“Non-delivered Assets” – has the meaning assigned to this term by Subsection A-409(6).

“Non-Payment of the Cash Settlement Amount following a Delivery Default” – has the meaning assigned to this term by Subsection A-409(6).

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

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

“Opening Buy Transaction” – 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” – 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” – 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” – 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” – 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” – a contract which, unless otherwise specified, gives the buying Clearing Member the right to buy (a call) or sell (a put) a specified quantity of an Underlying Interest at a fixed 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” – put Option or call Option.

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

“Out-of-the-Money Option” – 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” – refers to any bilaterally negotiated transactions as well as any transactions concluded on any Acceptable Marketplaces.

“Payment Default” – has the meaning assigned to this term by Subsection A-409(5).

“Payment Request” – has the meaning assigned to this term by Subsection A-409(5).

“Pending Payment Against Delivery Requirements” – has the meaning assigned to this term by Section D-601.

“Pending Delivery Requirements” – has the meaning assigned to this term by Section D-601.

“Postponed Payment Obligation” – with respect to the Corporation, 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, 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” – the person appointed by the Board as chief executive officer and chief administration officer of the Corporation.

“Product Type” – 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” – 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” – a receipt, in a form 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.

“Receiver of Securities” – 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.

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

“Registry” – any registry designated by the Corporation which, for the purpose of clearing Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units, has been established in order to ensure the accurate accounting of holding, transfer, acquisition, surrender, cancellation and replacement of the Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units.

“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” – 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 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, 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” – shall mean 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” – a Clearing Member that is within the audit jurisdiction of the Investment Industry Regulatory Organization of Canada.

“Same Day Transaction” – has the meaning assigned to this term by Section D-601.

“Security” – shall mean 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” – all Futures of the same class covering the same quantity of an Underlying Interest and having the same delivery month.

“Series of Options” – 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 set out in Section A-217.

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

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

“Settlement Time” – means, with respect to a 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 Business Day immediately following a trade day, a calculation date or a 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 in respect of such Business Day, trade day, calculation date or Coupon Payment Date must be submitted to the Corporation.

“Short Position” – 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”

- 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” – 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” – 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 assigned to this term by Section D-601.

“Tender Notice” – 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” – 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” – the price agreed upon for the Future when the contract is entered into on an Exchange.

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

“Transaction Value” – has the meaning assigned to this term by Subsection A-409(10).

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

“Uncovered Residual Risk” – 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 an extreme but plausible market stress test scenario. This Uncovered Residual Risk is calculated and attributed to Clearing Members through their Clearing Fund contribution.

“Underlying Interest” – 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” – the items specified in Section A-708.

“Unit of Trading” – in respect of any Series of Futures and Series of Options and any Fixed Income Transaction means the number of units of the Underlying Interest which has been designated by the Corporation and the Exchange on which the Derivative Instrument is traded (as applicable) as the number to be the subject of a single Future or Option contract or of the Acceptable Security, as applicable.

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

## RULE B-2 TRADE REPORTING

### Section B-201 Trade Reporting of Options Transactions

- (1) Prior to the Settlement Time on each Business Day, the Corporation shall issue to each Clearing Member a Consolidated Activity Report for each account maintained by the Clearing Member with the Corporation. The Consolidated Activity Report shall list, among other things, all Exchange Transactions of the Clearing Member in such account effected on the previous Business Day.
- (2) On each Expiration Date the Corporation shall issue to each Clearing Member a report (“Daily Transaction Report”) which shall list all Exchange Transactions of the Clearing Member in such account effected on the last day of trading in Options which are expiring on such Expiration Date.
- (3) On every Business Day and Expiration Date the Corporation shall issue a transaction report to each Clearing Member of each Exchange.
- (4) Every Consolidated Activity Report shall show for each Exchange Transaction in Options listed thereon:
  - (a) the identity of the purchasing Clearing Member and the writing Clearing Member;
  - (b) the Class and Series of Option;
  - (c) the premium per Unit of Trading;
  - (d) the number of contracts;
  - (e) in the case of a transaction in a Client Account whether it is an opening or closing transaction; and
  - (f) such other information as may be required by the Corporation.
- (5) It shall be the responsibility of each Clearing Member to ensure that any report issued to it pursuant to Subsections (1) or (2) is correct. If an error is thought to exist it shall be the further responsibility of each Clearing Member, where possible, to reconcile such error with the Clearing Member on the opposite side of the Exchange Transaction and such Clearing Members shall jointly report the corrected information to the Corporation. If the difference cannot be reconciled, the trade must be jointly reported to the Corporation as a rejected trade by both Clearing Members participating in it.
- (6) Each Clearing Member shall have until ~~11 a.m.~~10:45 p.m. on the Expiration Date for expiring Series of Options (or such other time as may be specified) and until 1.5 hours prior to the Close of Business on the Business Day following the day on which the Exchange Transaction took place for non-expiring Series of Options to notify the Corporation, in the form prescribed, of any error. Unless such notification is received by the established deadline, and unless the correction of such error is rejected by the Corporation which is entitled to do so if it deems appropriate, the Exchange Transactions accepted by the Corporation as contained in the report shall be final and binding upon the Clearing Members reported as parties to such transaction.



- (7) Each Clearing Member shall be responsible to the Corporation in respect of each Exchange Transaction reported to the Corporation by an Exchange in which such Clearing Member is identified as a purchasing Clearing Member, writing Clearing Member or the Associate Clearing House responsible for such Exchange Transaction whether or not such Exchange report was correct, unless the Corporation is notified of any errors in compliance with this Rule.

## **RULE B-3 TENDER AND ASSIGNMENT OF EXERCISE NOTICES**

### **Section B-301 Exercise of Options**

Issued and unexpired Options may be exercised only in the following manner:

(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 ~~Business Day preceding the~~ Expiration ~~Day~~ 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 ~~8 a.m.~~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 ~~11:00 a.m.~~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	-	\$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 ~~two~~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
  - (i) 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
  - (ii) 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.
- (k) 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.
- (l) 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 ~~Business Day preceding 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 ~~Business Day immediately preceding any~~ 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.

## **RULE B-10 EUROPEAN STYLE INDEX OPTIONS**

This Rule B-10 is applicable only to European Style Options where the Underlying Interest is an Index group. Such Options are referred to in this Rule B-10 as “Index Options”.

### **Section B-1001 Definitions**

Notwithstanding Section A-102 for the purpose of European Style Index Options the following terms shall have the meanings specified:

“Aggregate Current Value” - The level of an Index at the opening of trading on the Expiration Date of the Option multiplied by \$1.00 and by the number of Units of Trading.

“Aggregate Exercise Price” - the Exercise Price of an Option multiplied by the number of Units of Trading of the Underlying Interest covered by the Option.

“Call” - an exchange-traded European Style Option which gives the holding Clearing Member the right to receive from the Corporation on the Expiration Date the Call Exercise Settlement Amount.

“Call Exercise Settlement Amount” - The cash difference when the Aggregate Exercise Price is deducted from the Aggregate Current Value.

“Exercise Settlement Date” - the Business Day following the Expiration Date.

“Expiration Date” - the third Friday of the month.

“Index” - a securities index specified by an Exchange which is determined by the inclusion and relative representation of the Current market prices of a group of securities.

“Put” - an exchange-traded European Style Option which gives the holding Clearing Member the right to receive from the Corporation on the Expiration Date the Put Exercise Settlement Amount.

“Put Exercise Settlement Amount” - The cash difference when the Aggregate Current Value is deducted from the Aggregate Exercise Price.

“Underlying Interest” - the Index which is the subject of the Option.

“Underlying Security” - any of the securities included in an Index underlying a class of Index Options.

“Unit of Trading” - 10 units.

### **Section B-1002 Exercise Prices**

**(Deleted)**

### **Section B-1003 Trade Reporting of Options Transactions**

Notwithstanding Subsection B-201(6) each Clearing Member shall have until 1.5 hours prior to the Close of Business on the Business Day following the day on which the trade took place to notify the

Corporation, in the form prescribed, of any error. Unless such notification is received by the established cut-off hour, the exchange transactions accepted by the Corporation and as contained in the report shall be final and binding upon the Clearing Members reported as parties to such transaction.

### **Section B-1004 Expiration Date Exercise Procedure**

- (1) European Style Index Options will be listed with American Style Options on the Expiry Report issued on the ~~Saturday following~~ Expiration Date and all in-the-money Long Positions will be automatically exercised in accordance with Section B-307.
- (2) The term “closing price” as used in Section B-307 in reference to the Index underlying any European Style Index Option shall mean the level of the Index at the opening of trading on the Expiration Date as reported to the Corporation by the relevant Exchange. If no level was reported for such Index, the Corporation may determine not to fix a “closing price” for such European Style Index Option. In the event of such a determination, Expiry Reports will not include a daily “closing price” for such European Style Index Option and Clearing Members may exercise such European Style Index Option only by giving affirmative exercise instructions in accordance with Subsections B-307(b) or (e).

