



NOTICE TO MEMBERS

No. 2015 - 034

March 12, 2015

SELF-CERTIFICATION

AMENDMENT TO CDCC RULES A-1, D-1, D-4 AND D-5

NEW CLEARING SERVICES FOR FINANCIALLY-SETTLED OVER-THE-COUNTER INDEX OPTIONS

S&P/TSX 60 INDEX

S&P/TSX COMPOSITE INDEX - BANKS (INDUSTRY GROUP)

S&P/TSX CAPPED UTILITIES INDEX

On February 1, 2013, the Board of Directors of the Canadian Derivatives Clearing Corporation (CDCC) approved amendments to the CDCC Rules. CDCC wishes to advise the Clearing Members that these amendments have been self-certified in accordance with the self-certification process as established in the *Derivatives Act* (R.S.Q., chapter I-14.01).

The purpose of the amendments is to allow CDCC to offer new clearing services for financially-settled OTC options on the S&P/TSX 60 Index, the S&P/TSX Composite Index - Banks (Industry Group) and the S&P Capped Utilities Index.

You will find attached hereto the amendments set to come into force and to be incorporated into the version of CDCC Rules that will be made available on the CDCC website at www.cdcc.ca as of March 13, 2015.

If you have any questions or concerns regarding this notice, please contact CDCC's Corporate Operations Department or direct your e-mail inquiries to cdcc-ops@cdcc.ca.

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President and Chief Clearing Officer

Canadian Derivatives Clearing Corporation

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CANADIAN DERIVATIVES CLEARING CORPORATION

RULES

VERSION OF ~~NOVEMBER 29,~~ 2013 ~~2014~~

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 IIROC Rules including IIROC 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.

“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 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 10:45 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.

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

“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” – ~~means~~ 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 (CO₂e) Units, has been established in order to ensure the accurate accounting of holding, transfer, acquisition, surrender, cancellation and replacement of the Carbon Dioxide Equivalent (CO₂e) Units.

“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 ~~or any OTCI 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 being the number of units ~~to be the~~ subject to 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.

PART D – OVER-THE-COUNTER INSTRUMENTS (“OTCI”)

RULE D-1 CLEARING OF OVER-THE-COUNTER INSTRUMENTS (“OTCI”)

The provisions of this Part D shall apply only to OTCI which are cleared by the Corporation, pursuant to these Rules and to those Clearing Members who are required to make a base deposit to the Clearing Fund for OTCI clearing as set out in Paragraph A-601(2)(c).

Section D-101 Responsibility of Clearing Members for OTCI

Every Clearing Member shall be responsible for the clearance of its own OTCI transactions and of the OTCI transactions of each Client which has agreed with the Clearing Member that its transactions will be cleared by such Clearing Member. A copy of such clearing agreement shall be provided to the Corporation upon its request.

Section D-102 Maintenance of Accounts

- (1) Every Clearing Member shall establish and maintain with the Corporation the following accounts:
 - (a) One or more Firm Account(s) which shall be confined to Firm Transactions of such Clearing Member; and
 - (b) One or more Client Account(s), which shall be confined to the Transactions of its Clients, if the Clearing Member conducts business with the public in OTCI.

Section D-103 Agreement Regarding Accounts

Every Clearing Member shall agree that:

- (1) In respect of any Firm Account, the Corporation shall have a first priority security interest and hypothec on all Long Positions and Short Positions, Securities, Underlying Interest, Margin, and other Margin Deposits in respect of such account as security for all of the Clearing Member's obligations to the Corporation.
- (2) Notwithstanding Subsection A-701(3), in respect of any Client Account, the Corporation shall have a first priority security interest and hypothec on all Long Positions and Short Positions, Securities, Underlying Interest, Margin, and other Margin Deposits in respect of such account as security for the Clearing Member's obligations to the Corporation in respect of such account, except that the Corporation shall not have a security interest and hypothec on the Long Positions in OTCI Transactions that are Options in a Client Account.
- (3) The Corporation may, if it deems it appropriate to do so, close out the positions in such accounts and apply the proceeds thereof to the obligations of the Clearing Member to the Corporation, at any time, without prior notice to the Clearing Member, except that the proceeds of closing out positions in any Client Account shall only be applied to obligations of the Clearing Member to the Corporation with respect to such Client Account.

