



NOTICE TO MEMBERS

No. 2010 – 026

April 16, 2010

REQUEST FOR COMMENTS

CLEARING OF FIXED INCOME TRANSACTIONS

ADDITION OF RULE D-6 AS A SUPPLEMENT TO PART D - OVER-THE COUNTER DERIVATIVE INSTRUMENTS (“OTC DF”) AND AMENDMENTS TO PARTS A, B, C AND D OF THE EXISTING RULES OF CDCC

Summary

The Board of Directors of the Canadian Derivatives Clearing Corporation (CDCC) approved the addition of Rule D-6 and changes to Parts A, B, C and D of the CDCC Rules in order to develop a central counterparty facility and clearing services for the Canadian fixed income market.

You will find enclosed the analysis document of the proposed rule amendments as well as the proposed regulatory amendments.

Process for Changes to the Rules

CDCC is a recognized self-regulatory organization (SRO) by the Autorité des marchés financiers (the Autorité) and as such, carries on activities as a clearing house and as an SRO in Québec.

The Board of Directors of CDCC has the power to approve the adoption or amendment of Rules of CDCC. The amendments will be transmitted to the Autorité in accordance with the self-certification process.

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Comments on the proposed addition of Rule D-6 and changes to Parts A, B, C and D of the CDCC Rules must be submitted within 30 days following the date of publication of the present notice. Please submit your comments to:

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

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ANALYSIS OF RULE MODIFICATIONS

ADDITION OF RULE D-6: CLEARING OF FIXED INCOME TRANSACTIONS AS A SUPPLEMENT TO PART D: OVER-THE COUNTER DERIVATIVE INSTRUMENTS (“OTC DI”) AND OTHER ANCILLARY AMENDMENTS TO EXISTING RULES OF CDCC

Introduction

On July 8, 2009, the Repurchase (Repo) Subcommittee of Investment Industry Association of Canada (“IIAC”) issued a Request for Proposals, entitled: Central Counterparty and Netting Utility for Fixed Income Securities. The Canadian Derivatives Clearing Corporation (“CDCC”) filed a proposal on the closing date of August 24, 2009. On December 15, 2009, IIAC publicly announced that CDCC had been selected to develop a central counterparty facility for the fixed income market in Canada.

In order to fulfill this new purpose and offer such clearing services to the Canadian fixed income market, CDCC is proposing the addition of a specific module to its existing rules, in part D thereof. This new Rule D-6 will set forth new definitions of capitalized terms used in these new provisions, the paramountcy of the sections of this new module, the essential terms of fixed income transactions, the trade reception and validation mechanisms, the confirmation and novation processes involved in the clearing of fixed income transactions by CDCC, the transfer and payment obligations of members and CDCC, the margin requirements, the right of substitution, and the treatment of fails and partial deliveries. Ancillary changes will also be made to other sections of the CDCC Rules for overall consistency.

I. Proposed Regulatory Amendments

1.1. CDCC is proposing a new set of rules comprising provisions that can be summarized as follows (the proposed new Rule D-6 is provided in Annex 1 hereto):

RULE D-6 CLEARING OF FIXED INCOME TRANSACTIONS

Section D-601 Definitions

This section will serve as glossary of capitalized terms used in this new set of rules dealing specifically with the clearing of fixed income transactions.

Section D-602 Paramountcy

This section will provide that the sections of this Rule D-6 will prevail in the event of any inconsistency between such sections and other provisions of CDCC Rules.

Section D-603 Essential Terms of Fixed Income Transactions

This section will specify what transactional details need to be submitted to CDCC for clearing of any fixed income transaction and other operative provisions applicable to clearing by CDCC, i.e. that members accept that CDCC becomes the central counterparty of all transactions (becoming the buyer to every seller, and the seller to every buyer). This section also sets forth the contractual obligations of the parties involved in a fixed income transaction, i.e. the seller shall transfer purchased securities against payment of the purchase price by the buyer on the purchase date and the buyer shall return equivalent securities against payment of the repurchase price by the seller on the repurchase date.

Section D-604 Trade Reception and Validation

This section provides that transactional details need to be submitted through Acceptable Marketplaces, validated by CDCC and further affirmed by fixed income clearing members if submitted on their behalf by a multilateral facility (e.g., an IDB or an ATS).

Section D-605 Confirmation and Novation

This section sets forth the clearing procedure by CDCC which consists of (i) the confirmation process whereby CDCC validates matching trades, and (ii) the novation process whereby CDCC becomes the central counterparty to the trades.

Section D-606 Transfers and Payments

This section sets forth how CDCC will calculate and notify members of their net delivery obligation in each acceptable security and/or their net payment obligation, as applicable. Members will be responsible for ensuring they have sufficient securities and/or funds in their CDS accounts to satisfy their transfer obligations by delivery time, which will be satisfied on a DVP basis between members and CDCC by CDS. Other net amounts due by clearing members to CDCC or by CDCC to clearing members will be calculated, aggregated and netted against each other by CDCC and will need to be effected by banking transfers at the LVTS level: (i) the net mark-to-market repo rate spread payable by reverse repo parties if the repo rate has gone up or by repo parties if the repo rate has gone down calculated daily during the term of a repo position, (ii) the net reversal payment of net mark-to-market repo rate spreads and net opportunity cost of funds related to such payments, calculated on the repurchase date of a repo position, and (iii) coupon income payments flowing back to the repo party either upon receipt thereof or as a deduction of the repurchase price payable by the repo party on the repurchase date, as agreed by the original parties to the trade.

Section D-607 Margin Requirements

This section provides how CDCC may require Margin to be paid by members to cover intra-day changes in the market value of purchased securities, to cover changes in the repo rate taking into account rate volatility and expected liquidation periods, and net exposure under cash buy or sell trades between their trade date and settlement date.

Section D-608 Substitution

This section provides that parties to a repo transaction submitted to CDCC for clearing may elect a right of substitution for the repo party to be allowed to replace Purchased Securities with other Acceptable Securities.

Section D-609 Failed and Partial Deliveries

This section deals with treatment of fails and partial deliveries of securities by clearing members that are under the obligation to deliver securities under fixed income transactions, whereby the reciprocal payment obligation of CDCC would be reduced accordingly and the obligation to deliver the missing quantity of securities would be rolled into next business day's delivery

obligation of the failing member; unless CDCC determines in its sole discretion that it is preferable to terminate the roll, execute a buy-in transaction and deliver the securities to Net Buyers, or, if CDCC is unable to execute such buy-in or deems it inappropriate in the circumstances to do so, CDCC may force a definite fail on the Net Buyers and charge any direct costs incurred by Net Buyers as a result thereof to the member that failed to deliver.