### **Section B-1005 General Rights and Obligations of Clearing Members**

Notwithstanding Section B-110, for the purposes of Index Options:

- (a) A Clearing Member holding a Long Position in a Call Option has the right, on (and only on) the Expiration Date, to receive from the Corporation, on tender of an Exercise Notice, the Call Exercise Settlement Amount;
- (b) A Clearing Member holding a Short Position in a Call Option is obligated, upon the assignment to the Clearing Member of an Exercise Notice in respect of such Option, to pay to the Corporation the Call Exercise Settlement Amount;
- (c) A Clearing Member holding a Long Position in a Put Option has the right, on (and only on) the Expiration Date, to receive from the Corporation, on tender of an Exercise Notice, the Put Exercise Settlement Amount; and
- (d) A Clearing Member holding a Short Position in a Put Option is obligated, upon the assignment to the Clearing Member of an Exercise Notice in respect of such Option, to pay to the Corporation the Put Exercise Settlement Amount.

### **Section B-1006 Adjustments**

No adjustments will ordinarily be made in the terms of Index Options in the event that Underlying Securities are added to or deleted from an Index or when the relative weight of one or more Underlying Securities in an Index is changed. However, if the Corporation shall determine in its sole discretion that any such addition, deletion or change causes significant discontinuity in the level of the Index, the Corporation may adjust the terms of the affected Index Options by taking such action as the Corporation in its sole discretion deems fair to Clearing Members holding Long or Short Positions in these contracts. Determinations with respect to adjustments pursuant to this Section shall be made by the Adjustments Committee provided for in Subsection A-902(2).

### **Section B-1007 Unavailability or Inaccuracy of Aggregate Current Value**

- (1) If the Corporation shall determine that the Aggregate Current Value for the Index underlying any series of Index Options (the “affected series”) is unreported or otherwise unavailable for purposes of calculating the Call and Put Exercise Settlement Amounts for exercised Options of the affected series, then, in addition to any other actions that the Corporation may be entitled to take under the Rules, the Corporation may do any or all of the following:
  - (a) Suspend the settlement obligations of exercising and assigned Clearing Members with respect to Index Options of the affected series. At such time as the Corporation determines that the required Aggregate Current Value is available or the Corporation has fixed the Call and Put Exercise Settlement Amounts pursuant to Paragraph (b) of this Subsection, the Corporation shall fix a new date for settlement of the exercised Option.
  - (b) Fix the Call and Put Exercise Settlement Amounts for exercised contracts of an affected series in accordance with the best information available as to the correct Aggregate Current Value.
- (2) The Aggregate Current Value of an Index as reported by the Exchange specifying such Index shall be conclusively deemed to be accurate except that where the Corporation determines in its discretion that there is a material inaccuracy in the reported Aggregate Current Value, it may take such action as it determines in its discretion to be fair and appropriate in the circumstances. Without limiting the generality of the foregoing, the Corporation may require an amended Aggregate Current Value to be used for settlement purposes.

### **Section B-1008 Delivery and Payment with Respect to Options Exercised**

Notwithstanding the provisions of Sections B-403 to B-408 inclusive, for the purposes of Index Options, exercised and assigned Index Options shall be settled in cash at Settlement Time on the Exercise Settlement Date.

### **Section B-1009 Suspension of a Clearing Member - Exercised Options**

- (1) Notwithstanding Section A-408, unless the Corporation stipulates otherwise in a particular case, exercised Index Options to which a suspended Clearing Member is a party shall be closed through the procedures set forth in Sections B-407 and B-408, respectively, except that the Corporation may decide not to buy-in or sell-out. All losses and gains on such buy-ins and sell-outs shall be paid from or credited to, as the case may be, the Liquidating Settlement Account of the suspended Clearing Member; provided, however, that all losses on such buy-ins and sell-outs in a Market Maker Account shall first be paid from such account to the extent there are funds available in such account and only the amount of any deficit therein shall be paid from the Liquidating Settlement Account.
- (2) The Corporation shall effect settlement pursuant to Section B-1009 with all Clearing Members that have been assigned an exercise notice filed by a suspended Clearing Member or that have filed exercise notices that were assigned to a suspended Clearing Member without regard to such suspension.

## **RULE B-16 CURRENCY OPTIONS**

This Rule B-16 is applicable only to European Style Options where the Underlying Interest is a currency. Such Options are referred to in this Rule B-16 as “Currency Options”.

### **Section B-1601 Definitions**

Notwithstanding Section A-102 for the purpose of European Style Currency Options the following terms shall have the meanings specified:

“Aggregate Current Value” - The Bank of Canada noon rate expressed in Canadian cents for one unit of foreign currency on the Expiration Date of the Option multiplied by the number of Units of Trading.

“Aggregate Exercise Price” - the Exercise Price of an Option multiplied by the number of Units of Trading of the Underlying Interest covered by the Option.

“Call” - an exchange-traded European Style Option which gives the holding Clearing Member the right to receive from the Corporation on the Expiration Date the Call Exercise Settlement Amount.

“Call Exercise Settlement Amount” - The cash difference when the Aggregate Exercise Price is deducted from the Aggregate Current Value.

“Put” - an exchange-traded European Style Option which gives the holding Clearing Member the right to receive from the Corporation on the Expiration Date the Put Exercise Settlement Amount.

“Put Exercise Settlement Amount” - The cash difference when the Aggregate Current Value is deducted from the Aggregate Exercise Price.

“Exercise Settlement Date” - the Business Day following the Expiration Date.

“Expiration Date” - the third Friday of the month.

“Underlying Interest” - The foreign currency which is the subject of the option.

“Unit of Trading” - 10,000 units, or a multiple thereof, of foreign currency.

### **Section B-1602 Trade Reporting of Options Transactions**

Notwithstanding Subsection B-201(6) each Clearing Member shall have until 1.5 hours prior to the Close of Business on the Business Day following the day on which the trade took place to notify the Corporation, in the form prescribed, of any error, with the exception of the Expiration date. On Expiration date, the corporation must receive this notification 1.5 hours prior to the Close of Business on that Business Day. Unless such notification is received by the established cut-off hour, the exchange transactions accepted by the Corporation and as contained in the report shall be final and binding upon the Clearing Members reported as parties to such transaction.

### **Section B-1603 Expiration Date Exercise Procedure**

- (1) European Style Currency Options will be listed with American Style Options on the Expiry Report issued on the ~~Saturday following~~ Expiration Date and all in-the-money Long Positions will be automatically exercised in accordance with Section B-307.
- (2) The term “closing price” as used in Section B-307 in reference to the currency underlying any European Style Currency Option shall mean the Bank of Canada noon rate expressed in Canadian cents on the Expiration Date as reported to the Corporation by the relevant Exchange.

### **Section B-1604 General Rights and Obligations of Clearing Members**

Notwithstanding Section B-110, for the purposes of Currency Options:

- (a) A Clearing Member holding a Long Position in a Call Option has the right, on (and only on) the Expiration Date, to receive from the Corporation, on tender of an Exercise Notice, the Call Exercise Settlement Amount;
- (b) A Clearing Member holding a Short Position in a Call Option is obligated, upon the assignment to the Clearing Member of an Exercise Notice in respect of such Option, to pay to the Corporation the Call Exercise Settlement Amount;
- (c) A Clearing Member holding a Long Position in a Put Option has the right, on (and only on) the Expiration Date, to receive from the Corporation, on tender of an Exercise Notice, the Put Exercise Settlement Amount; and
- (d) A Clearing Member holding a Short Position in a Put Option is obligated, upon the assignment to the Clearing Member of an Exercise Notice in respect of such Option, to pay to the Corporation the Put Exercise Settlement Amount.

## PREAMBLE AND DEFINITIONS

### PREAMBLE

This Amended and Restated Operations Manual cancels and supersedes the previous versions thereof.

CDCC and its Clearing Members are contractually bound by the Membership Agreement which is constituted by the Application for Membership when accepted by CDCC, as may be amended from time to time, which incorporates by reference the Rules of CDCC, as may be amended from time to time. The Rules of CDCC include this Operations Manual, as may be amended from time to time. In the case of conflict, the provisions of the Rules (excluding the Operations Manual) prevail over this Operations Manual. The provisions of the Rules (including this Operations Manual), in the case of conflict, prevail over the provisions of the Application for Membership.

The Operations Manual provides practical details with respect to (i) certain definitions, (ii) timelines, (iii) reports, (iv) trade processing, (v) open positions, (vi) exercises, tenders, assignments and delivery, (vii) settlement, (viii) additional margin processing, and (ix) clearing fees. The Operations Manual contains two schedules which are integral parts thereof: (a) the Risk Manual providing practical details with respect to margin and other risk management processes, including the Default Manual as an Appendix, and (b) the templates of depository agreements.

All times specified in this Operations Manual refer to Eastern Time, unless otherwise indicated.

All amounts specified in this Operations Manual refer to Canadian currency, unless otherwise indicated.