- (4) Each Clearing Member is responsible for all obligations owed to the Corporation in respect of every account opened by or ~~on behalf of in respect of~~ such Clearing Member.
- (56) Amounts standing to the credit of a Clearing Member's accounts ~~will~~ may be applied by the Corporation towards the payment of any sum due by a Clearing Member to the Corporation, subject to Section A-704(2).

Section D-104 Acceptance Criteria

Acceptance Criteria reflect the acceptance parameters for an OTCI transaction to be cleared by the Corporation. More details concerning these Acceptance Criteria can be found in the Risk Manual (Annex A of the Operations Manual).

- (1) With respect to the transaction:
 - (a) that the Underlying Interest of the OTCI is one of the Acceptable Underlying Interests;
 - (b) that the OTCI is one of the Acceptable Instrument Types;
 - (c) when a transaction originates from a marketplace, that the latter is an Acceptable Marketplace;
 - (d) that the Notional Quantity of the OTCI transaction respects the thresholds as defined by the Corporation;
 - (e) that the counterparties involved in the original OTCI transaction are either Clearing Members in good standing, or are clients of such Clearing Members.
- (2) That such Clearing Member:
 - (a) is not considered Non-Conforming by the Corporation, as defined in Section A-1A04;
 - (b) that the transaction will not have the effect of the Clearing Member or client exceeding their respective Risk Limits, as determined by the Corporation;
 - (c) that the Clearing Members or their clients continue to be in good standing with the relevant Market Centres;-
 - (d) and specifically in the case of OTC derivatives based on any of the S&P/TSX and S&P/TSX Venture indices, the Clearing Member must execute and remain party to an index license agreement with S&P DOW JONES INDICES LLC.
- (3) Exemptions: A Clearing Member ~~may~~ requests an exemption from the risk limits prescribed in this article. If the Corporation rejects the exemption request, it will provide reasons for such rejection to the Clearing Member within a reasonable time delay.

For the purpose of the Acceptance Criteria in Paragraph (1) (a) above, with respect to OTCI transactions for which the Underlying Interest is a Security, the Acceptable Underlying Interest contemplated and the Unit

of Trading of the Acceptable Underlying Interest shall be approved by the Board. The Board may withdraw an Acceptable Underlying Interest that it had previously approved, if it deems, for any reason, that such Underlying Interest shall no longer be approved. The stocks contemplated for OTCI that are options shall be approved by the Board by applying the definitions and criteria identified in Sections B-601, B-603, B-604 (1) and B-605 of the Rules. ~~However~~Although, in exceptional circumstances and for the purpose of maintaining a fair and orderly market or for the protection of investors, the Corporation may accept to clear OTCI that are options on Underlying Interest that respect one or many of the criteria of Subsection B-604(1).

Section D-105 Novation

Through novation, the Corporation acts as central counterparty between each Clearing Member.

All OTCI transactions that are submitted to the Corporation are registered in the name of the Clearing Member. Upon Acceptance of the Transaction, novation occurs and the initial Transaction is replaced by two different transactions between the Corporation and each Clearing Member involved in the Transaction.

Each Clearing Member looks to the Corporation for the performance of the obligations under a Transaction and not to another Clearing Member. The Corporation shall be obligated to the Clearing Member in accordance with the provisions of these Rules. Furthermore, each client of a Clearing Member looks solely to the Clearing Member for performance of the obligations and not to the Corporation.

Section D-106 Obligations of the Corporation

Acceptance by the Corporation of an OTCI shall, subject to the fulfilment of the conditions precedent set forth in Section D-104, be deemed to have occurred following the issuance by the Corporation of the relevant Trade Confirmation.

In the event that an OTCI transaction does not meet the Acceptance Criteria as set forth in Section D-104, the Corporation will not register the transaction and will provide reasons for such rejection to all relevant parties within a reasonable time delay.