1.2 CDCC is also proposing to amend or add the following sections of its Rules for consistency purposes pursuant to the incorporation of new Rule D-6 (a description of such amendments is provided in Annex 2 hereto):

[Section A-102](#) Definitions

[Section A-1A01](#) Eligibility for Membership

[Section A-1A02](#) Standards of Membership

[Section A-1A04](#) Non-Conforming Member

[Section A-1A10](#) Transfer/Survival of Obligations

[Section A-1A12](#) Waiver of Immunity (New)

[Section A-215](#) Liability

[Section A-301](#) Minimum Capital Requirements

[Section A-303](#) Early Warning

[Section A-401](#) Action against Non-Conforming Member

[Section A-402](#) Creation of Liquidating Settlement Account

[Section A-403](#) Pending Transactions

[Section A-408](#) No Waivers (New)

[Section A-601](#) Clearing Fund Maintenance and Purpose

[Section A-603](#) Amount of Deposit

[Section A-609](#) Application of Clearing Fund

[Section A-701](#) Margin Maintenance and Purpose

[Section A-704](#) Withdrawals of Margin

[Section A-705](#) Intra-Day Margin Calls

[Section A-709](#) Forms of Margin

[Section A-801](#) Daily Settlement Summary

[Section A-802](#) Daily Settlement

[Section A-804](#) Application of Cash Margin Excess

[Section A-805](#) Physical Settlement (New)

[Section B-103](#) Agreement Regarding Accounts

[Section B-106](#) Obligations of the Corporation

[Section B-107](#) Issuance of Options

[Section B-108](#) Exchange Report

[Section B-109](#) Payment to the Corporation

[Section B-110](#) General Rights and Obligations of Clearing Members

[Section B-403](#) Delivery and Payment

[Section B-404](#) Obligation to Deliver

[Section B-405](#) Obligation of Receiving Clearing Member

[Section C-103](#) Agreement Regarding Accounts

[Section C-105](#) Futures Consolidated Activity Report

[Section C-106](#) Obligations of the Corporation

[Section C-109](#) Payment of Credit Balances

[Rule C-17](#) 30-Day Overnight Repo Rate Futures

[Section D-103](#) Agreement Regarding Accounts

CDCC is also proposing to amend the following sections of its Rules as described in Annex 2 hereto: A-205, A-206, A-212, A-404, A-613, A-706, A-708, B-407, B-408, B-412, B-414 and C-112.

II. Rationale

- As highlighted by IIAC and industry members, there is a business need for clearing services on fixed income transactions in Canada and CDCC has been chosen to perform these services.
- CDCC's current OTC DI clearing platform (Converge) already supports various Acceptable Underlying Interests and Product Types, including Futures and Options on Securities.
- CDCC wants to extend the capabilities of Converge to clearing of fixed income transactions and is confident that this platform will be efficient for repurchase transactions and cash buy and sell trades.
- The Global Master Repurchase Agreement of the *Bond Market Association* and the *International Securities Market Association* (commonly referred to as GMRA) is the industry standard master agreement mostly used on a bilateral basis to trade repurchase and reverse repurchase transactions in Canada and internationally. The Repurchase/Reverse Repurchase Transaction Agreement of the Investment Dealers Association of Canada (now known as *Investment Industry Regulatory Organization of Canada*) (commonly referred to as IDA) is the Canadian form of master agreement, which is also in use by various industry participants in Canada. CDCC has used the provisions of the GMRA and IDA as benchmarks for the construction of a new set of rules on fixed income transactions (a benchmarking of the CDCC rules against GMRA and IDA provisions is provided in Annex 3 hereto).
- CDCC has also benchmarked its new rules against the regulatory framework of LCH.Clearnet, the central clearing counterparty for the European fixed income market (a benchmarking of the LCH.Clearnet regulations against the CDCC rules is provided in Annex 4 hereto).
- The purpose of this initiative is to reduce risks and costs involved in trading fixed income products in Canada.

III. Objective of the Proposed Amendments to the Rules of CDCC

The objectives of adopting new Rule D-6 are as follows:

- 1) Meeting IIAC's requirements regarding accounting netting and settlement of fixed income transactions;
- 2) Offering to members of CDCC the possibility of mitigating counterparty exposure by having CDCC as their central counterparty for all their fixed income transactions;
- 3) Facilitating bilateral and multilateral trading by accepting trades from members themselves through Converge as well as feeds from authorized inter-dealer brokers and authorized alternative trading systems;
- 4) Offering members the possibility of applying substitution and/or coupon payment conventions to their repurchase transactions;
- 5) Breaking down the cash flows and securities movements at the CDS level between CDCC and each clearing member, and other amounts payable at the LVTS level;
- 6) Anticipating treatment by CDCC of fails and partial deliveries by clearing members;

- 7) Dove-tailing the new rules on clearing fixed income transactions with other rules and procedures of CDCC to make sure the clearing services that CDCC offers to its members are consistent across product lines.

IV. Public Interest

These modifications to the Rules of CDCC are proposed in order to support the clearing of fixed income transactions. By offering clearing services on fixed income, CDCC is offering market participants with the ability to settle their flexible repo and cash buy and sell trades within a framework that mitigates counterparty risk, offers more liquidity and transparency while being operationally efficient and cost effective.

V. Process

The proposed regulatory amendments are submitted for approval to the CDCC Board of Directors. Once the approval has been obtained, the proposed amendments, including this analysis, will be provided to the Autorité des marchés financiers (AMF) for approval in accordance with the second paragraph of section 22 of the Derivatives Act (Quebec) and section 171.1 of the Securities Act (Quebec).

VI. Documents attached

- Annex 1 - Proposed new Rule D-6 Clearing of Fixed Income Transactions
- Annex 2 - Amendments to other sections of the rules, consistent with the adoption of new Rule D-6
- Annex 3 – Benchmarking of the CDCC rules against GMRA and IDA provisions
- Annex 4 – Benchmarking of the LCH.Clearnet Regulations against CDCC rules

Annex 1
Proposed New Rule D-6

RULE D-6 CLEARING OF FIXED INCOME TRANSACTIONS

D-601	Definitions
D-602	Paramountcy
D-603	Essential Terms of Fixed Income Transactions
D-604	Trade Reception and Validation
D-605	Confirmation and Novation
D-606	Transfers and Payments
D-607	Margin Requirements
D-608	Substitution
D-609	Failed and Partial Deliveries

RULE D-6 CLEARING OF FIXED INCOME TRANSACTIONS

The sections of this Rule D-6 are applicable only to the clearing of Fixed Income Transactions by the Corporation.

Section D-601 Definitions

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

“Accrued Coupon Income” – with respect to an N-Day Term Repo, the Coupon Income paid by an issuer of Purchased Securities and held by a Net Buyer under Section D-606(9)(b) plus the accrued interest on such Coupon Income calculated at the Repo Rate for such N-Day Term Repo for the period from and including the date such Coupon Income was paid by such issuer up to and excluding the Repurchase Date.

“Accrued Coupon Value” – with respect to any Purchased Security, the proportion of the Coupon Income payable by the issuer of the relevant Security on the next Coupon Payment Date corresponding to the number of days that have elapsed since the immediately preceding Coupon Payment Date up to the applicable calculation date.

“Cash Buy or Sell Trade” – a transaction by which a Fixed Income Clearing Member buys (Cash Buy Trade) or sells (Cash Sell Trade) an Acceptable Security.

“Client Fixed Income Transaction” – a Fixed Income Transaction entered into by a Fixed Income Clearing Member for the account of any of its clients and not for its own account.

“CORRA Rate” – means the Canadian overnight repo rate published by the Bank of Canada being the weighted average rate of overnight general (non-specific) collateral repo trades on a specified date as reported to the Bank of Canada.

“Coupon Income” – the fixed rate interest amount payable to the holder of a Security by its issuer on a Coupon Payment Date.

“Coupon Payment Date” – a date on which the issuer of a Security pays Coupon Income to the holder of the Security.

“Cut-Off Time” – means a time specified in the Operations Manual as the deadline on any Business Day for accepting Repurchase Transactions for clearing with settlement on the same Business Day and Cash Buy or Sell Trades for a Trade Date on the same Business Day.

“Economic Terms” – means the transactional details of a Fixed Income Transaction as set out in Section D-603(1).

“Equivalent Security” – an Acceptable Security that is equivalent to the Purchased Security in that it is of the same issuer, part of the same issue, of an identical type, nominal value, description and (except where otherwise specified by the Corporation) amount as the Purchased Security.