All capitalized terms used in this Operations Manual shall have the meanings assigned to them in the Rules unless the context otherwise requires or unless specifically defined differently herein.

### DEFINITIONS

**“Acceptable Collateral”** – Margin Deposits by Clearing Members in a form that is acceptable to CDCC as set forth in Section A-709 of the Rules.

**“Assignee”** – a Clearing Member that holds a Short Position in an Options contract or a Long Position in a Futures contract and which is assigned by CDCC the obligation to make delivery of the Underlying Interest, resulting from the submission of an Exercise Notice or a Tender Notice by another Clearing Member (referred to as Exerciser or Tenderer) holding a Long Position in the relevant Series of Options or a Short Position in the relevant Series of Futures.

**“Automatic Exercise”** – a process by which the CDCC Clearing Application will exercise In-the-Money Options at a pre-determined threshold.

**“CDCC Clearing Application”** – CDCC and all the processes associated with it, as may be supplemented or otherwise changed from time to time.

**“Closing Transaction”** – any Transaction that is either a Closing Buy Transaction, a Closing Purchase Transaction, a Closing Sell Transaction or a Closing Writing Transaction, as such terms are defined in the Rules, and in all cases that reduces or eliminates the Clearing Member’s Open Interest.

**“Converge”** – marketing brand of the portion of the CDCC Clearing Application that captures and processes OTCI Transactions, including Fixed Income Transactions.

## PREAMBLE AND DEFINITIONS

**“Difference Fund”** – any and all deposits from a Clearing Member to CDCC as additional Margin, in accordance with Sections A-702, A-705, A-710, B-412, C-303, C-517 or D-307 of the Rules, or otherwise as set forth in Section 8-2 hereof.

**“Exerciser”** – a Clearing Member that holds a Long Position in a particular Series of Options and submits an Exercise Notice to CDCC.

**“Expiry ~~Saturday~~Friday”** – ~~the Saturday following~~ the third Friday of the month, unless that Friday is not a Business Day, then the Business Day preceding the third Friday of the month.

**“FIFO Period”** – the quarterly delivery period for Futures contracts on Government of Canada bonds, in accordance with Contract Specifications of the relevant Exchange.

**“Forward Repurchase Transaction”** – a Repurchase Transaction with respect of which the Open Leg has not settled yet at the time of the relevant report.

**“FTP Downloads”** – Clearing Members’ access to files and reports on an FTP server that is part of the CDCC Clearing Application.

**“Inquiry Screen”** – Graphical User Interface (GUI) view of the CDCC Clearing Application.

**“Large Value Transfer System” or “LVTS”** – an electronic wire system introduced by the Canadian Payments Association in February 1999 to facilitate the transfer of irrevocable payments in Canadian dollars across the country.

**“Fixed Income Mark-to-Market Amounts”** – any and all Net MTM Repo Rate Payments, Net OCF MTM Payments and Net MTM Reversal Requirements, as such terms are defined in Section D-601 of the Rules.

**“Mini Futures Contract”** – a Future that has the same Underlying Interest as a Standard Futures Contract but having a Unit of Trading that is a ratio of the Standard Futures Contract in accordance with applicable Contract Specifications.

**“Net Settlement Position”** – All the future Net Delivery Requirements and Net Payment Against Delivery Requirements of a Clearing Member, as reported by CDCC on a daily basis, taking into account all Fixed Income Transactions that have settled during the day and all new Fixed Income Transactions that have been novated to CDCC.

**“Open Position File”** – database of the CDCC Clearing Application which compiles the Open Positions of all Clearing Members. Each Clearing Member can access the information pertaining to his accounts only, not to other Clearing Members’ accounts.

**“Opening Transaction”** – any Transaction that is either an Opening Buy Transaction, an Opening Purchase Transaction, an Opening Sell Transaction or an Opening Writing Transaction, and in all cases that create or increase the Clearing Member’s Open Interest.

**“Operational Notices”** – formal notifications to the Clearing Members, representing items that are not published on CDCC’s website. These documents are available on the Secured Website.

## PREAMBLE AND DEFINITIONS

**“OTCI Equity Options”** – over the counter options on an equity, bearing characteristics that differ from Exchange traded Options and are cleared by CDCC through *Converge*.

**“Position Transfer”** – this is the CDCC Clearing Application function to move a position from one Clearing Member to another.

**“Production Schedule”** – sum of time lines that are followed by CDCC, as set forth in Section 2 of this Operations Manual.

**“Request for Standard vs Mini Offset”** – the request by a Clearing Member, in such form as prescribed by CDCC, to offset one (1) or more Long Position(s) on a Standard Futures Contract against the equivalent number of Short Positions on the corresponding Mini Futures Contract (totalling the same quantity of the Underlying Interest in accordance with the ratio prescribed in the Contract Specifications of the Mini Futures Contract), having the same Delivery Month and booked in the same Clearing Member’s account, or the other way around.

**“Running Repurchase Transaction”** – a Repurchase Transaction with respect of which the Open Leg has already settled at the time of the relevant report.

**“Secured Website”** – Clearing Members only secured web site that requires a sign on and password, where CDCC publishes Operational Notices as well as documents that are meant only for the Clearing Members.

**“Specific Deposit”** – a Put Escrow Receipt, a Call Underlying Interest Deposit or a Futures Underlying Interest Deposit which are accepted by CDCC as Underlying Interest Equivalent to cover a specific Short Position.

**“Standard Futures Contract”** – a Future in relation to which a Mini Futures Contract exists.

**“Tenderer”** – a Clearing Member that holds a Short Position in a particular Series of Futures and submits a Tender Notice, or is deemed to do so in accordance with the Rules, to CDCC.

**“Unsettled Items”** – any delivery of the Underlying Interest of an Option that has not been settled at the Central Securities Depository.

## TIME FRAMES

### 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, 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 [Saturday Expiry Friday](#), CDCC staff members are on-site from ~~8:00 a.m.~~ [7:00 a.m.](#) to forty-five (45) minutes after delivery of the Options Exercised and Assigned Report (MT02).

**TIME FRAMES**

**TIME FRAMES FOR ON-LINE ACCESS**

**ON EVERY BUSINESS DAY**

<b>Activity</b>	<b>Deadlines</b>
Settlement Time with respect to payments for overnight settlement	7:45 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.
Afternoon Intra-Day Margin Call	1:15 p.m.
Specific Deposits (same day withdrawal)	1:15 p.m.
Fixed Income Transactions – – Afternoon Netting Cycle Timeframe in respect of any Pending Settlement Requirements (Afternoon Net DVP Settlement Requirements sent to CDS for settlement by End of Day DVP Settlement Time)	2:00 to 2:15 p.m.
Cash Deposits (Margin Deposits) – under \$2,000,000 (same day deposit)	2:45 p.m.
Cash Deposits (Margin Deposits) – of and over \$2,000,000 (2 Business Days notice)	2:45 p.m.
Cash withdrawal requests (Margin Deposits) – under \$2,000,000 (same day withdrawal)	2:45 p.m.
Cash withdrawal requests (Margin Deposits) – of and over \$2,000,000 (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.
End of Day DVP Settlement Time	4:00 p.m.
OTCI (other than Fixed Income Transactions) – Unmatched entry	4:00 p.m.
Position Transfers	5:25 p.m.



Section: 2 - 3

### TIME FRAMES

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.

**TIME FRAMES**

**TIME FRAMES FOR ON-LINE ACCESS (continued)**

**ON EVERY BUSINESS DAY (continued)**

<b>Activity</b>	<b>Deadlines</b>
Futures – Request for Standard vs Mini Offset	5:00 p.m.
Futures – Tender Notices submission	5:30 p.m.
Options – Exercise Notices submission	5:30 p.m.
CDCC Clearing Application shutdown – Close of Business	5:30 p.m.
Fixed Income Transactions – available (next Business Day start)	7:00 p.m.
<b>Unsettled Item</b>	
Confirmation of settled items to be sent to CDCC	4:15 p.m.
<b>Daily Capital Margin Monitoring Calls</b>	
CDCC notifies Clearing Members of additional Margin required	9:30 a.m.
Clearing Member’s obligation to cover any deficit	12:00 (noon)