Notwithstanding the foregoing, the Corporation may reject an OTCI submitted for clearing by a Non-Conforming Member.

Section D-107 Obligations of the Clearing Member

- (1) The Clearing Member responsible for an OTCI transaction requiring an up-front payment shall be obligated to pay to the Corporation the amount of said payment agreed upon in such OTCI transaction. Such payment shall be made as set forth in these Rules not later than the Settlement Time for such OTCI transaction.
- (2) Between the time of the issuance of the Trade Confirmation and the Settlement Time, the Corporation reserves the right to require a Margin Deposit from ~~request that~~ the purchasing Clearing Member ~~deposit a Margin~~ for the amount of the up-front payment, or any other amount which it deems acceptable considering prevailing market conditions.

Section D-108 Transaction Reporting

- (1) The acceptance of every OTCI transaction by the Corporation as provided in Section D-104 shall be subject to the condition that the Acceptable Marketplace on which such OTCI transaction occurred, or the parties involved in such transaction, have provided the Corporation with the following information:
 - (a) The identity of the purchasing Clearing Member and the writing Clearing Member;
 - (b) The Accounts where said transaction will be registered; and
 - (c) The details of the transaction corresponding to the Instrument Specifications in Sections D-407~~6~~ or D-508~~6~~ of these Rules.
- (2) The Corporation reserves the right to specify the format of the transaction details as well as the medium through which they are communicated to the Corporation.
- (3) The Corporation shall have no obligation for any loss resulting from the untimely submission by an Acceptable Marketplace, or the parties to the transaction, to the Corporation of the information described in Subsection D-108(1).
- (4) For the purposes of OTCI transactions that are Options, the Corporation is not the issuer of those Options.

Section D-109 Position Management

- (1) A ShortLong Position or a LongShort Position in OTCI transactions will be created upon the Corporation's acceptance of such OTCI transaction and the resulting Open Positions will be managed in accordance with the Rules.
- (2) For OTCI transactions that are Options of the same Series of Options, the Corporation will maintain and report the Clearing Member's net position, keeping in consideration the following:
 - (a) The ShortLong Position or LongShort Position shall be reduced by the number of Options of such Series of Options for which the Clearing Member thereafter files an Exercise Notice with the Corporation in such account;
 - (b) The Short Long Position or LongShort Position shall be eliminated at the Expiration Time for such Series of Options;
 - (c) The ShortLong Position or LongShort Position shall be increased by the number of Options of such Series of Options transferred to such account, with the consent of the Clearing Member and the Corporation, from another account of the Clearing Member or from another Clearing Member;
 - (d) The ShortLong Position or LongShort Position shall be reduced by the number of Options of such Series of Options transferred from such account, with the consent of the Clearing Member and the Corporation, to another account of the Clearing Member or to another Clearing Member;

- (e) The number, or the terms of the Options in the ~~Short~~Long Position or Long~~Short~~ Position may be adjusted from time to time in accordance with Rule A-9.

Section D-110 Limitation of Liability

For OTCI transactions where there is a Guaranteeing Delivery Agent, the Corporation shall not be responsible for the performance of the obligations related to the OTCI transaction with regards to:

- (a) Delivery of the Underlying Interest;
- (b) Any replacement cost incurred during the delivery period which is due to the non-delivery of the seller specified in the transaction.

Section D-111 General Rights and Obligations of Clearing Members for OTCI

If not otherwise mentioned in these Rules, the rights and obligations of the parties to an OTCI transaction shall be determined in accordance with the practices of the Acceptable Marketplace on which the transaction was concluded.

~~For the purposes of OTCI transactions which are Options, Section B-110 shall apply to OTCI transactions, with the necessary modifications by making the necessary adaptation to give effect to the original intention of the aforementioned Sections. To make In making the necessary adaptations modifications, it should be considered that Options which are OTCI transactions are not issued by the Corporation.~~

RULE D-4 PHYSICALLY SETTLED OVER-THE-COUNTER INSTRUMENTS

The Sections of this Rule D-4 are applicable only to OTCI settling on a future date where the Underlying Interest is physically deliverable, excluding Fixed Income Transactions.