“Firm Fixed Income Transaction” – a Fixed Income Transaction entered into by a Fixed Income Clearing Member for its own account, as opposed to a Client Fixed Income Transaction.

“Fixed Income Clearing” – the provision of clearing services by the Corporation of Fixed Income Transactions.

“Fixed Income Clearing Member” – an applicant approved by the Corporation for Fixed Income Clearing in accordance with Section A-1A01.

“Fixed Income Transaction(s)” – Repo Position(s) and/or Cash Buy or Sell Trade(s).

“Floating Price Rate” – the spot lending rate with respect to any Acceptable Securities, used to daily mark-to-market any Repo Position in accordance with Section D-606(5) and D-607(2).

“Market Value” – with respect to any Purchased Securities as of any time on any date, the current price as of such date for the relevant Purchased Securities as determined by the Corporation on the basis of then available price source quotations or alternative market information, as determined by the Corporation plus the Accrued Coupon Value in respect of such Purchased Securities to the extent not included in such current price.

“MTM Repo Rate Payment” – represents a mark-to-market payment made in respect of a change in the current Floating Price Rate and means, in respect of a Repo Position, an amount that is payable to the Corporation by a Fixed Income Clearing Member that is a party to such Repo Position, or by the Corporation to a Fixed Income Clearing Member that is a party to such Repo Position, due to changes in the Floating Price Rate from the last time a MTM Repo Rate Payment was calculated (the “Previous Floating Price Rate”) in respect of such Repo Position (or, in the case of the first such calculation, due to changes in the Repo Rate initially agreed between the parties), by comparing the Previous Floating Price Rate or the Repo Rate, as the case may be, to the then current Floating Pricing Rate.

“N-Day Term Repo” – means a Repo Position with a term longer than one Business Day.

“Net Buyer” – a Fixed Income Clearing Member whose aggregate net sum of Net Funds Transfer Requirement, Net Funds Reversal Requirement and any applicable Postponed Payment Obligation(s) due by such Fixed Income Clearing Member to the Corporation on a given Business Day are greater than the aggregate net sum of Net Funds Transfer Requirement, Net Funds Reversal Requirement and any applicable Postponed Payment Obligation(s) due by the Corporation to such Fixed Income Clearing Member on such Business Day.

“Net Delivery Obligation” – in respect of a Fixed Income Clearing member, the quantity of a given Acceptable Security which is the aggregate net quantity of any Net Securities Transfer Requirement deliverable by or to such Fixed Income Clearing Member to or by the Corporation and any Net Securities Reversal Requirement deliverable by or to such Fixed Income Clearing Member to or by the Corporation, and any Rolling Delivery Obligation deliverable by or to such Fixed Income Clearing Member to or by the Corporation, as the case may be, with respect to such Acceptable Security, on a given Business Day, calculated in accordance with Section D-606(3).

“Net Funds Transfer Requirement” – the amount which is the aggregate net sum of Purchase Prices payable by a Fixed Income Clearing Member to the Corporation or by the Corporation to a Fixed Income Clearing Member, as the case may be, calculated in accordance with Section D-606(1).

“Net Funds Reversal Requirement” – the amount which is the aggregate net sum of Repurchase Prices payable by a Fixed Income Clearing Member to the Corporation or by the Corporation to a Fixed Income Clearing Member, as the case may be, calculated in accordance with Section D-606(2).

“Net MTM Repo Rate Payment” – means, on any day the amount which is the aggregate net sum of all MTM Repo Rate Payments payable by a Fixed Income Clearing Member to the Corporation or by the Corporation to a Fixed Income Clearing Member, as the case may be, calculated in accordance with Section D-606(5).

“Net MTM Reversal Requirement” – means in respect of a Fixed Income Clearing Member on any day, the amount which is the aggregate net sum of (i) all Net MTM Repo Rate Payments made by such Fixed Income Clearing Member in respect of its Repo Positions, net of (ii) all Net MTM Repo Rate Payments made to such Fixed Income Clearing Member in respect of its Repo Positions.

“Net OCF MTM Payment” – means, on any day, the amount which is the aggregate net sum of all OCF MTM Payments payable by a Fixed Income Clearing Member to the Corporation or by the Corporation to a Fixed Income Clearing Member, as the case may be, calculated in accordance with Section D-606(7).

“Net Payment Obligation” – in respect of a Fixed Income Clearing Member, the amount which is the aggregate net sum of any Net Funds Transfer Requirement payable by or to such Fixed Income Clearing Member to or by the Corporation and any Net Funds Reversal Requirement payable by or to such Fixed Income Clearing Member to or by the Corporation, and any Postponed Payment Obligation due and payable by or to such Fixed Income Clearing Member to or by the Corporation, as the case may be, on a given Business Day, calculated in accordance with Section D-606(3).

“Net Seller” – a Fixed Income Clearing Member whose aggregate net quantity of Net Securities Transfer Requirement, Net Securities Reversal Requirement and any applicable Rolling Delivery Obligation(s) in respect of any given Acceptable Security due by such Fixed Income Clearing Member to the Corporation on a given Business Day are greater than the aggregate net quantity of Net Securities Transfer Requirement, Net Securities Reversal Requirement and any applicable Rolling Delivery Obligation(s) in respect of any given Acceptable Security due by the Corporation to such Fixed Income Clearing Member on such Business Day.

“Net Securities Transfer Requirement” – the aggregate net quantity of an Acceptable Security due by a Fixed Income Clearing Member to the Corporation or by the Corporation to a Fixed Income Clearing Member, as the case may be, calculated in accordance with Section D-606(1).

“Net Securities Reversal Requirement” – the aggregate net quantity of an Acceptable Security due by a Fixed Income Clearing Member to the Corporation or by the Corporation to a Fixed Income Clearing Member, as the case may be, calculated in accordance with Section D-606(2).

“Netting Cut Off Time” – means, with respect to a Business Day and a Fixed Income Clearing Member, the time specified in the Operations Manual on such Business Day for purposes of determining, in respect of such Fixed Income Clearing Member, the Net Securities Transfer Requirement, the Net Securities Reversal Requirement, the Net Funds Transfer Requirement, the Net Funds Reversal Requirement, the Net Delivery Obligation and the Net Payment Obligation.

“OCF MTM Payment” – represents an opportunity cost of funds payment in respect of an MTM Repo Rate Payment made and means, with respect to any Repo Position on any calculation date and in respect of all MTM Repo Rate Payments made by or to a Fixed Income Clearing Member in respect of such Repo Position, an amount equal to the absolute value of the sum of one day interest amounts calculated for each day during the period commencing on and including the Business Day after the first date on which a MTM Repo Rate Payment is made in respect of such Repo Position and ending on and including the Repurchase Date of such Repo Position, by the application of the CORRA Rate determined on such calculation date (provided if such calculation date is not a Business Day, on the immediately following Business Day) to each such MTM Repo Rate Payment and on a 365 day basis, provided that if such Fixed Income Clearing Member had to pay an MTM Repo Rate Payment, the interest amount calculated in respect of such MTM Repo Rate Payment shall be negative, and if such Fixed Income Clearing Member received an MTM Repo Rate Payment, the interest amount calculated in respect of such MTM Repo Rate Payment shall be positive.

“OTC DI Clearing Platform” – the dedicated trade input screens for clearing and settlement of OTC DI operated and/or used by the Corporation.