**TIME FRAMES FOR ON-LINE ACCESS (continued on next page)**

**TIME FRAMES**

**TIME FRAMES FOR ON-LINE ACCESS (continued)**

**EXPIRY ~~SATURDAY~~FRIDAY**

Activity	Deadlines
Reports available (FTP Download): <ul style="list-style-type: none"> <li>➤ Expiry Report (MX01)</li> <li>➤ Expiry Options Daily Transaction Report (MT01)</li> <li>➤ List of Options/Cash Adjustments (MT03)</li> </ul>	<del>6:00</del> <u>5:30</u> <del>pa.</del> <u>pa.</u> m.
CDCC Clearing Application available for: <ul style="list-style-type: none"> <li>➤ Trade corrections</li> <li>➤ Open Position changes</li> <li>➤ Position Transfers</li> <li>➤ Changes to Automatic Exercises</li> <li>➤ Exercise Notices input</li> <li>➤ Cancel / correct <del>previous</del> (Friday's) exercises</li> </ul>	<del>6:00</del> <u>7:15</u> <del>ap.</del> <u>ap.</u> m. to <del>10:00</del> <u>10:15</u> <del>pa.</del> <u>pa.</u> m.
CDCC Clearing Application shutdown: <ul style="list-style-type: none"> <li>➤ CDCC processes expiry entries</li> </ul>	<del>10:01</del> <u>10:15</u> <del>ap.</del> <u>ap.</u> m.
Reports available (FTP Download): <ul style="list-style-type: none"> <li>➤ List of Expiry Adjustments Report (MX02)</li> <li>➤ Expiry Difference Report (MX03)</li> </ul>	<del>10:15</del> <u>10:30</u> <del>pa.</del> <u>pa.</u> m. <del>to 11:30</del> <u>10:30</u> <del>pa.</del> <u>pa.</u> m.
CDCC Clearing Application available again for: <ul style="list-style-type: none"> <li>➤ Review of expiry entries</li> <li>➤ Corrections to expiry entries</li> </ul>	<del>10:15</del> <u>10:30</u> <del>pa.</del> <u>pa.</u> m. to <del>10:30</del> <u>10:45</u> <del>pa.</del> <u>pa.</u> m.
CDCC Clearing Application shutdown <ul style="list-style-type: none"> <li>➤ Close of Business</li> </ul>	<del>10:30</del> <u>10:45</u> <del>pa.</del> <u>pa.</u> m.
Reports available (FTP Download): <ul style="list-style-type: none"> <li>➤ Options Exercised and Assigned Report (MT02)</li> <li>➤ Other reports and files also available</li> </ul>	<del>11:12:45</del> <u>12:45</u> <del>30</del> <u>30</u> a.m.

**TIME FRAMES FOR ON-LINE ACCESS (continued on next page)**

## TIME FRAMES

### TIME FRAMES FOR ON-LINE ACCESS (continued)

#### FIFO PERIOD

Activity	Deadlines
Daily reporting by Clearing Members of the Long Positions in each of their accounts in chronological order	5:30 p.m.
Submission of Tender Notices	5:30 p.m.

#### PLEDGING

Clearing Members must input requests for deposit or withdrawal of Acceptable Collateral on the pledging screen of the CDCC Clearing Application.

CDCC monitors the pledging screens between 9:00 a.m. and 3:30 p.m. on Business Days.

CDCC verifies the validity of each deposit made by Clearing Members and ensures that withdrawals do not create deficits in the Clearing Members' accounts (Margin, Clearing Fund or Difference Fund). Any request for the withdrawal of a Specific Deposit should be entered prior to when the intra-day margin call process runs as deposits are valued at this time. Any withdrawal of this type entered after such time will not be processed as such withdrawal cannot be properly valued.

The entries on the pledging screen of the CDCC Clearing Application are matched by CDCC to corresponding entries on the reporting system of the relevant Central Securities Depository.

In some cases an exchange of document at a CDCC Office by the Clearing Members (accompanied by a screen print of the entry bearing the Clearing Member's stamp) may be accepted by CDCC as constituting a physical deposit or withdrawal.

After performing all the validation processes, CDCC confirms within the CDCC Clearing Application the Clearing Members' deposits and/or withdrawals.

Deposits, withdrawals and changes thereto will be reflected on the immediately following Business Day Deposits and Withdrawals Report (MA01). In accordance with CDCC's Rules, any discrepancies that the Clearing Member notices against its own records should be reported to CDCC immediately.

**CDCC - REPORTS****REPORT REFERENCES**

Clearing Member reports contain the following information:

Transactions	Reports relating to Clearing Member's Transactions such as trade entries, trade corrections, trade rejections and exercises/tenders. These reports start with the alpha code MT.
Fees	Report relating to the collection of service fees from the Clearing Member. These reports start with the alpha code MB.
Settlements	Reports relating to Premiums, Settlement of Gains and Losses, and Margin. These reports start with the alpha code MS.
Assets	Reports relating to the maintenance of Clearing Member assets as well as depository information. These reports start with the alpha code MA.
Delivery	Reports relating to delivery obligations and unsettled deliveries. These reports start with the alpha code MD.
Positions	Reports relating to positions held by Clearing Members separately for Futures, Options, OTCI and Fixed Income Transactions. These reports start with the alpha code MP.
Expiry	Reports used by Clearing Members to verify expiring positions and automatic exercises. These reports start with the alpha code MX.
Risk	Reports relating to risk management. These reports start with the alpha code MR.

**CDCC - REPORTS**
**REPORT DETAILS**

Report Code	Report Name	Report Description
<i>Daily:</i>		
MA01	Deposits and Withdrawals Report	Details on Clearing Member's deposits and withdrawals for Margin, Clearing Fund and Difference Fund. ( <b>Note:</b> will find the letters D, W and PW next to the date of deposit)
MD01	Options Unsettled Delivery Report	Lists unsettled deliveries for Options.
MD51	Futures Unsettled Delivery Report	Lists unsettled deliveries for Futures - the issue and number of Futures contracts which must be delivered - the account to which the delivery has been assigned and the opposite Clearing Member - the Settlement Amount and settlement date
MD70	Fixed Income Net Settlement Delivery Status Report	Status of Clearing Member's settlement activity at the Central Securities Depository with respect to Acceptable Securities on that day.
MP01	Options Open Positions Report	Lists the Clearing Member's Open Positions for puts and calls.
MP02	Sub-Account Options Open Positions Report	Lists all Options Open Positions in sub-accounts of the Clearing Member's Client Account(s), Firm Account(s) and Multi-Purpose Account(s).
MP21	Contract Adjustment Report	Lists the Clearing Member's Long Positions and Short Positions before and after the relevant contract adjustment.
MP51	Futures Open Positions Report	Lists the Clearing Member's Futures and Options on Futures Open Positions for all accounts.
MP70	Fixed Income Forward Repo Position Report	Lists the Clearing Member's Repurchase Transactions accepted for clearing by CDCC.
MP71	Fixed Income Repo Conversion Position Report	Lists all of the Clearing Member's Repurchase Transactions that have progressed from Forward Repurchase Transactions to Running Repurchase Transactions on that day.
MP73	Fixed Income Running Repo Open Positions Report	Lists all of the Clearing Member's Running Repurchase Transactions as of that day.
MP75	Fixed Income Forward Net Settlement Positions Report	Lists all of the Clearing Member's forward Net Settlement Positions obligations.
MP79	Daily Repo Rate Mark to Market Report	Lists the Clearing Member's MTM Repo Rate Payments, OCF MTM Payments and Net MTM Reversal Requirement for that day.
MR05	OTCI (Converge) Position Limits Usage Report	Lists Clearing Member's percentage of OTCI (Converge) Position Limits used.
MR50	Daily Capital Margin Monitoring Report	Lists Clearing Member's Margin and capital requirements. Identifies if additional Margin is required.
MS01	Daily Settlement Summary Report	Lists assets balances with Margin requirements and cash settlement in Canadian and U.S. dollars.
MS03	Trading and Margin Summary Report	Lists Options Premiums, Settlement of Gains and Losses, Futures Premiums and Margin requirements for each sub-account. <b>Note:</b> Does not include trade adjustments (T+ 1)
MS05	SPAN Performance Bond Summary Report	The report shows the Performance Bond (Margin) requirements for each Clearing Member by type of account.
MS07	Intra-Day Margin Report	Margin call details with Margin requirements by account.
MS08	Daily Margin Activity Report	Lists details of positions by Class Group with Margin requirements.
MS70	Fixed Income Net Settlement	Lists all of the Clearing Member's Fixed Income Transactions