Section D-401 Definitions

Notwithstanding Section A-102, for the purposes of OTCI transactions, the following terms are defined:

- “Baseload” - ~~means~~~~refers to~~ the Profile of electricity ~~which is~~ to be delivered over the period of hour-ending 01 through hour-ending 24 for Sunday through to Monday inclusive.
- “Expiry Date” - means the Business Day on which the OTCI expires.
- “Fixed Price” - ~~means is~~ the contract price specified in the OTCI transaction. However, ~~in~~ for the ease of OTCI transactions which are Options, the Fixed Price is sometimes referred to as the Exercise Price.
- “Forward Instrument” - means an OTCI in which two contracting parties, a buyer and a seller, agree to exchange a fixed quantity of the Underlying Interest at a set time in the future, for a set Fixed Price.
- “Index Instrument” - means an OTCI in which two contracting parties, a buyer and a seller, agree to exchange a fixed quantity of the Underlying Interest at a set time in the future for the then prevailing Reference Index price plus or minus a fixed basis.
- “Instrument Type” - means the attribute of the OTCI which describes the time period over which delivery occurs for the Underlying Interest as specified under the terms of the OTCI.
- “MWh” - means mega-watt hour.
- “NERC” - means North American Electric Reliability Council.
- “On-Peak” - ~~means~~~~refers to~~ the Profile of electricity ~~which is~~ to be delivered over the period of hour-ending 08 through hour-ending 23 for Monday through to Saturday inclusive.
- “Off-Peak” - refers to the Profile of electricity ~~which is~~ to be delivered over the period of hour-ending 01 through hour-ending 07 plus hour-ending 24 between Monday to Saturday inclusive plus hour-ending 01 through hour-ending 24 on Sundays as well as any other days classified as Off-Peak in accordance with the standard NERC operating calendar.
- “Profile” - means the Commodity sub-type or grade specified as to be delivered under the terms of the OTCI.

“Reference Index” _____ - means the index specified under the terms of an OTCI used to measure the value of a related Underlying Interest at a moment in time specified under the terms of the OTCI.

“Reference Index Price” _____ - means the value of the Reference Index determined by the Corporation at the time of a specific Reset.

“Reset Frequency” _____ - means the elapsed time interval between two successive resets of a Reference Index.

“Settlement Date” _____ - unless otherwise specified, means shall be the day a payment is made under the terms of the OTCI. This day shall be determined by the Corporation and will depend on the Underlying Interest, the Settlement Type and the Settlement Rule of the OTCI as well as the practices of the relevant Acceptable Marketplace.

“Settlement Period” _____ - unless otherwise specified, means shall be the period from of the firstst calendar day until the last calendar day of every month.

“Settlement Rule” _____ - means will be either the current month (CM) or the following month (FM), as outlined in the OTCI specifications.

“Settlement Type” _____ - means physically settled.

“Spread” _____ - means the Fixed Price to be added to or subtracted from the floating leg of an OTCI transaction.

“Unit of Measure” _____ - means the standard volumetric measurement quantity related to a particular Commodity.

“Unit of Trading” _____ - means 100 shares of the Underlying Interest or units of the exchange-traded fund, unless otherwise indicateddesignated.

Section D-402 Over-The-Counter Instruments (OTCI) Acceptable for Clearing with the Corporation

The Corporation shall ~~issue, on a quarterly basis~~from time to time, issue a list of parameters defining the OTCI transactions that are acceptable for clearing with the Corporation.

Section D-403 Final Settlement ~~t~~Through the Corporation

(1) Physically ~~Settled~~ OTCI where the Underlying Interest is a Commodity

Unless otherwise specified by the Corporation, the settlement of OTCI transactions for a specific Settlement Period shall be performed in accordance with the Settlement Rule specific to the OTCI and shall will occur on the Settlement Date, as defined in these Rules.