“Postponed Payment Obligation” – with respect to the Corporation, the amount by which its Net Payment Obligation in favour of a Net Seller has been reduced as a result of the Net Seller’s failure to deliver Acceptable Securities on the Business Day they were due and the payment by the Corporation of such reduction has been postponed until full delivery by the Net Seller in accordance with Section D-609(1); and with respect to a Fixed Income Clearing Member who is a Net Buyer, the amount by which its Net Payment Obligation 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 and the payment by such Fixed Income Clearing member of such reduction has been postponed until full delivery by the Corporation in accordance with Section D-609(2).

“Price Differential” – with respect to any Repo Position, an amount payable by the Repo Party equal to an amount obtained by application of the Repo Rate for such Repo Position to the Purchase Price for such Repo Position (on a 365 day basis), for the actual number of days of the term of such Repo Position.

“Purchase Date” – with respect to any Repo Position, the date on which Purchased Securities are to be sold by the Repo Party to the Corporation and by the Corporation to the Reverse Repo Party; and with respect to any Cash Buy or Sell Trade, the date on which it settles, provided that if such date is not a Business Day or the transaction is submitted after the Cut-Off Time on that Business Day, the Purchase Date shall be the immediately following Business Day.

“Purchase Price” – with respect to any Fixed Income Transaction, the nominal amount at which the Purchased Securities are sold or to be sold by the Seller to the Corporation and by the Corporation to the Buyer.

“Purchased Securities” – with respect to any Fixed Income Transaction, the Acceptable Securities sold or to be sold by the Seller to the Corporation and by the Corporation to the Buyer.

“Quantity of Purchased Securities” – with respect to a Fixed Income Transaction, an amount equal to the Purchase Price for such Fixed Income Transaction on the Trade Date of such Fixed Income Transaction divided by the specified denomination of the relevant Purchased Securities.

“Repo” or “Repurchase Transaction” – Transaction originally entered into between two Fixed Income Clearing Members in which a Repo Party agrees to sell Acceptable Securities against the payment of the Purchase Price by a Reverse Repo Party with a simultaneous agreement by the Repo Party to purchase Equivalent Securities at a future date at an agreed-upon Repurchase Price to be paid to the Reverse Repo Party, which is submitted to the Corporation for clearing.

“Repo Party” or “Seller” – in respect of a Fixed Income Clearing Member, such Fixed Income Clearing Member who is the seller under a Fixed Income Transaction and who becomes the seller to the Corporation upon acceptance of the Fixed Income Transaction by the Corporation, and in respect of the Corporation, the Corporation when it has assumed the position of the seller under a Fixed Income Transaction pursuant to Section D-605. The term “Repo Party” will be used when referring specifically to a Repurchase Transaction or Repo Position, whereas the term “Seller” will be used when referring to a Cash Buy or Sell Trade or to Fixed Income Transactions generally.

“Repo Position” – position in a Fixed Income Clearing Member’s account resulting from the novation of a Repo whereupon the Corporation becomes the buyer to the Repo Party and the seller to the Reverse Repo Party.

“Repo Rate” – with respect to any Repo Position, the per annum fixed pricing rate agreed by the Repo Party and the Reverse Repo Party.

“Repurchase Date” – with respect to any Repo Position, a day on which Equivalent Securities are to be sold by a Reverse Repo Party to the Corporation and by the Corporation to a Repo Party, in accordance with Section D-606; provided that if such date is not a Business Day, the Repurchase Date shall be the immediately following Business Day.

“Repurchase Price” – with respect to any Repo Position, the sum of the Purchase Price and the Price Differential.

“Reverse Repo Party” or “Buyer” – in respect of a Fixed Income Clearing Member, such Fixed Income Clearing Member who is the buyer of a Fixed Income Transaction and who becomes the buyer to the Corporation upon acceptance of the Fixed Income Transaction by the Corporation, and in respect of the Corporation, the Corporation when it has assumed the position of the buyer under a Fixed Income Transaction pursuant to Section D-605. The term “Reverse Repo Party” will be used when referring specifically to a Repurchase Transaction or a Repo Position, whereas the term “Buyer” will be used when referring to a Cash Buy or Sell Trade or to Fixed Income Transactions generally.

“Rolling Delivery Obligation” – with respect to a Fixed Income Clearing Member who is a Net Seller, the quantity of a given Acceptable Security that it has failed to deliver to the Corporation under a Net Delivery Obligation on the Business Day it was due, which is rolled into the calculation of the next Business Day’s Net Delivery Obligation (and the Net Delivery Obligation of each subsequent Business Day) of such Fixed Income Clearing Member, in accordance with,

and until such time as set out under, Section D-609(1); and with respect to the Corporation and a Fixed Income Clearing Member who is a Net Buyer, the quantity of a given Acceptable Security that the Corporation has failed to deliver to such Fixed Income Clearing Member under a Net Delivery Obligation on the Business Day it was due (as a direct consequence of a Net Seller's failure to deliver all or a part of its Net Delivery Obligations 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 Obligation (and the Net Delivery Obligation of each subsequent Business Day) in favour of such Fixed Income Clearing Members, in accordance with, and until such time as set out under, Section D-609(2).

"Trade Date" – the date on which a Fixed Income Transaction is entered into and submitted to the Corporation for clearance provided that if such date is not a Business Day or the transaction is submitted after the Cut-Off Time on that Business Day, the Trade Date shall be deemed to be the immediately following Business Day.

Any capitalized term used in this Rule D-6 that is not defined in this Section D-601 shall have the meaning assigned to it in Section A-102.

Section D-602 Paramountcy

(1) In the event of any inconsistency between the provisions of this Rule D-6 and the other provisions of the Rules, the provisions of this Rule D-6 will prevail.

Section D-603 Essential Terms of Fixed Income Transactions

(1) In addition to and not in lieu of the Acceptance Criteria set forth in Section D-104, the following Economic Terms of a Fixed Income Transaction shall be required to be submitted to the Corporation:

- Seller
- Buyer
- Purchased Securities (CUSIP/ISIN)
- Quantity of Purchased Securities
- Trade Date
- Purchase Price
- Purchase Date
- Repurchase Date (as applicable)
- Repo Rate (as applicable)
- Substitution (indicate whether applicable or not)
- Coupon Income (for an N-Day Term Repo, indicate whether payable when received, or payable only on Repurchase Date).

(2) Subject to conditions set forth herein, once a Trade Confirmation has been issued by the Corporation, the Corporation shall assume the position of the Seller and become a seller to Buyer and shall assume the position of the Buyer and become the buyer to Seller under all Fixed Income Transactions in each case, as principal to such Fixed Income Transactions, as a result of the novation process set forth in Section D-605 (3).

(3) On the Purchase Date of each Fixed Income Transaction, the Seller shall transfer the Purchased Securities on such Purchase Date against payment of the Purchase Price by the Buyer. On the Repurchase Date of each Repo Position, the Reverse Repo Party shall transfer the Equivalent Securities against payment of the Repurchase Price by the Repo Party. The transfer and payment obligations referred to in this provision shall be subject to netting and settlement processes set forth in Section D-606.

(4) Notwithstanding the use of expressions such as “Repurchase Date”, “Repurchase Price”, “margin” and “substitution” or any other Rule, all right, title and interest (free from liens, claims, charges, encumbrances) in and to the Purchased Securities and Equivalent Securities and money transferred or paid under these Rules shall pass to the transferee upon transfer or payment, and no security interest or hypothec is created in the Purchased Securities and Equivalent Securities. Each Fixed Income Clearing Member shall execute and deliver all necessary documents and take all necessary steps to procure that all right, title and interest in any Purchased Securities and in any Equivalent Securities shall pass to the party to which transfer is being made upon transfer of the same in accordance with these Rules, free from all liens, claims, charges and encumbrances, and such transfer will not violate any agreement to which such Fixed Income Clearing Member may be a party or by which such Fixed Income Clearing Member’s property may be bound.