**CDCC - REPORTS**

	Position Activity Report	activities that contribute to its Net Settlement Position.
MS75	Fixed Income End of Day Settlement Instruction Report	Detail of Clearing Member's net settlement instructions to be sent to the Central Securities Depository after Netting Cut-Off Time.
MT01	Options Daily Transaction Report	Lists details for all Option contracts from previous Business Day.
MT02	Options Exercised and Assigned Report	Lists totals for Options Exercised Positions and Assigned Positions by Series of Options (including the debit and credit dollar values of the Transactions).
MT03	List of Options/Cash Adjustments Report	Lists all trade adjustments and Open Position changes including cash adjustments and Position Transfers.
MT05	Options Consolidated Activity Report	Lists all positions with activity including Option Premiums.
MT06	Options Sub-Account Consolidated Activity Report	Lists positions with activity including Option Premiums for only the sub-accounts of Client, Firm and Multi-Purpose.
MT10	Unconfirmed Items Report	Lists all items that remained unconfirmed by the opposite member at the end of the current Business Day.
MT29	Trades Rejection Modification Report	Lists all original and modified trade rejections for the Clearing Member.
MT51	Final Futures Daily Transaction Report	Lists trade details for all Futures and Options on Futures activity.
MT52	Futures Tenders and Assignments Report	Lists all Tender Notices and Assigned Positions details.
MT53	List of Futures/Cash Adjustments Report	Lists details on all Futures and Options on Futures trade adjustments, Open Position changes, including cash adjustments and Position Transfers.
MT54	Futures Trading Summary Report	Lists all Series of Futures and Options on Futures and prices, and volumes at which each were traded. Lists number of contracts bought and sold for each Series of Futures Trade Prices.
MT66	Futures Sub-Account Consolidated Activity Report	Lists Futures and Options on Futures positions with activity including Settlement of Gain and Losses and Futures Premiums respectively, for the sub-accounts of Client, Firm and Multi-Purpose.
MT70	Fixed Income Novated Transactions Report	Lists the Clearing Member's daily Fixed Income Transactions novated to CDCC in accordance with the CDCC Clearing Application.
MT71	Fixed Income CSD Novated Trades Report	Lists the data transmitted to CDCC by the Central Securities Depository with respect to the Clearing Member's daily Fixed Income Transactions submitted for clearing.
MT73	Fixed Income Trade Rejection Report	Lists details of Clearing Member's daily Fixed Income Transactions that were rejected (DK) by CDCC or by the Clearing Member itself.
MT74	Fixed Income Not-Novated Transactions Report	Lists the Clearing Member's daily Fixed Income Transactions that were not novated to CDCC, including all rejected and orphaned trades.
MT92	Options on Futures Exercised & Assigned Report	Lists totals for Options on Futures Exercised Positions and Assigned Positions by Series. <b>Note:</b> Futures Options Exercised Positions and Assigned Positions value is nil
MT99	Detailed Futures Consolidated Activity Report	Detailed list of all Futures position with activity, including Settlement of Gains and Losses. Detailed list of all Options on Futures positions and activity including Futures Premiums.
<b>Monthly:</b>		
MA71	Clearing Fund Statement	Identifies the Clearing Member's Clearing Fund obligation. Lists the Clearing Member's current Deposits within the Clearing Fund and what is owed.

**CDCC - REPORTS**

MB01	Monthly Clearing Fees Invoice	This report contains summarization of the monthly clearing fees in an invoice format – THIS IS NOT TO BE PAID. The system automatically includes the collection of the fees within the daily settlement on the morning of the fifth business day of the month.
MB02	Monthly Clearing Fees Details Report	This report contains the following four sub-reports: “Fees” – this is product by sub-account. “Summary by Category” – this is summarization by product. “Summary by Account Operation Type” – this is a summary of the operational charges by sub-account.
MB03	Monthly Fixed Income Clearing Fees Invoice	This report details the clearing fees that are due with respect to Fixed Income Transactions by each Clearing Member.
MT40	Broker Ranking by Account Report	Individual Clearing Member ranking within CDCC for contracts, value traded and transactions (trade only) by month with year to date.
<b><i>FIFO Period:</i></b>		
MP56	FIFO Position Report	Lists Series of Futures with positions in chronological order, contracts in positions.
MP60	FIFO Declaration vs. Open Position Report	Lists Clearing Member’s Futures positions and FIFO long positions declaration.
<b><i>Options on Futures Expiry:</i></b>		
MT51	Final Futures Daily Transaction Report	Lists trade details for all Futures and Options on Futures activity.
MX11	Futures Options Expiry Report	Lists all expiring Options on Futures with In-the-Money Options or Out-Of-the-Money Options amounts and Automatic Exercise positions for Expiry.
MX12	Futures Options Expiry Adjustments Report	Lists all trade adjustments and Open Positions changes on expiring Series only.
MX13	Futures Options Expiry Difference Report	Lists all reported changes, deletions and/or additions to exercises on the Futures Options Expiry Report (MX11).
<b><i>Options Expiry (Saturday Morning/Friday Evening):</i></b>		
MT01	Options Daily Transaction Report	Lists <a href="#">trade</a> details for all <a href="#">expiring</a> Option contracts <del>from previous</del> <a href="#">for the</a> Business Day.
MT02	Options Exercised and Assigned Report	Lists totals for Options Exercised Positions and Assigned Positions by Series of Options (including the debit and credit dollar values of the transactions).
MX01	Expiry Report	Lists all expiring Options with In-the-Money Options or Out-of-the-Money Options amounts and Automatic Exercise positions for Expiry.
MX02	List of Expiry Adjustments Report	Lists all trade adjustments and Open Positions changes on expiring Series of Options only.
MX03	Expiry Difference Report	Lists all reported changes, deletions and/or additions to exercises on the Expiry Report.
<b><i>OTCI Expiry:</i></b>		
MX01	Expiry Report	Lists all expiring Options with In-the-Money Options or Out-of-the-Money Options amounts and Automatic Exercise positions for Expiry.
<b><i>Business Day following Expiry:</i></b>		
MP11	Expired Options Positions Report	Lists the Clearing Member’s balance of expired Options positions following the <a href="#">Saturday-Friday</a> Expiry process.
MP12	Expired Futures Options Positions Report	Lists the Clearing Member’s balance of expired Futures Options positions following the Friday Expiry process.

## **EXERCISES, TENDERS, ASSIGNMENTS AND DELIVERIES**

### **INTRODUCTION**

#### **OPTIONS**

At the time of exercise of an Option, CDCC is responsible for issuing settlement records that will facilitate the delivery of the Underlying Interest to the Clearing Member who chooses to exercise that Option (in case of the exercise of a call Option) or the payment of the relevant Exercise Price (in the case of the exercise of a put Option). When a Clearing Member exercises an Option, CDCC assigns the delivery obligation to a Clearing Member who is the writer of Options in the same Series of Options in any one of its Client Account(s), Firm Account(s), or Multi-Purpose Account(s).

Assignment is made specifically to one of these accounts by CDCC. If assignment is made to a Client Account, the Clearing Member is responsible for allocating it to a specific client. If assignment is made to a Multi-Purpose Account, the Clearing Member must allocate it to the specific Multi-Purpose Account designated by CDCC.

Delivery of the Underlying Interest and payment of the Exercise Price is to be effected by Clearing Members through the settlement method instructed by CDCC.

#### **FUTURES**

All Futures which have not been closed out by the last trading day will be marked-to-market up to and including the close of the last trading day. In addition, the seller of a Future must submit a Tender Notice in the Delivery Month in accordance with applicable Contract Specifications.

When a seller of a Future submits a Tender Notice to CDCC, CDCC assigns it to a Clearing Member which is the buyer of a Future in the same Series of Futures in any one of its accounts. Assignment is made specifically to one of these accounts by CDCC. If assignment is made by CDCC to a Client Account, the Clearing Member is responsible for allocating it to a specific client. If assignment is made to a specific Multi-Purpose Account, the Clearing Member must allocate it to the specific Multi-Purpose Account designated by CDCC.

## EXERCISES, TENDERS, ASSIGNMENTS AND DELIVERIES

### EXPIRY PROCEDURES

Operations Notices are sent to Clearing Members setting forth the expiry procedures and it is the responsibility of Clearing Members to ensure that they have adequate processes in place to meet requirements and timelines prescribed by CDCC.

### OPTIONS

For all information pertaining to the Option expiry procedures, Clearing Members should refer to the Operational Notices which are issued approximately two (2) weeks prior to the Expiration Date.

#### CDCC's Responsibilities on Expiry [SaturdayFriday](#)

1. Review/modify Underlying Interest prices and notify the Clearing Members of any changes.
2. Notify Clearing Members (via e-mail) of any changes in the Production Schedule.
3. Notify Clearing Members (via e-mail) of the status of expiry processes.
4. Assist Clearing Members.

#### Clearing Members' Responsibilities on Expiry [SaturdayFriday](#)

1. Ensure that the staff responsible for expiry is familiar with all expiry procedures and processes.
2. Validate entries using the Inquiry Screens or the relevant reports:
  - a. Verify that all Open Positions and adjustments match internal records, enter any new Transaction or Open Position adjustments accordingly.
  - b. Verify that the number of Options that will be automatically exercised on Expiration Date are correct.
  - c. For any changes, indicate on the Expiry Response Screen under the "Override" column the total number of Options for each Series of Options to be exercised.
  - d. Verify any Out-Of-The-Money Options or At-the-Money Options to be exercised and enter the number of Options under the "Override" column.
3. Validate changes using the reports and/or the on-line access to CDCC Clearing Application (in accordance with timeframes set forth in Section 2 of this Operations Manual).
4. If required, make any allowed modifications (in accordance with timeframes set forth in Section 2 of this Operations Manual).

#### Daily Expirations (other than Expiry [SaturdayFriday](#))

When CDCC receives Underlying Interests' closing and opening prices from the relevant Exchange, the prices are specified on the relevant Expiry Report and are used to determine the In-the-Money Options and the Out-of-the-Money Options.

Clearing Members have until the Close of Business on any Business Day up to the Expiration Date to submit an Exercise Notice with respect to American Style Options to CDCC. European Style Options can only be exercised on their Expiration Date.