Settlement shall be made by an exchange of cash against the delivery of the Underlying Interest between the Corporation and each of the selling and buying Clearing Members, according to the following formula. The Settlement Amount to be paid or received in final settlement of:

(a) If the OTCI is a Forward Instrument, the settlement amount shall be determined as follows:

- the Notional Quantity, multiplied by the
- Fixed Price, multiplied by the
- number of days as specified in the Instrument Type which are coincident with the Settlement Period, multiplied by the
- number of hours specified in the Profile (if applicable)

as specified under the terms of the OTCI transaction.

(b) If the OTCI is an Index Instrument, the settlement amount shall be determined as follows:

- the Notional Quantity, multiplied by the
- Reference Index Price for every calendar day and hour (if applicable) specified by the Instrument Type and the Profile coincident with the Settlement Period

as specified under the terms of the OTCI transaction.

(2) Physically Settled OTCI where the Underlying Interest is a Security

Unless otherwise specified by the Corporation, the settlement of OTCI transactions for a specific Settlement Period shall be performed in accordance with the Settlement Rule specific to the OTCI and shall occur on the Settlement Date, as defined in these Rules.

Settlement shall be made by an exchange of cash against the delivery of the Underlying Interest between the Corporation and each of the selling and buying Clearing Members. The Settlement Amount of the exercise of the Option to be paid or received in final settlement of a Forward Instrument or Option is shall be determined as follows:

- the Notional Quantity multiplied by the
- Exercise Fixed Price, multiplied by the
- Unit of Trading.

Section D-404 General Rights and Obligations of Clearing Members

(1) For the purposes of American Style Options:

- (a) A Clearing Member holding a Long Position in a Call Option has the right, on any Business Day prior to or on the Expiration Date, upon tender of an Exercise Notice, to purchase the Unit of Trading of the Call Option from the Corporation;
 - (b) A Clearing Member holding a Short Position in a Call Option is required, upon the assignment to the Clearing Member of an Exercise Notice in respect of such Option, to deliver the Unit of Trading of the Option, in return for payment of the Exercise Price of the Call Option;
 - (c) A Clearing Member holding a Long Position in a Put Option has the right, on any Business Day prior to or on the Expiration Date, upon tender of an Exercise Notice, to sell the Unit of Trading of the Put Option to the Corporation; at the Exercise Price; and
 - (d) A Clearing Member holding a Short Position in a Put Option is required, upon the assignment to the Clearing Member of an Exercise Notice in respect of such Option, to pay the Exercise Price upon delivery of the Unit of Trading of the Put Option.
- (2) For the purposes of European Style Options:
- (a) A Clearing Member holding a Long Position in a Call Option has the right, on (and only on) the Expiration Date, upon tender of an Exercise Notice in respect of such Option, to purchase the Unit of Trading of the Call Option from the Corporation; at the Exercise Price;
 - (b) A Clearing Member holding a Short Position in a Call Option is required, upon the assignment to the Clearing Member of an Exercise Notice in respect of such Option, to deliver the Unit of Trading of such Option, in return for the payment of the Exercise Price of the Call Option;
 - (c) A Clearing Member holding a Long Position in a Put Option has the right, on (and only on) the Expiration Date, upon tender of an Exercise Notice in respect of such Option, to sell the Unit of Trading of the Put Option to the Corporation; at the Exercise Price; and
 - (d) A Clearing Member holding a Short Position in a Put Option is required, upon the assignment to the Clearing Member of an Exercise Notice in respect of such Option, to pay the Exercise Price upon delivery of the Unit of Trading of the Put Option.

Section D-40~~54~~ Unavailability or Inaccuracy of Reference Index Price

- (1) If the Corporation ~~shall~~ determines that the Reference Index Price for an Underlying Interest is unreported or otherwise unavailable for purposes of calculating the Settlement Amount, 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) ~~S~~suspend payment of the Settlement Amount. At such times as the Corporation determines that the required Reference Index Price is available, the Corporation shall fix a new date for Settlement;
 - (b) ~~F~~fix the Reference Index Price in accordance with the best information available.

- (2) The ~~reported~~^{published} Reference Index Price shall be deemed to be accurate, except that where the Corporation determines, in its discretion, that there is a material inaccuracy in the reported Reference Index Price, 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 Reference Index Price to be used for settlement purposes.