(5) For purposes of the *Interest Act* (Canada), if any rate of interest payable under any Fixed Income Transaction is expressed to be calculated on the basis of a period less than a full calendar year, the yearly rate of interest to which such rate is equivalent is the product obtained by multiplying such rate by a fraction, the numerator of which is the actual number of days in the calendar year and the denominator of which is the number of days comprising such other basis.

Section D-604 Trade Reception and Validation

(1) Any Repurchase Transaction or Cash Buy or Sell Trade must be submitted for clearing to the Corporation through an Acceptable Marketplace (whether bilateral or multilateral). The Corporation may require evidence as it deems reasonably acceptable that a Fixed Income Clearing Member is a duly authorized participant of any multilateral Acceptable Marketplace. The Corporation shall not bear any responsibility or liability for any error, delay, misconduct, negligence, or any other act or omission, by the multilateral Acceptable Marketplace.

(2) Once a Repurchase Transaction or Cash Buy or Sell Trade is received by the Corporation, a variety of validations will occur in accordance with the OTC DI Clearing Platform procedure. These validations are designed to ensure that all Economic Terms match and all Acceptance Criteria set forth in Section D-104 are satisfied, and the Corporation does not accept any Repurchase Transaction or Cash Buy or Sell Trade bearing attributes that are determined by the Corporation as not acceptable for clearing.

(3) If a Repurchase Transaction is received for clearing by the Corporation after the Cut-Off Time, the Purchase Date of the Repo Position shall be the next Business Day, and if a Cash Buy or Sell Trade is received for clearing by the Corporation after the Cut-Off Time, the Trade Date shall be the next Business Day.

(4) If the Acceptable Marketplace used for submitting a Repurchase Transaction or Cash Buy or Sell Trade for clearing is a multilateral facility, each Fixed Income Clearing Member transacting as Buyer or Seller shall be responsible for timely affirming the Fixed Income Transactions on the OTC DI Clearing Platform, as directed by the Corporation.

Section D-605 Confirmation and Novation

(1) Once all validations have occurred and Fixed Income Clearing Members have duly affirmed the Fixed Income Transactions on the OTC DI Clearing Platform, the Corporation shall issue a Trade Confirmation with respect to each individual Fixed Income Transaction and send it to the transacting Fixed Income Clearing Members. A Fixed Income Clearing Member shall be bound by the terms of a Fixed Income Transaction for which the Corporation has issued a Trade Confirmation in its name.

(2) If (i) Economic Terms listed in Section D-603 are determined by the Corporation in its sole discretion as incorrect or incomplete when the Repo or Cash Buy or Sell Trade is submitted to the Corporation by or on behalf of a Fixed Income Clearing Member, or (ii) the Economic Terms submitted by or on behalf of the two Fixed Income Clearing Members that are parties to a Repo or Cash Buy or Sell Trade do not match, or (iii) any other Acceptance Criteria set forth in Section D-104 is not met, the Corporation shall reject the relevant Repo or Cash Buy or Sell Trade, such Repo or Cash Buy or Sell Trade will remain in effect solely between the persons party thereto in accordance with any terms agreed between them, and the Corporation shall have no further obligation or liability with respect to such Repo or Cash Buy or Sell Trade.

(3) Upon the issuance of a Trade Confirmation by the Corporation under Section D-605(1) and notwithstanding the fact that the transacting Fixed Income Clearing Members may not have received such Trade Confirmation, the Repo or Cash Buy or Sell Trade shall be automatically novated to the Corporation, such that the original Repo or Cash Buy or Sell Trade between the two Fixed Income Clearing Members is cancelled and replaced by two equivalent Fixed Income Transactions, one between the Seller and the Corporation where the Corporation is substituted as the Buyer, and one between the Buyer and the Corporation where the Corporation is substituted as the Seller. In respect of the Economic Terms, the Fixed Income Clearing Member that is a Seller under such original Repo or Cash Buy or Sell Trade shall have the same rights against, and owe the same obligations to, the Corporation under such Repo Position or such Cash Buy or Sell Trade to which it is a party as the selling party had and owed in respect of its counterparty under the original Repo or Cash Buy or Sell Trade, as the case may be. For purposes hereof, a reference to the "same" rights or obligations is a reference to rights or obligations falling due for exercise or performance after the time at which a Trade Confirmation is issued in respect of a Fixed Income Transaction, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the original Repo or Cash Buy or Sell Trade (it being assumed, for this purpose, that such Repo or Cash Buy or Sell Trade was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Corporation for clearing), notwithstanding the substitution in the person entitled to them or obliged to perform them and subject to any changes thereto as a result of the operation of these Rules.

(4) Fixed Income Clearing by the Corporation is subject to, and contingent upon, the occurrence of the novation described in Section 605(3) above. Effective as at the time of such novation, Fixed Income Clearing Members that were parties to the original Repo or Cash Buy or Sell Trade shall be released and discharged from their respective obligations to each other and the resulting Fixed Income Transactions shall be governed by these Rules.

(5) If a Repurchase Transaction or a Cash Buy or Sell Trade is revoked, voided or otherwise declared invalid for any reason after the Economic Terms of it have been accepted by the

Corporation for clearing, that revocation, avoidance or invalidity shall not affect any Fixed Income Transaction arising out of this Section D-605.

Section D-606 Transfers and Payments

(1) At the Netting Cut Off Time on a Purchase Date, the Corporation shall calculate with respect to each Fixed Income Clearing Member (i) the Net Securities Transfer Requirement with respect to each Acceptable Security by aggregating the Purchased Securities of such Acceptable Security due by each Fixed Income Clearing Member on such Purchase Date and netting them against the Purchased Securities of such Acceptable Security due by the Corporation to such Fixed Income Clearing Member on such Purchase Date, and (ii) the Net Funds Transfer Requirements by aggregating all Purchase Prices due by each Fixed Income Clearing Member to the Corporation and netting them against all Purchase Prices due by the Corporation to such Fixed Income Clearing Member across all its Fixed Income Transactions.

(2) At the Netting Cut Off Time on each Repurchase Date, the Corporation shall calculate with respect to each Fixed Income Clearing Member (i) the Net Securities Reversal Requirements with respect to each Acceptable Security by aggregating the Equivalent Securities of such Acceptable Security due by each Fixed Income Clearing Member on such Repurchase Date and netting them against the Equivalent Securities of such Acceptable Security due by the Corporation to such Fixed Income Clearing Member on such Repurchase Date; and (ii) the Net Funds Reversal Requirements by aggregating all Repurchase Prices less all Accrued Coupon Income deductible pursuant to Section D-606(9)(b), due by each Fixed Income Clearing Member to the Corporation and netting them against all Repurchase Prices less all Accrued Coupon Income deductible pursuant to Section D-606(9)(b), due by the Corporation to such Fixed Income Clearing Member across all of its Repo Positions.

(3) At the Netting Cut Off Time on each Business Day, for each Fixed Income Clearing Member, the Corporation shall calculate (i) the Net Delivery Obligation with respect to an Acceptable Security by aggregating and netting the Net Securities Transfer Requirement, the Net Securities Reversal Requirement, and any Rolling Delivery Obligation, as applicable, owing to or by the Fixed Income Clearing Member with respect to such Acceptable Security on such Business Day; and (ii) the Net Payment Obligation by aggregating and netting the Net Funds Transfer Requirement, the Net Funds Reversal Requirement, and any Postponed Payment Obligation, as applicable, owing to or by the Fixed Income Clearing Member, provided, however, these amounts shall not be netted against any other payment owing to or by a Fixed Income Clearing Member.