OTCI Options can expire on any Business Day.

Typically, exercise instructions must be entered online on the CDCC Clearing Application by Clearing Members. However, if unavailable, the following manual process can be used to submit Exercise Notices to CDCC:

**EXERCISES, TENDERS, ASSIGNMENTS AND DELIVERIES**

1. The proper CDCC Exercise Notice form must be used.
2. The authorization stamp of the Clearing Member must be affixed on the form.
3. The properly delivered Exercise Notice will be accepted at any CDCC office.
4. The Exercise Notice must be properly delivered by five minutes before Close of Business.
5. The Clearing Member staff who deliver the Exercise Notice must be available until CDCC processes the exercise.

The CDCC Clearing Application will ensure that there are sufficient Option Open Positions of the relevant Series of Options in the relevant account of the Clearing Member for exercising the relevant Exercise Notice; if not, CDCC will reject the Exercise Notice. If there are sufficient Option Open Positions, the Clearing Member's Long Position is immediately reduced by the number of Option Open Positions exercised.

**AN EXERCISE NOTICE CAN BE CANCELLED UNTIL CLOSE OF BUSINESS ON THE DAY IT IS SUBMITTED.**

## **EXERCISES, TENDERS, ASSIGNMENTS AND DELIVERIES**

### **OPTIONS**

#### **Exercises**

Delivery and payment on Exercised Positions are due on the Exercise Settlement Date.

Until Exercise Settlement Date, CDCC continues to require sufficient Margin to ensure that, if a Clearing Member defaults, any Exercise Notice submitted by it or assigned to it, as the case may be, will be completed.

Exercised Positions and Assigned Positions are reported to Clearing Members through relevant reports listed in Section 3 of this Operations Manual.

#### **Assignments**

After the Close of Business on any Business Day on which an Exercise Notice is submitted to CDCC, assignment of such Exercise Notice is made on a random selection basis, in which each account of a Member is treated separately. The reason for the separation is to ensure that each Clearing Member's Client Account(s), Firm Account(s), and Multi-Purpose Account(s) have the same probability of being assigned Exercise Notices. When a Clearing Member is assigned an Exercise Notice for a given account (e.g. the Firm Account) it may not allocate that assignment to another account (e.g. a Client Account).

An attempt will be made by CDCC to assign an Exercise Notice for more than 10 Options contracts in blocks not exceeding 10 contracts in each Series of Options.

Exercise Notices assigned to a Clearing Member's Client Account shall be allocated by the Clearing Member to any of its clients based on any method which is equitable and consistent with the rules of the relevant Exchange.

#### **Automatic Exercise - Options and Options on Futures**

To safeguard Clearing Members from possible errors, CDCC has instituted an Automatic Exercise procedure for expiring Series of Options. In simple terms, all In-the-Money Options and Options on Futures over predetermined thresholds are automatically exercised by CDCC, unless Clearing Members instruct otherwise.

CDCC establishes predetermined thresholds and informs Clearing Members that every Option and Option on Future above that threshold will be automatically exercised. CDCC will not automatically exercise any At-the-Money Option. CDCC provides a method for Clearing Members to make changes to the Automatic Exercise function of the CDCC Clearing Application. This allows Clearing Members to either opt in or opt out of the Automatic Exercise with respect to the Options and Options on Future they hold. For example, a Member can choose not to exercise an Option that is above the predetermined threshold but to exercise another Option that is At-the-Money or Out-of-the-Money.

**EXERCISES, TENDERS, ASSIGNMENTS AND DELIVERIES****Exercised and Assigned Option Contracts**a) **Exercised Positions**

A Clearing Member who has exercised an Option has an obligation to either deliver the Underlying Interest (in the case of a Put Option) or pay the Exercise Price (in the case of a Call Option).

b) **Assigned Positions**

A Clearing Member who has been assigned an Exercise Notice has the obligation to pay the Exercise Price upon delivery of the Underlying Interest (in the case of a Put Option) or to deliver the Underlying Interest against payment (in the case of a Call Option).

**EXERCISES, TENDERS, ASSIGNMENTS AND DELIVERIES****FUTURES****Submission of Tender Notices**

Tender Notices must be submitted before Close of Business during the relevant FIFO Period (which, subject to any contract adjustment by the Exchange, shall be as follows):

CGB, CGF and LGB	three Business Days prior to the first Business Day of the Delivery Month up to and including the fourth to last Business Day of the Delivery Month.
Share futures	three Business Days prior to the first Business Day of the Delivery Month up to and including the fourth to last Business Day of the Delivery Month.
CGZ	two Business Days prior to the first Business Day of the Delivery Month up to and including the third to last Business Day of the Delivery Month.
MCX	before Close of Business on the last trading day.

All outstanding Short Positions in BAX, SXF, SXM, SCF, Sectorial Indices, Options on Futures are automatically tendered on the last trading day, as per Contract Specifications, after Close of Business.

All outstanding Short Positions in ONX, OIS are automatically tendered on the first Business Day of the contract month, as per Contract Specifications, after Close of Business.

**Assignment of Tender Notices**

CDCC assigns all Tender Notices to open Long Positions on a random basis with the exception of the Government of Canada Bond Futures (CGB, LGB, CGF and CGZ). Assignments for the CGB, LGB, CGF and CGZ Futures are processed on a First-In-First-Out (FIFO) basis.

Delivery of the Underlying Interest and payment of the Settlement Price is effected by Clearing Members as instructed by CDCC.

**FIRST-IN-FIRST-OUT (FIFO) ASSIGNMENT PROCESS****Description of Procedures**

The Delivery Months for the CGB, CGF, LGB and CGZ Futures contracts are March, June, September and December as prescribed by the Exchange. When a Member submits a Tender Notice with respect to a Short Position, a Long Position is assigned on a First-In-First-Out (FIFO) basis. CDCC sends out an Operational Notice prior to each relevant FIFO Period to remind Clearing Members of the procedures involved.

On the sixth Business Day prior to the first Business Day of the Delivery Month, each Clearing Member holding Long Positions in the relevant Series of Futures must declare on the CDCC Clearing Application its Long Positions in chronological order for each of its accounts. The entries must include the date the position was opened, the number of

## **EXERCISES, TENDERS, ASSIGNMENTS AND DELIVERIES**

contracts and the account. When CDCC assigns a Tender Notice, the Long Position with the oldest date will be assigned first and the Long Position with the most recent date will be assigned last.

During the FIFO Period, Clearing Members must ensure that they update their declarations on a daily basis before Close of Business.

### **FIXED INCOME TRANSACTIONS**

CDCC acts as central counterparty to all Fixed Income Transactions that are submitted by Clearing Members to CDCC for clearing. All Fixed Income Transactions shall be submitted for clearing to CDCC through an Acceptable Marketplace or through the CDS trade matching facility routing matched trades to CDCC. As a result of these Transactions being novated to CDCC, CDCC will be either the buyer or the seller of all settlement records that are sent to the Central Securities Depository.

Various transmissions of settlement records will be sent by CDCC to the Central Securities Depository on a daily basis.

#### **Same Day Transactions gross settlement records**

For Same Day Transactions, two settlement records consisting of settlement instructions (Gross Delivery Requirements and Gross Payment Against Delivery Requirements) will be sent gross to the Central Securities Depository to be settled on a real-time basis throughout the day immediately after each Same Day Transaction is novated to CDCC until the Submission Cut-Off Time specified in Section 2 of this Operations Manual.

#### **Forward Settlement Transactions and Futures Contracts on an Acceptable Security net settlement records**

For Forward Settlement Transactions and Futures Contracts on Acceptable Securities, settling on the next Business Day, two settlement records consisting of net settlement instructions (Net Delivery Requirements and Net Payment Against Delivery Requirements) will be sent to the Central Securities Depository on a net basis at the Netting Cut Off Time specified in Section 2 of this Operations Manual for settlement on the next Business Day.

#### **Morning net DVP settlement process**

In respect of any Pending Payment Against Delivery Requirements at the Morning Netting Cycle Timeframe specified in Section 2 of this Operations Manual, CDCC shall send new settlement records (Morning Net Payment Against Delivery Requirements) to the Central Securities Depository reducing any Pending Payment Against Delivery Requirements of a Clearing Member in favour of CDCC by any Pending Payment Against Delivery Requirements of CDCC in favour of the same Clearing Member. The Clearing Member shall have sufficient funds in its cash account at CDS to settle the lesser of (i) its Morning Net Payment Against Delivery Requirement and (ii) the amount of the CDCC Daylight Credit Facility during the Morning Net DVP Settlement Timeframe specified in Section 2 of this Operations Manual.