Section D-40~~65~~ Payment and Receipt of Settlement Amount

The Settlement Amount will be included with other settlements on the daily Consolidated Activity Report on the appropriate Settlement Date ~~which is appropriate~~ for the OTCI.

Section D-40~~76~~ Instrument Specifications

The generic specifications for each OTCI transaction acceptable for clearing by the Corporation are summarized as follows:

Underlying Interest

Market Centre

Product Type

Type of Option

Instrument Type/Expiration

Profile

Exercise Rule

Exercise Price/Fixed Price

Basis

Settlement Type

Unit of measure/Unit of Trading

Settlement Currency

Settlement Rule

Reference Index

Reset Frequency

Minimum Threshold ~~Notional Quantity~~



Each OTCI transaction which the Corporation deems acceptable for clearing will be defined by a subset of the above parameters. In accordance with Section D-402, the Corporation will publish, from time to time, a list of acceptable parameters corresponding to these generic specifications.

RULE D-5- FINANCIALLY-~~SETTLED~~ OVER-THE-COUNTER INSTRUMENTS

The Sections of this Rule D-5 are applicable only to OTCI settling on a future date where the Underlying Interest is financially settled.

Section D-501 Definitions

Notwithstanding Section A-102, for the purposes of OTCI, the following terms are defined as follows:

- “AESO” - means Alberta Electric System Operator.
- “APP” - means Alberta Power Pool and represents the Reference Index as computed by AESO.
- “Baseload” - ~~means~~ ~~refers to~~ the Profile of electricity ~~which is~~ to be delivered over the period of hour-ending 01 through hour-ending 24 for Sunday through to Monday inclusive.
- “Basis Swap” - ~~means is~~ a type of swap transaction whereby cash flows are exchanged at a predetermined future dates; these cash flows are determined by two floating rates, namely Reference Index (1) and Reference Index (2), where both Reference Indices are expressed according to the same Unit of Measure and currency.
- “Eligible Index” - means a composite securities index that is either the S&P/TSX 60 Index, the S&P/TSX Composite Index - Banks (Industry Group) or the S&P/TSX Capped Utilities Index.
- “Expiry Date” - means the Business Day on which the OTCI expires.
- “Fixed Price” - ~~means~~ the contract price specified in the OTCI transaction. However, in ~~the case of~~ OTCI transactions which are Options, the Fixed Price is sometimes referred to as the Exercise Price.
- “Fixed-Rate Payer” - ~~means refers to~~ a contracting party to a Swap transaction that is charged with paying a fixed rate specified under the terms of the OTCI transaction.
- “Fixed Swap” - ~~means is~~ a type of swap transaction whereby cash flows are exchanged at a future dates; cash flows are determined by one fixed rate and one floating rate (Reference Index (1)), where both the fixed rate and Reference Index (1) are expressed according to the same Unit of Measure and currency.
- “Floating-Rate Payer” - ~~means refers to~~ the contracting party in a Swap transaction that is charged with paying a floating rate specified under the terms of the OTCI transaction, where the floating rate is the value of the Reference Index specified under the terms of the OTCI.