(4) At the Netting Cut Off Time on each Business Day, the Net Delivery Obligations and the Net Payment Obligations will be communicated by the Corporation to Fixed Income Clearing Members that are Net Sellers with respect to a given Acceptable Security and/or Net Buyers. Fixed Income Clearing Members are responsible for ensuring that there are sufficient funds and sufficient Acceptable Securities in their cash and securities accounts at CDS to satisfy their Net Delivery Obligation and/or Net Payment Obligation, as applicable, as they become due.

(5) At the end of each Business Day, the Corporation shall calculate the Net MTM Repo Rate Payment for each Fixed Income Clearing Member, which shall be due and payable at Settlement Time, by aggregating all MTM Repo Rate Payments due by each Fixed Income Clearing Member to the Corporation and netting them against all MTM Repo Rate Payments due by the Corporation to such Fixed Income Clearing Member across all its Repo Positions provided that a

MTM Repo Rate Payment shall not be calculated in respect of a Repo Position where such Business Day is the Repurchase Date of such Repo Position.

(6) At the end of the Business Day immediately preceding the Repurchase Date of a Fixed Income Clearing Member's Repo Positions, an amount in respect of the Net MTM Reversal Requirement will be calculated, which shall be due and payable at Settlement Time to a Fixed Income Clearing Member by the Corporation if the amount in clause (i) of the definition of "Net MTM Reversal Requirement" is greater than the amount in clause (ii) of such definition, and will be paid by such Fixed Income Clearing Member to the Corporation if the amount in clause (ii) of such definition is greater than the amount in clause (i) of such definition; provided that this Section D-606(6) shall not apply if such Fixed Income Clearing Member is a Non-Conforming Member.

(7) (a) The payment of MTM Repo Rate Payments on a daily basis potentially distorts the pricing mechanisms for a Repo Position and in order to minimize the impact of such MTM Repo Rate Payments, the Corporation will, for each Fixed Income Clearing Member that is a party to a Repo Position, either charge interest on such MTM Repo Rate Payments received or pay interest on such MTM Repo Rate Payments paid, as determined pursuant to Section D-606(7)(b). (b) At the end of the Business Day immediately preceding the Repurchase Date of a Fixed Income Clearing Member's Repo Positions, an amount in respect of the Net OCF MTM Payment will be calculated, which shall be due and payable at Settlement Time (i) to a Fixed Income Clearing Member by the Corporation if it is determined on such day that a Net MTM Reversal Requirement is payable to such Fixed Income Clearing Member by the Corporation, or (ii) by a Fixed Income Clearing Member to the Corporation if it is determined on such day that a Net MTM Reversal Requirement is payable by such Fixed Income Clearing Member to the Corporation. The amount of such Net OCF MTM Payment shall be determined by aggregating all OCF MTM Payments due by each Fixed Income Clearing Member to the Corporation in respect of its Repo Positions and netting them against all OCF MTM Payments due by the Corporation to such Fixed Income Clearing Member in respect of its Repo Positions.

(8) Notwithstanding anything to the contrary herein, all payments to be made hereunder to a Fixed Income Clearing Member or to the Corporation in respect of a Net MTM Repo Rate Payment, a Net OCF MTM Payment, a Net MTM Reversal Requirement and any Coupon Income payable pursuant to Section D-606(9)(a) which are due and payable at the same Settlement Time, shall be aggregated and netted against each other such that only one net payment shall be made either to a Fixed Income Clearing Member by the Corporation or to the Corporation by a Fixed Income Clearing Member in respect of such amounts, as may be further netted in accordance with, and otherwise subject to, Section A-802.

(9) (a) In respect of (i) any Repo Position other than an N-Day Term Repo, and (ii) any N-Day Term Repo where the parties have agreed on the Trade Date that Coupon Income will be paid to a Seller as it is received, in each case, any Coupon Income paid by an issuer of Purchased Securities that has been transferred by a Net Seller to the Corporation and by the Corporation to a Net Buyer shall be paid on the Coupon Payment Date by the Net Buyer to the Corporation and by the Corporation to the Net Seller.

(b) In respect of any N-Day Term Repo, where the parties have agreed on the Trade Date that Coupon Income will not be paid to a Seller as it is received, any Coupon Income paid by an issuer of Purchased Securities that has been transferred by a Net Seller to the Corporation, and by the Corporation to a Net Buyer, shall be held by the Net Buyer until the applicable Repurchase Date. On such Repurchase Date, the Repurchase Price otherwise payable by a Net

Seller to the Corporation and by the Corporation to a Net Buyer in respect of such N-Day Term Repo shall be reduced by the Accrued Coupon Income.

Section D-607 Margin Requirements

(1) In respect of all Repo Positions to which a Fixed Income Clearing Member is a party, on each day that is a Business Day, the Corporation shall determine whether, due to changes in the Market Value of the Purchased Securities, additional Margin is required to be delivered by such Fixed Income Clearing Member by the Settlement Time on such Business Day.

(2) In respect of all Repo Positions to which a Fixed Income Clearing Member is a party, on each day that is a Business Day, the Corporation shall determine whether, due to changes in the Floating Price Rate and taking into account rate volatility and expected liquidation periods as determined in the Corporation's sole discretion, additional Margin is required to be delivered by such Fixed Income Clearing Member by the Settlement Time on such Business Day.

(3) In respect of all Cash Buy or Sell Trades to which a Fixed Income Clearing Member is a party, on each Business Day commencing on the applicable Trade Date and ending on (but excluding) the applicable Purchase Date, the Corporation shall determine whether, due to changes in the Market Value of the applicable Acceptable Security, additional Margin is required to be delivered by such Fixed Income Clearing Member by the Settlement Time on such Business Day.

Section D-608 Substitution

(1) In respect of a Repo Position that is an N-Day Term Repo, where the parties have agreed on the Trade Date that the Repo Party shall have the right, upon providing notice to the Corporation, to substitute Purchased Securities for another Acceptable Security, such Repo Position may be varied in accordance with the provisions of the Operations Manual by the transfer by the Reverse Repo Party to the Repo Party of Equivalent Securities in exchange for the transfer by the Repo Party to the Reverse Repo Party of New Purchased Securities, being securities having a Market Value at the date of the variation at least equal to the Purchase Price. Such Repo Position varied under this section shall thereafter continue in effect as though the Purchased Securities in respect of such Repo Position consisted of the New Purchased Securities instead of the securities in respect of which Equivalent Securities were transferred to the Repo Party.

Section D-609 Failed and Partial Deliveries

(1) If a Fixed Income Clearing Member who is a Net Seller does not deliver or partially delivers Acceptable Securities pursuant to a Net Delivery Obligation, the reciprocal Net Payment Obligation of the Corporation in favour of that Net Seller shall be reduced accordingly. The type and quantity of Acceptable Securities that has not been delivered shall constitute a Rolling Delivery Obligation of the failing Fixed Income Clearing Member for purposes of calculating the next Business Day's Net Delivery Obligation, and the Net Delivery Obligation of each subsequent Business Day, until the type and quantity of Acceptable Securities due are delivered in full, at which time the Corporation's Postponed Payment Obligation shall become due and payable.