#### **Afternoon net DVP settlement process**

In respect of any Pending Settlement Requirements at the Afternoon Netting Cycle Timeframe specified in Section 2 of this Operations Manual, CDCC shall send new settlement records (Afternoon Net DVP Settlement Requirements) to the Central Securities Depository reducing any Pending Delivery Requirements of a Clearing Member in favour of CDCC by any Pending Delivery Requirements of CDCC in favour of the same Clearing Member in respect of the same Acceptable Security, and/or reducing any Pending Payment Against Delivery Requirements of a Clearing Member in favour of CDCC by any Pending Payment Against Delivery Requirements of CDCC in favour of the same Clearing

## EXERCISES, TENDERS, ASSIGNMENTS AND DELIVERIES

Member. The Clearing Member shall have sufficient funds and sufficient Acceptable Securities in its cash and securities accounts at CDS to settle its Afternoon Net DVP Settlement Requirements by the End of Day DVP Settlement Time specified in Section 2 of this Operations Manual.

### Delivery

Securities delivery against payment is effected on a DVP basis through the Central Securities Depository.

In the event of a failed or partial delivery, CDCC will take appropriate action in accordance with Section A-804 of the Rules.

CDCC shall determine the net settlement instructions by Clearing Member, CUSIP/ISIN and Settlement Date for all Transactions comprised in the Forward Settlement Transactions netting process (as specified in the above section entitled as such) submitted to CDCC for clearing as of the Netting Cut Off Time. These settlement instructions shall be submitted to the relevant Central Securities Depository on a daily basis and in the form and settlement tranche acceptable to the Central Securities Depository for this purpose.

For Same Day Transactions, CDCC shall determine the gross settlement instructions (Gross Delivery Requirements and Gross Payment Against Delivery Requirements) by Clearing Member and the applicable CUSIP/ISIN, and submit such instructions to the relevant Central Securities Depository (in the form and settlement tranche acceptable to such Central Securities Depository) immediately after each Same Day Transaction is novated to CDCC for real-time settlement. Notwithstanding the foregoing, at the Morning Netting Cycle Timeframe, CDCC shall cancel previously issued Pending Payment Against Delivery Requirements and replace them by Morning Net Payment Against Delivery Requirements by Clearing Member (as specified in the above section entitled "Morning net DVP settlement process").

In the event of a Failed Delivery for a particular settlement tranche to a Net Delivery Requirement or to an Afternoon Net DVP Settlement Requirement consisting of an obligation to deliver Acceptable Securities by the End of Day DVP Settlement Time specified in Section 2 of this Operations Manual, CDCC shall, on a best efforts basis, attempt to coordinate a partial delivery among those Receivers of Securities for that particular settlement tranche of the relevant Acceptable Security. In the event that no partial settlement is possible, the settlement tranche will be included in the Rolling Delivery Obligation of the failing Clearing Member and CDCC shall re-attempt settlement of the failed settlement tranche on the next Business Day. In the case of a Failed Delivery with respect to a Gross Delivery Requirement resulting from a Same-Day Transaction submitted after the Afternoon Netting Cycle Timeframe and before the Submission Cut-Off Time to be settled by the End of Day DVP Settlement Time, CDCC will failed or partially deliver the same quantity of Acceptable Securities on the Clearing Member who is the Receiver of Securities with respect to the relevant Same Day Transaction.

In the event of a Failed Payment Against Delivery at the Morning Net DVP Settlement Timeframe specified in Section 2 of this Operations Manual, CDCC shall impose a fine on the Clearing Member corresponding to the charges which are levied on CDCC for the usage of the CDCC Daylight Credit Facility as a result of this Failed Payment Against Delivery. If the Clearing Member still does not have sufficient funds in its cash account at the Central Securities Depository to settle the relevant Morning Net Payment Against Delivery Requirement, or in the amount of the CDCC Daylight Credit Facility (whichever is less) by 11:00 a.m., the Clearing Member shall be deemed a Non-Conforming Member, in addition to any other remedies that CDCC may apply to such situation in accordance with Subsection A-806(1) of the Rules.

In the event of a Failed Payment Against Delivery at the End of Day DVP Settlement Time specified in Section 2 of this Operations Manual, the Clearing Member shall be deemed a Non-Conforming Member and shall be required to pay to CDCC any charges which are levied on CDCC for the overnight financing of this Failed Payment Against Delivery, in addition to any other remedies that CDCC may apply to such situation in accordance with Subsection A-806(2) of the Rules.

**EXERCISES, TENDERS, ASSIGNMENTS AND DELIVERIES****Buy In Process**

As set forth in Subsection A-804(3) of the Rules, CDCC may effect a buy-in transaction on its own initiative or pursuant to a formal request by a Receiver of Securities affected by a Failed Delivery by purchasing the missing quantity of the relevant Acceptable Securities on the open market.

When initiated by a Receiver of Securities, the buy-in process shall be as followed:

1. The Receiver of Securities who wants to initiate a buy-in must send to CDCC the appropriate Buy-In Scan Form (which is accessible on CDCC's Secured Website) duly completed, with the following information:
  - a. Clearing Member's Name;
  - b. Clearing Member's Number
  - c. The Acceptable Security (ISIN) involved;
  - d. The total quantity of the Failed Delivery;
  - e. The quantity requested in the buy-in;
  - f. The buy-in delivery date, which shall be the current Business Day + not less that two (2) complete Business Days.

The Buy-In Scan Form must be submitted to CDCC in the prescribed format with the authorization stamp of the Clearing Member properly affixed on the form (with initials).

2. Upon receiving the duly completed Buy-In Scan Form from a Receiver of Securities, CDCC will work with the Provider(s) of Securities responsible for the Failed Delivery in order to validate if the delivery can be made within the number of Business Days specified in the Buy-In Scan Form (the "Buy-In Notice Delay").
3. At the expiry of the Buy-In Notice Delay, if the Provider(s) of Securities has not delivered the relevant Acceptable Securities, CDCC will initiate a cash trade on the open market.
4. Once delivery is received by CDCC on the cash trade, CDCC will deliver the Acceptable Securities to the Receiver of Securities that requested the buy-in transaction.
5. All fees incurred to CDCC, including all costs with respect to the buy-in transaction shall be charged to the Provider(s) of Securities responsible for the Failed Delivery. Such fees will be included on the Monthly Clearing Fees Details Report (MB01) of the second Business Day of each month as a separate pay figure, payable to CDCC on the 5th Business Day of each month through LVTS or any other payment method approved by CDCC.



## OPERATIONAL NOTICE

No. 2011 – M96  
November 7, 2011

### **EXCHANGE TRADED PRODUCTS** **Clearing Application Program Interface (API) - FIXML™<sup>1</sup>**

As has been communicated via numerous Users' Groups meeting, CDCC has initiated a project to allow the Clearing Members access to real time messaging to facilitate Clearing Members' Real-Time Reconciliations.

CDCC has now published the *SOLA® Clearing API FIXML™ Specifications Guide* and the *SOLA® Clearing API FIXML™ Business Design Guide* of the chosen protocol. You will find these on the CDCC Extranet within the Technical Document section.

In essence, the Specifications Guide is a more technical document whereas the Business Design Guide will provide greater details from a business perspective. The scope of the work that needs to be conducted as well as greater information on technical and business requirements as layouts, schemas and tags are defined therein.

The next stage of CDCC's project will entail development of the aforementioned FIXML™ infrastructure while the Clearing Members commence their development (or that of their vendors) to use this functionality in preparation of the elimination of Expiry Saturday and the upcoming Weekly Options.

Future communications will be made via the CDCC User's Group meetings (Exchange Traded and OTC) regarding this initiative as well as through CDCC Operational Notices.

If you have any questions or concerns, please contact CDCC'S Member Services department or direct your e-mail inquiries to [cdccops@cdcc.ca](mailto:cdccops@cdcc.ca)

Roger Warner  
Director, Member Services

---

<sup>1</sup> FIXML is a registered trademark of FIX Protocol Limited



## OPERATIONAL NOTICE

No. 2011 – M105

November 14, 2011

### **EXCHANGE TRADED PRODUCTS Clearing Application Program Interface (API) - FIXML™<sup>1</sup>**

On November 7, 2011, CDCC published Operational Notice 2011-M96 to announce that it had published the *SOLA® Clearing API FIXML™ Specifications Guide* and the *SOLA® Clearing API FIXML™ Business Design Guide*. Prior to the publication of these documents, CDCC solicited, and received comments from a number of firms with regards to the content of the messaging. These documents are on the CDCC Extranet within the Technical Document section.

CDCC would like to inform the Clearing Members that it is our intention to publish a plan, by the end of the year, which will include target dates for the availability of our test environment and for when this service will be in production.

For the clearinghouse to be able to commit to these dates, we are requesting that the Clearing Members and / or their back office service vendor review the documents issued on November 7<sup>th</sup> and offer comments by Wednesday, November 30, 2011.

We would appreciate if these comments can be issued to CDCC'S Member Services department via the e-mail address [cdccops@cdcc.ca](mailto:cdccops@cdcc.ca) Please use a subject line of "FIXML Comments".