“Gj”	- means Giga-joule or 1,000,000,000 Joules.
“Instrument Type”	- <u>means</u> the attribute of the OTCI which describes the time period over which delivery occurs for the Underlying Interest, as specified under the terms of the OTCI.
“MMBtu”	- means a million British Thermal Units.
“MWh”	- means mega-watt hour or 1,000,000 Watt hour.
“NERC”	- means North American Electric Reliability Council.
“Off-Peak”	- means refers to the Profile of electricity which is to be delivered over the period of hour-ending 01 through hour-ending 07 plus hour-ending 24 between Monday to Saturday inclusive plus hour-ending 01 through hour-ending 24 on Sundays as well as any other days classified as Off-Peak in accordance with the standard NERC operating calendar.
“On-Peak”	- means refers to the Profile of electricity which is to be delivered over the period of hour-ending 08 through hour-ending 23 for Monday through to Saturday inclusive.
“Profile”	- means is the Commodity sub-type or grade specified as to be delivered under the terms of the OTCI.
“Reset Frequency”	- means is the elapsed time interval between <u>two</u> successive Resets of a Reference Index.
“Reference Index”	- means is the index specified under the terms of an OTCI used to measure the value of a related Underlying Interest at a moment in time specified under the terms of the OTCI.
“Reference Index Price”	- means is the value of the Reference Index determined by the Corporation at the time of a specific r Reset.
“Settlement Date”	- unless otherwise specified, means shall be the day a payment is made under the terms of the OTCI. This day shall be determined by the Corporation and will depend on the Underlying Interest, Settlement Type and the Settlement Rule of the OTCI as well as the practices of the relevant Market Centre.
“Settlement Period”	- means, unless otherwise specified, <u>means</u> the period from of the 1 st calendar day until the last calendar day of every month.
“Settlement Rule”	- means will be either <u>the</u> current month (CM) or following month (FM), as outlined in the OTCI specifications.
“Settlement Type”	- <u>means</u> financially settled.

- “Spread” - means the ~~F~~ixed ~~P~~price to be added to or subtracted from the floating leg of an OTCI transaction.
- “Swap” - means a derivative transaction which involves two contracting parties exchanging cash flows at some point in time in the future.
- “Underlying Security” - means any of the S~~securities~~ included in an Eligible Index underlying an eligible index option class~~Class of Index Options.~~
- “Unit of Measure” - means the standard volumetric measurement quantity related to a particular Commodity.
- “Unit of Trading” - means 100 shares of the Underlying Interest or units of the exchange-traded fund, or 10 times the level of the Eligible Index, unless otherwise designated indicated.

Section D-502 Over-The-Counter Instruments (OTCI) Acceptable for Clearing with the Corporation

The Corporation shall ~~issue~~, on a quarterly basis~~from time to time~~, issue a list of parameters defining the OTCI transactions that are acceptable for clearing with the Corporation.

Section D-503 Final Settlement ~~t~~Through the Corporation

- (1) Financially Settled OTCI where the Underlying Interest is a Commodity

Unless otherwise specified by the Corporation, the settlement of OTCI transactions for a specific Settlement Period shall be performed in accordance with the Settlement Rule specific to the OTCI and will occur on the Settlement Date, as defined herein. Settlement shall be made by an exchange of cash between the Corporation and each of the selling and buying Clearing Members, according to the following formula. ~~The Settlement Amount to be paid or received in final settlement of:~~

- (a) If the OTCI is a~~A~~ Fixed Swap, the settlement amount shall be determined as follows ~~is determined by:~~

- the Notional Quantity, multiplied by the
- difference between the Reference Index Price and the fixed rate, multiplied by the
- number of days as specified in the Instrument Type which are coincident with the Settlement Period, multiplied by the
- number of hours in the Profile (if applicable)

as specified under the terms of the OTCI transaction.

- (b) If the OTCI is a~~A~~ Basis Swap, the settlement amount shall be ~~is~~ determined as follows~~by:~~

- the Notional Quantity, multiplied by the
- difference between Reference Index Price (1) and Reference Index Price (2), multiplied by the
- number of days in as specified in the Instrument Type which are coincident with the Settlement Period, multiplied by the
- number of hours in the Profile (if applicable)

as specified under the terms of the OTCI transaction.

(2) Financially-Settled OTCI where the Underlying Interest is a Security

Unless otherwise specified by the Corporation, settlement of OTCI transactions for a specific Settlement Period shall be performed in accordance with the Settlement Rule specific to the OTCI and shall will occur on the Settlement Date, as defined herein. Settlement shall be made by an exchange of cash between the Corporation and each of the selling and buying Clearing Members.

(a) The Settlement Amount with respect to the exercise of a Call Option is determined by:

- the Notional Quantity, multiplied by the
- difference resulting from the subtraction of the Exercise Price from the Reference Index Price, if such difference is positive, as specified in the OTCI transaction, multiplied by the
- Unit of Trading.