(2) As a direct consequence of a Net Seller failing to deliver or partially delivering Acceptable Securities pursuant to a Net Delivery Obligation, the Corporation will force a failed or partial delivery of the same type and quantity of Acceptable Securities *prorata* among Fixed Income Clearing Members who are Net Buyers on the relevant Business Day of such Acceptable Securities in accordance with the Operations Manual. The reciprocal Net Payment Obligation of such Net Buyers in favour of the Corporation shall be reduced accordingly and the type and quantity of Acceptable Securities that has not been delivered shall constitute a Rolling Delivery Obligation of the Corporation for purposes of calculating next Business Day's Net Delivery Obligation, and the Net Delivery Obligation of each subsequent Business Day, until the type and quantity of Acceptable Securities due are delivered in full, at which time the Net Buyers' Postponed Payment Obligation shall become due and payable.

(3) Notwithstanding any other provision of this Section D-609, the Corporation in its sole discretion has the right to terminate the daily roll mechanic set out under Section D-609(1) and Section D-609(2) and may, in its sole discretion, effect a buy-in transaction under Section D-609(4) or may, in its sole discretion, exercise any other remedies under the Rules.

(4) Upon the exercise of its right to terminate the daily roll mechanic set out under Section D-609(1) and Section D-609(2), the Corporation may, in its sole discretion, satisfy its delivery obligations to Net Buyers of Acceptable Securities, notwithstanding any failed or partial delivery by any Net Seller, by purchasing the missing quantity of such Acceptable Securities on the open market on such terms as the Corporation deems commercially reasonable in the circumstances. The difference between the price paid by the Corporation to purchase the missing quantity on the open market (including associated costs incurred) and the Purchase Price (or Repurchase Price, as the case may be) of the relevant Fixed Income Transaction(s) shall be charged to the Net Seller who failed to deliver or partially delivered the Acceptable Securities.

(5) If the Corporation is unable to satisfy its delivery obligations to Net Buyers of Acceptable Securities under Section D-609(4) because they are unavailable on the open market or the Corporation determines in its sole discretion, taking into account the size and nature of the failed or partial delivery, the market conditions prevailing at the time, the potential market effects of purchasing the missing quantity on the open market and associated costs, and such other circumstances that the Corporation, in its sole discretion, deems relevant, that such buy-in transaction would not be in the best interest of the Corporation, other Fixed Income Clearing Members or the general public, the Corporation will fail to satisfy its delivery obligations to Net Buyers of Acceptable Securities, in which case, the corresponding Net Payment Obligation of Net Buyers shall be reduced accordingly. Any direct costs (which, for greater certainty, do not include any indirect or consequential loss or damage) incurred by such Net Buyers as a result of the failed delivery or partial delivery by the Corporation shall be promptly assessed and notified to the Corporation who will charge them to the Net Seller responsible for such failed delivery or partial delivery. The Corporation will reimburse such direct costs to such Net Buyers to the extent the Corporation is able to collect such direct costs from such Net Sellers.

Annex 2
Description of amendments to other sections of CDCC Rules

Section A-102 Definitions

Some definitions are being added (“Acceptable Security”, “CDS”, “Central Securities Depository”, “CUSIP/ISIN”), and others are being amended (“Acceptable Marketplace”, “Application for Membership”, “Joint Regulatory Financial Questionnaire and Report”, “Option”, “Ordinary Clearing Member”, “Rules”, “SRO Clearing Member”, “Settlement Time”, “Transactions”, “Uncovered Residual Risk”), consistent with new Rule D-6.

Section A-1A01 Eligibility for Membership

This section is being amended to specify that a clearing member that intends to clear Fixed Income Transactions must be a full member participant in good standing with CDS.

Section A-1A02 Standards of Membership

This section is being amended to clarify that a member may be engaged in the clearing of exchange transactions, or fixed income transactions, or other OTC DI.

Section A-1A04 Non-Conforming Member

This section is being amended to provide that CDCC can change the status of non-conforming to good standing if CDCC finds that the clearing member resolved the issue(s) that led to its non-conforming status. It is also amended by deleting language providing that a member shall be automatically deemed non-conforming one hour after Settlement Time if he has not satisfied any settlement obligation owed by such time, leaving only language to the effect that CDCC has sole discretion in deciding when a member shall be deemed non-conforming whenever a member is late in satisfying a settlement obligation.

Section A-1A10 Transfer/Survival of Obligations

This section is being amended by providing that a clearing member may not transfer or allocate rights or obligations under any transaction except as provided in the Rules or with prior consent of CDCC.

Section A-1A12 Waiver of Immunity

This new section is being added to specify that each clearing member waives immunity on grounds of sovereignty or other to which it might otherwise be entitled in proceedings.

Section A-215 Liability

This section is being amended by expending the concept of consequential damages, for which the liability of CDCC is excluded whether they are incurred as a result of the use of the clearing system, any failure thereof, an act or omission of CDCC or its representatives or any failure by CDCC to pay a settlement amount.

Section A-301 Minimum Capital Requirements

This section is being amended to set out specific minimum capital requirements for fixed income clearing members: fifty million Canadian dollars for primary dealers and one hundred million Canadian dollars for other clearing members for clearing only Firm Fixed Income Transactions, and one hundred million Canadian dollars for primary dealers and two hundred million Canadian dollars for other clearing members for Firm and Client Fixed Income Transactions.

Section A-303 Early Warning

Cosmetic changes.

Section A-401 Action against a Non-Conforming Member

This section is being amended to provide that CDCC can change the status of non-conforming to good standing if CDCC finds that the clearing member resolved the issue(s) that led to its non-conforming status.

Section A-402 Creation of Liquidating Settlement Account

Cosmetic changes.

Section A-403 Pending Transactions

Cosmetic changes.

Section A-408 No Waivers

This new section is being added to specify that CDCC shall not be deemed to waive any of its rights or remedies if it fails or delays to exercise them, nor shall any single or partial exercise prevent further exercise.

Section A-601 Clearing Fund Maintenance and Purpose

This section is being amended to add a Fixed Income Clearing Base Deposit in the amount or equivalent value of one million Canadian dollars.

Section A-603 Amount of Deposit

Cosmetic changes in accordance with changes made to Section A-601.

Section A-609 Application of Clearing Fund

This section is being amended to refer to section A-701(2) with respect to the application of the clearing fund by CDCC for consistency purposes and avoidance of redundancy.

Section A-701 Margin Maintenance and Purpose

This section is being amended to re-inforce and clarify the security interest granted in favour of CDCC by a clearing member. A clear grant of security set out in the CDCC rules and not only

the membership application will give CDCC additional protection under the Payment Clearing and Settlement Act.

Section A-704 Withdrawals of Margin

This section is being amended to specify that excess Margin in the Firm Account of a clearing member can be used by CDCC to meet margin requirements in a Client Account or On-Floor Professional Trader Account of the clearing member but not the other way around.

Section A-705 Intra-Day Margin Calls

Cosmetic changes.

Section A-709 Forms of Margin

This section is being amended by specifying that coupon income on margin securities is paid by the issuer to the clearing member.

Section A-801 Daily Settlement Summary

This section is being amended by clarifying how CDCC applies netting among settlement obligations of the clearing members.

Section A-802 Daily Settlement

This section is being amended by clarifying that the obligation of CDCC to effect a settlement in favour of a clearing member is subject to the condition precedent that such member settled his corresponding obligation in favour of CDCC first.

Section A-804 Application of Cash Margin Excess

Cosmetic changes.

Section A-805 Physical Settlement

This new section is being added to clarify that when deliveries are made through a central securities depository, CDCC is only responsible for communicating net delivery requirements to such depository but does not bear any responsibility if a clearing member fails to deliver the securities. However, CDCC is responsible for guaranteeing settlement amounts until the central securities depository issues a confirmation that settlement instructions have been satisfied.

Section B-103 Agreement Regarding Accounts

Cosmetic changes for consistency purposes with Section C-103.

