



## NOTICE TO MEMBERS

No. 2015 – 095

August 14, 2015

### REQUEST FOR COMMENTS

#### **AMENDMENT TO THE RULES OF THE CANADIAN DERIVATIVES CLEARING CORPORATION TO ADDRESS MULTIPLE WEEKLY OPTIONS EXPIRIES**

##### **Summary**

On July 29, 2015, the Board of Directors of Canadian Derivatives Clearing Corporation (CDCC) approved amendments to the Rules of CDCC. The purpose of the proposed amendment is to modify the definition of “Expiration Date” set out in section A-102 of rule A-1 of CDCC Rules to address upcoming changes being developed by the Bourse de Montréal. More specifically, the Bourse proposes to introduce the listing of multiple weekly options expiries, which are listed some weeks prior to their expiration and have maturities that extend forward several weeks.

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

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

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

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

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##### **Canadian Derivatives Clearing Corporation**

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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:

*Mr. Jacques Guvlekjian  
Legal Counsel  
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)*

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

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

Glenn Goucher  
President and Chief Clearing Officer



**AMENDMENT TO THE RULES OF THE CANADIAN DERIVATIVES CLEARING CORPORATION  
TO ADDRESS MULTIPLE WEEKLY OPTIONS EXPIRIES**

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## **I. SUMMARY**

On May 13, 2015, Bourse de Montréal Inc. (the “Bourse”) issued Circular 051-15 “Request for Comments – Introduction of Multiple Weekly Options Expiries”. More specifically, the Bourse proposes to introduce the listing of multiple weekly options expiries, which are listed some weeks prior to their expiration and have maturities that extend forward several weeks. CDCC requires a rule change to accommodate the listing of multiple weekly options expiries by the Bourse.

## **II. ANALYSIS**

### **a. Background**

CDCC is proposing to modify the definition of Expiration Date set out in section A-102 of rule A-1 of CDCC Rules to address upcoming changes being developed by the Bourse. Currently, weekly options at the Bourse are options that are listed every Thursday at the market open (except for the Thursday when contract expiration would correspond to the third Friday of the month on which monthly options expire) and that expire on the Friday of the following week. Under the Bourse proposed rule change, weekly options with multiple expiries will be listed several weeks prior to their expiration and have maturities that extend forward several weeks.

### **b. Description and Analysis of Impacts**

This is to accommodate the Bourse rule change that will allow the listing of weekly options with an expiration date of five (5) Fridays following the listing week, which is a business day, but which is not an expiration day for any other options already listed on the same underlying.

### **c. Proposed Amendments**

See Appendix 1.

### **d. Benchmarking**

Not applicable.

## **III. PRIMARY MOTIVATION**

CDCC’s primary objective is to remove unnecessary restrictions from its Rules.

## **IV. IMPACTS ON TECHNOLOGICAL SYSTEMS**

There are no technology changes required for this modification.

## **V. OBJECTIVES OF THE PROPOSED MODIFICATIONS**

CDCC requires a rule change to accommodate the listing of multiple weekly options expiries by the Bourse.

## **VI. PUBLIC INTEREST**

In CDCC's opinion, the proposed amendments are not contrary to public interest.

## **VII. MARKET IMPACTS**

Not applicable.

## **VIII. PROCESS**

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

## **IX. EFFECTIVE DATE**

CDCC would like to implement this change in the third (3<sup>rd</sup>) quarter of 2015.

## **X. ATTACHED DOCUMENTS**

Appendix 1: Rule A-1 Definitions of the CDCC Rules.



**CANADIAN DERIVATIVES CLEARING CORPORATION**

**RULES**

**VERSION OF ~~MAY 25~~, 2015**

## **PART A – GENERAL**

### **RULE A-1 DEFINITIONS**

#### **SECTION A-101 SCOPE OF APPLICATION**

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

#### **SECTION A-102 DEFINITIONS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Emergency” – means a situation materially affecting the Corporation’s operations resulting from i) riot, war or hostilities between any nations, civil disturbance, acts of God, fire, accidents, strikes, earthquakes, labour disputes, lack of transportation facilities, inability to obtain materials, curtailment of or failure in obtaining sufficient power, gas or fuel, computer malfunction (whether mechanical or through faulty operation), malfunction, unavailability or restriction of the payment, computer or bank wire or transfer system and any other cause of inability that is beyond the reasonable control of the Corporation; ii) any action taken by Canada, a foreign government, a province, state or local government or body, authority,