Roger Warner  
Director, Member Services

---

<sup>1</sup> FIXML is a registered trademark of FIX Protocol Limited



## OPERATIONAL NOTICE

No. 2011 – M118  
December 23, 2011

### EXCHANGE TRADED PRODUCTS Clearing Application Program Interface (API) - FIXML™<sup>1</sup>

On November 14, 2011, CDCC published Operational Notice 2011-M105 to announce that it had published the SOLA® *Clearing API FIXML™ Specifications Guide* and the SOLA® *Clearing API FIXML™ Business Design Guide* and requested comments by Wednesday, November 30, 2011. CDCC thanks all those that have provided such comments and these will be taken into consideration during the development process.

CDCC also informed the Clearing Members that it is our intention to publish a plan, by the end of the year, which will include target dates for the availability of our test environment and for when this service will be in production. Please find such a plan published hereto.

TARGET ITEM	TARGET TIMEFRAME
Availability in GTE <sup>2</sup> of end of day FiXML-formatted flat files through a FTP Server	Q2 2012
Availability in GTE of a real-time FiXML Feed	Q3 2012
Installation in Production (both FTP and real-time feed)	Q4 2012

CDCC will be communicating with all Clearing Members and Service Vendors to ensure that their respective Technical staff is aware of the pending development of this important initiative.

If you have any comments, questions or concerns, please do not hesitate to contact CDCC's Member Services department via the e-mail address [cdccops@cdcc.ca](mailto:cdccops@cdcc.ca)

Roger Warner  
Director, Member Services

<sup>1</sup> FIXML is a registered trademark of FIX Protocol Limited

<sup>2</sup> GTE is the TMX Group's General Testing Environment for all external members/participant connectivity

**Q1: Why is OCC moving standard expiration processing to Friday?**

For years it has been an industry wide goal to move standard expiration processing from Saturday to Friday. This change will result in several benefits including;

- The migration of all clearing members towards real-time trade date reconciliation and position balancing.
- The reduction of clearing member staffing costs for expiration processing.
- The coordination of all product expiration types (Standard, Quarterly, Weekly & Daily) to one repeatable expiration process.
- Aligns the United States with the European markets with expiration processing.
- Increases install and maintenance scheduling flexibility.

**Q2: When will OCC migrate the current Expiration process from Saturday to Friday?**

June 21, 2013. The June 2013 Standard Expiration will be the first Standard Expiration to be processed on Friday evening. Please reference OCC Memo #30132.

**Q3: Do firms need to process data real time in order to be ready for expiration Friday?**

Firms must be able to balance positions and trades same day and therefore, OCC is strongly recommending firms migrate to real time processing.

**Q4: How do I get included in any updates or meetings involving the transition to Expiration Friday?**

Send an email to [expfriday@theocc.com](mailto:expfriday@theocc.com) or contact the Member Services Help Desk at the following numbers: 800-544-6091 or 800-621-6072. Within Canada, please call 800-424-7320.

**Q5. How will expiration processing work?**

All expiration processing will occur on Friday evening instead of Saturday. This will be similar to Weekly and Quarterly Expiration processing.

**Q6. What are the window timeframes for Standard Friday Expiration?**

Window/Process	Time
Trades Received	5:00 pm CT
CMTA Window	5:00 pm CT
EED/DNED Window	6:00 pm CT
Daily Post Trade Window	6:00 pm CT
Ex by Ex Window Opens	6:00 pm CT
Ex by Ex Window Closes	9:15 pm CT

**Q7. Will there be any difference between Standard Expiration Friday and Weekly Expiration Friday?**

The Standard Expiration Ex by Ex window will close at 9:15 pm CT instead of 7:00 pm CT as it does for Weekly / Quarterly Expiration. Reports and DDS transmissions will also be delayed as seen in the table below.

	Current Weekly Expiration	Standard Friday Night Expiration
Ex by Ex Window Closes	7:00 pm CT	9:15 pm CT
Reports Produced	9:00 pm CT	11:00 pm CT
DDS Transmissions	9:00 pm CT	11:00 pm CT

**Q8. Will Options on Futures be impacted by this?**

No. There will be no changes to the expiration processing of Options on Futures.

**Q9. Can I enter post trade activity after 6:00 pm CT?**

Yes, firms can still enter position adjustments and transfers of account for expiring options.

**Q10. Will the window close for CMTA Transfers be modified for Friday Expiration?**

The CMTA Window will still close at 5:00 pm CT.

**Q11. Are EEDs/DNEDs still required and will the timeframe change?**

Yes, Member Firms will still be required to submit any EED or DNED instructions and will still be required to authorize their accounts. No, the 6 pm CT timeframe for EED and DNED will not change.

**Q12. Will customers need to submit exercise instructions earlier?**

No, Exchange contrary rules and deadlines will not be changed.

**Q13. Will I get two sets of reports and transmissions on Friday?**

No. There will only be one set of reports and transmissions which will combine the Friday daily activity and Friday night expiration activity.

**Q14. Will I still get a separate Expiring Delivery Advice Report on Saturday?**

No, there will only be one Delivery Advice Report which will include expiring and non-expiring activity. The expiring activity will be displayed first followed by non-expiring activity.

**Q15. Will I get any transmissions or reports on Saturday?**

No. Since there will be no activity on Saturday, no reports or transmissions will be produced.

**Q16. When will my margin and settlement reports be available?**

OCC will process margin and settlement activity on Friday evening. These reports will be available at approximately 2:00 am CT on Saturday morning.

**Q17. What are On-Demand Positions, and how can this help my firm with same-day position balancing?**

On-Demand Positions is a FIXML file that includes all cleared positions at a specific point in time. This file can be used by firms to balance their positions with OCC and reconcile their account.

This file is generated in one of three ways. Users can initiate a run via the ENCORE GUI, a file can be generated via an inbound FIXML message to OCC, or a firm can schedule up to 4 daily runs at designated times throughout the day. Contact your clearing member representative to get an overview of the process and scheduling options.

**Q18. Can I get an On-Demand Position File containing only expiring positions?**

Yes, OCC has added functionality to allow firms to request On-Demand Positions for expiring only positions in addition to all positions.

**Q19. Will OCC change the contract expiration date of existing options to Friday?**

No, per OCC rules and SEC mandates, OCC is not allowed to change the expiration date of listed options not subject to a corporate action. However, at a certain point in the future, OCC will start adding products with an expiration date of Friday. The cutover date for adding products with an expiration date of Friday has been established as February 1, 2015.

**Q20. How will the Expiration Cutover Date work?**

The cutover date has been finalized as February 1, 2015. As an example for the cutover date, any option scheduled to expire prior to February 1, 2015 will have a Saturday expiration date, and any option expiring February 1, 2015 or beyond will have a Friday expiration date.

**Q21. Will I ever have an expiration with a Friday and Saturday date?**

Yes, for a specific product, you can have the standard options listed with a Saturday date and a flex option listed with a Friday date. However, all expiration processing for both dates will take place on Friday.

**Q22. Will series for a standard option product have different expiration dates within the same expiring month? For example, will I have one IBM option series expiring on Friday while another IBM series expires on Saturday?**

No, series within the same month will always have either a Friday expiration date or a Saturday expiration date. There will never be series expiring in the same month with both Friday and Saturday expiration dates.

**Q23. How will the expiration dates for stock splits and mergers be handled?**

The adjusted series resulting from any stock split or merger will retain the original expiration date. For example, using February 1, 2015 as the cutover date, any adjusted option with an expiration date prior to February 1, 2015 will have a Saturday expiration date, and any adjusted option expiring February 1, 2015 or beyond will have a Friday expiration date.

**Q24. How will cash accelerated options be handled and what will be the expiration date?**

The accelerated options will be adjusted as using the Expiration Cutover Date. If the option is accelerated prior to February 1, 2015, the accelerated options will have a Saturday expiration date. If the option is accelerated after February 1, 2015, the accelerated options will have a Friday expiration date.

**Q25. Will current LOPR Reporting guidelines stay the same for Friday expiration?**

Yes, all current LOPR Reporting guidelines will still remain. If a position is established where the effective date is equal to the expiration date, the position is reported to the LOPR. This is consistent with current LOPR reporting guidelines for weeklies .

**Q26. When will stock settlement occur for a Friday night expiration?**

Stock settlement will continue to settle on T+3 which is normally a Wednesday after expiration.

**Q27. What time will prices be available?**

Final Prices will be updated in ENCORE at approximately 5:45 pm CT. Firms can use the early Price File which is unedited prices and is available at 3:45 pm CT.

**Q28. I would like my End of Day position file to contain my positions prior to Ex by Ex processing. Is there a report or transmission available?**

Yes, OCC has modified the end of day DDS Position record. The DDS Position Record has been enhanced to also include new tags identifying the long and short position prior to finalization.

**Q29. What should firms be doing right now to prepare for Expiration Friday?**

Firms should be looking at internal processes and procedures and determine any changes that must be implemented to accommodate this Friday night expiration. In addition, all firms should be able to perform same day reconciliation. If your firm uses a service bureau or vendor you should contact them to verify their plans for Friday expiration processing.