(b) The Settlement Amount with respect to the exercise of a Put Option is determined by:

- the Notional Quantity, multiplied by the
- difference resulting from the subtraction of the Reference Index Price from the Exercise Price, if such difference is positive, as specified in the OTCI transaction, multiplied by the
- Unit of Trading.

(3) Financially-Settled OTCI where the Underlying Interest is an Eligible Index

Unless otherwise specified by the Corporation, the settlement of OTCI transactions for a specific Settlement Period shall be performed in accordance with the Settlement Rule specific to the OTCI and shall will occur on the Settlement Date, as defined herein. Settlement shall be made by an exchange of cash between the Corporation and each of the selling and buying Clearing Members.

(a) The Settlement Amount with respect to the exercise of a Call Option is determined by:

- the Notional Quantity, multiplied by the
- difference resulting from the subtraction of the Exercise Price from the Reference Index Price, if such difference is positive, as specified in the OTCI transaction, multiplied by \$1.00 and by the
- Unit of Trading.

(b) The Settlement Amount with respect to the exercise of a Put Option is determined by:

- the Notional Quantity, multiplied by the
- difference resulting from the subtraction of the Reference Index Price from the Exercise Price, if such difference is positive, as specified in the OTCI transaction, multiplied by \$1.00 and by the
- Unit of Trading.

Section D-504 General Rights and Obligations of Clearing Members

(1) For the purposes of American Style Options:

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

(2) For the purposes of European Style 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 the Call Exercise Settlement Amount from the Corporation, upon tender of an Exercise Notice;
- (b) A Clearing Member holding a Short Position in a Call Option is required, upon the assignment to the Clearing Member of an Exercise Notice in respect of such Option, to pay the Call Exercise Settlement Amount to the Corporation;

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

Section D-505 Adjustments

No adjustments will ordinarily be made in the terms of Eligible I-index Options in the event that Underlying Securities are added to or deleted from an Eligible Index or when the relative mean weight of one or more Underlying Securities in an Index is changed. However, if the Corporation determines, 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 Short or Long 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).

~~(a) A Call Option is determined by:~~

~~the Notional Quantity multiplied by the~~

~~difference between the Reference Index Price and the Exercise Price, if positive, as specified in the OTCI transaction.~~

~~(b) A Put Option is determined by:~~

~~the Notional Quantity multiplied by the~~

~~difference between the Exercise Price and the Reference Index Price, if positive, as specified in the OTCI transaction.~~

Section D-5064 Unavailability or Inaccuracy of Reference Index Price

- (1) If the Corporation ~~shall~~ determines that the Reference Index Price for an Underlying Interest is unreported or otherwise unavailable for purposes of calculating the Settlement Amount, 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) S~~s~~uspend payment of the Settlement Amount. At such times as the Corporation determines that the required Reference Index Price is available, the Corporation shall fix a new date for settlement.
 - (b) F~~f~~ix the Reference Index Price in accordance with the best information available.

- (2) The ~~reported~~^{published} Reference Index Price shall be deemed to be accurate, except where the Corporation determines, in its discretion, that there is a material inaccuracy in the reported Reference Index Price. In such a case, 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 Reference Index Price to be used for settlement purposes.

Section D-50~~7~~⁵ Payment and Receipt of Settlement Amount

The Settlement Amount will be included with other settlements on the daily Consolidated Activity Report on the appropriate Settlement Date ~~which is appropriate~~ for the OTCI.

Section D-50~~8~~⁶ Instrument Specifications

The generic specifications for each OTCI acceptable for clearing by the Corporation are summarized as follows:

Underlying Interest

Market Centre

Product Type

Type of Option

Instrument Type/Expiration

Profile

Exercise Rule

Exercise Price/Fixed Price

Basis

Settlement Type

Unit of ~~M~~^{Measure}/Unit of Trading

Settlement Currency

Settlement Rule

Reference Index

Reset Frequency

Minimum Threshold ~~Notional Quantity~~

Each OTCI transaction which the Corporation deems acceptable for clearing will be defined by a subset of the above parameters. In accordance with Section D-502, the Corporation will publish, from time to time, a list of acceptable parameters corresponding to these generic specifications.

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