agency or corporation, and any Exchange, Central Securities Depository, Acceptable Marketplace, Market Centre and Delivery Agent ; iii) the bankruptcy or insolvency of any Clearing Member or the imposition of any injunction or other restraint by any government agency, court or arbitrator upon a Clearing Member which may affect the ability of that member to perform its obligations; iv) any circumstance in which a Clearing Member, a Central Securities Depository or any other Entity has failed to perform contracts, is insolvent, or is in such financial or operational condition or is conducting business in such a manner that such Entity cannot be permitted to continue in business without jeopardizing the safety of assets, of any Clearing Member or the Corporation; or v) any other unusual, unforeseeable or adverse circumstance.

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

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

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

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

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

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

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

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

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

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

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

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

“Expiration Date” – unless otherwise specified, means, in the case of monthly Options, the third Friday of the month and year in which the Option expires, or in the case of weekly Options, any Fridays following the listing week which is a Business Day, but which is not an expiration day for any other Options already

~~listed on the same underlying, if the Underlying Interest is a class of shares, the last trading day, which is the Friday of the week following the listing, and if the Underlying Interest is an Index group, the last trading, which is the Thursday of the week following the listing, or, If any such Friday is not a Business Day, then the eExpiration dDate will be the first preceding Business Day that is not an expiration day for any other Options already listed on the same underlying.~~

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

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

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

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

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

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

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

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

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

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

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

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

“Future” – means a contract:

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

terms and conditions set forth by the Exchange where the contract is concluded and which is cleared by the Corporation.

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

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

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

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

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

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

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

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

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

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

“Instrument” – means a bill, note or cheque within the meaning of the Bills of Exchange Act (Canada) or any other writing that evidences a right to the payment of money and is of a type that in the ordinary course of business is transferred by delivery with any necessary endorsement or assignment, but does not include a security.

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

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

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

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

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

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

“Margin Deposit” – means, collectively,

- a) any and all Securities, Cash, Instruments, cheques, Underlying Interest, Underlying Interest Equivalent, Long Positions and Short Positions;
- b) any and all of the deposits required or made pursuant to Rule A-6 Clearing Fund Deposits, Rule A-7 Margin Requirements, and Rule B-4 Delivery and Payment with Respect to Options Exercised, Rule C-5 Delivery of Underlying Interest of Futures and Rule D-3 Physical Delivery of Underlying Interest on Over-the-Counter Instruments, including Margins, Base Deposits, Additional Deposits, Variable Deposits, Put Escrow Receipts, Call Underlying Interest Deposits, and Futures Underlying Interest Deposits, and any other form of deposit accepted from time to time are accepted by the Corporation; and
- c) any and all 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” – means the value determined by the Corporation representing the net asset value of a Transaction or account held by a Clearing Member, as defined in Section D-202.

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

“Market Maker” – means an individual who has been approved by the Exchange on which he trades to trade for his own account or for the account of the Exchange member or non-member by which he is employed or for which he acts as agent in Options or Futures, and may include a futures trader, an options trader, a trader member, a market maker and a market specialist.

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Postponed Payment Obligation” – with respect to the Corporation, means the amount by which its Afternoon Net DVP Settlement Requirement consisting of an obligation to pay against delivery of Acceptable Securities or its Gross Payment Against Delivery Requirement resulting from any Same Day Transaction submitted after the Afternoon Netting Cycle Timeframe and before the Submission Cut-Off Time, as the case may be, in favour of a Provider of Securities has been reduced as a result of the

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

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

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

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

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

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

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

"Registry" – means any registry designated by the Corporation which, for the purposes of clearing Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units with physical settlement, has been established in order to ensure the accurate accounting of holding, transfer, acquisition, surrender, cancellation and replacement of the Carbon Dioxide Equivalent (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" – means the manual designated as such by the Corporation and any schedule to the Risk Manual including the Default Manual, as amended from time to time.

"Rolling Delivery Obligation" – with respect to a Clearing Member who is a Provider of Securities, the means quantity of a given Acceptable Security that it has failed to deliver to the Corporation under an Afternoon Net DVP Settlement Requirement consisting of an obligation to deliver Acceptable Securities under Subsection A-801(4) or a Gross Delivery Requirement resulting from any Same Day Transaction submitted after the Afternoon Netting Cycle Timeframe and before the Submission Cut-Off Time under

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

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

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

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

"Security" – means a document that is

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

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

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

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

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

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

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

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

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

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

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

“Spread Position” means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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