Section B-106 Obligations of the Corporation

This section is being amended by specifying that acceptance by CDCC, hence novation of Options transactions, occurs at the time the trade information is received by CDCC from the exchange (where it used to be deemed effected one hour after settlement time).

Section B-107 Issuance of Options

Cosmetic changes in accordance with change made to Section B-106.

Section B-108 Exchange Report

Cosmetic changes in accordance with change made to Section B-106, and additional language to the effect that CDCC will promptly notify members involved if it rejects a trade.

Section B-109 Payment to the Corporation

Cosmetic changes in accordance with change made to Section B-106.

Section B-110 General Rights and Obligations of Clearing Members

Cosmetic changes.

Section B-403 Delivery and Payment

Cosmetic changes.

Section B-404 Obligation to Deliver

Cosmetic changes.

Section B-405 Obligation of Receiving Clearing Member

Cosmetic changes.

Section C-103 Agreement Regarding Accounts

Cosmetic changes for consistency purposes with Section B-103.

Section C-105 Futures Consolidated Activity Report

Additional language to the effect that CDCC will promptly notify members involved if it rejects a trade.

Section C-106 Obligations of the Corporation

This section is being amended by specifying that acceptance by CDCC, hence novation of Futures transactions, occurs at the time the trade information is received by CDCC from the exchange (where it used to be deemed effected one hour after settlement time).

Section C-109 Payment of Credit Balances

Cosmetic changes in accordance with change made to Section C-106.

Rule C-17 30-Day Overnight Repo Rate Futures

This Rule is being amended by capitalizing and defining the term “overnight repo rate” with reference to the rate published by Bank of Canada.

Section D-103 Agreement Regarding Accounts

Cosmetic changes for consistency purposes with Section B-103 and C-103.

Note that other cosmetic changes were made to some other sections (i.e., A-205, A-206, A-212, A-404, A-613, A-706, A-708, B-407, B-408, B-412, B-414 and C-112); e.g., references to “deemed acceptable by the Corporation” have been replaced by “determined by the Corporation as acceptable”; and references to “discretion” or “absolute discretion” have been replaced by “sole discretion”.

Annex 3
Benchmarking of the CDCC rules against GMRA and IDA provisions

GMRA PROVISIONS	IDA PROVISIONS	CORRESPONDING CDCC RULES
<p>Paragraph 1. Applicability The Transactions governed by this Agreement are transactions in which one party (seller) agrees to sell securities against payment of the purchase price by the other party (buyer), with a simultaneous agreement by the buyer to sell securities <u>equivalent to such</u> securities at a future date against the payment of the repurchase price by seller. This Agreement may also apply to buy/sell back transactions, net paying securities and agency transactions if so agreed by the parties.</p>	<p>Preamble The Transactions governed by this Agreement are transactions in which one party (seller) agrees to transfer securities against the transfer of funds by the other party (buyer), with a simultaneous agreement by the buyer to transfer <u>such securities</u> back at a future date against transfer of funds by seller. <u>Difference with GMRA:</u> The obligation of the buyer on the far leg of the transaction is to return the same securities.</p>	<p>Rule D-6 The preamble of this new module specifies that its sections apply to Fixed Income Transactions: Repurchase Transactions and Cash Buy or Sell Trades between CDCC and its members.</p>
<p>Paragraph 2. Definitions Capitalized terms used in the Agreement are defined in this paragraph.</p>	<p>Section 1. Definitions Capitalized terms used in the Agreement are defined in this section.</p>	<p>Section D-601 Definitions Capitalized terms used in the sections of Rule D-6 are defined in this section.</p>
<p>Paragraph 3. Initiation; Confirmation; Termination This paragraph sets forth how a trade is concluded between the parties, what essential terms must be agreed through confirmation, and respective obligations of each party on purchase date and repurchase date. In the event of conflict between Agreement and Confirmation, Confirmation prevails in respect of that Transaction.</p>	<p>Section 2. Initiation, Confirmation, Termination Essentially same as GMRA. <u>Difference with GMRA:</u> No concept of Equivalent Securities; the Purchased Securities need to be transferred back (plus any Income received by buyer and not yet paid back) by buyer to seller. In the event of conflict between Agreement and Confirmation, the Agreement prevails.</p>	<p>Section D-603 Essential Terms of Fixed Income Transactions This section sets forth what transactional details need to be submitted to CDCC and other operative provisions applicable to clearing by CDCC, and respective obligations of the parties on the purchase date and repurchase date. <u>Same as GMRA</u> with respect to the obligation of the buyer to return equivalent securities, not same.</p>
<p>Paragraph 4. Margin maintenance This paragraph provides that a party may demand margin to cover its net exposure across all transactions (amount by which one party's aggregate transaction exposures exceeding other party's aggregate transaction exposures). Cash margin shall bear interest at such agreed rate. Parties can agree to apply margin separately with respect to certain transactions. Parties may agree to alternative methods of accomplishing the same by way of repricing or adjustment.</p>	<p>Section 3. Margin Maintenance This paragraph provides that a party may demand margin to its counterparty if under all transactions where he is a buyer the market value of purchased securities is less than buyer's margin amount (agreed percentage applied to the repurchase price of such transaction), i.e. Margin Deficit; or if under all transactions where he is a seller the market value of all purchased securities exceeds the seller's margin amount (agreed percentage applied to the repurchase price of such transaction), i.e. Margin</p>	<p>Section D-607 Margin Requirements This section provides how CDCC may require Margin to be paid by members to cover intra-day changes in the market value of purchased securities, to cover changes in the repo rate taking into account rate volatility and expected liquidation periods, and net exposure under cash buy or sell trades between their trade date and settlement date. Section A-709 Forms of Margin deals with income on Margin. Interest on cash is not paid to</p>

	<p>Excess. Demand must be made by 11:30 a.m. for same day transfer by 3:30 p.m. At transferor's option to transfer margin in the form of cash or additional/reversal purchased securities. Parties can agree to apply margin to some transactions and not to other, or to apply a specified minimum transfer amount.</p>	<p>Clearing Members whereas income on Margin in the form of Government Securities belongs to the Clearing Member.</p>
<p>Paragraph 5. Income payments This paragraph specifies that income paid on Securities during the term of a transaction is payable to seller on the income payment date; same for income paid on Margin Securities, no withholding.</p>	<p>Section 4. Income Payments Income paid on Securities during the term of a transaction is due to seller. If parties don't agree ahead, it is at the buyer's discretion to pay income to seller on income payment date <u>or</u> deduct such amount from the repurchase price payable by seller on the repurchase date. Income may be used by buyer to offset any Margin Deficit.</p>	<p>Section D-606 (9) deals with coupon income, which will be paid by the issuer to the reverse repo party who holds the purchased securities but will flow back to the repo party through CDCC, either upon receipt or as a deduction of the repurchase price payable by the repo party on the repurchase date. Parties need to agree on which way coupon payments will flow back as one of the essential terms of the transaction.</p>
N.A.	<p>Section 5. Security Interest If transactions were to be deemed loans (which is not the intent of the parties), seller shall be deemed to have pledged the Purchased Securities to the buyer as security for the performance of its obligations, and granted a security interest in them and any proceeds thereof including Income.</p>	<p><i>CDCC is confident that fixed income transactions would be recognized as outright transfers and not be requalified as loans in Canada. Section D-603(4) specifically provides that all right, title and interest in purchased securities and equivalent securities are transferred from transferor to transferee and that no security interest is created on the purchased securities and equivalent securities. However, should a court decide otherwise, CDCC's security interest on the securities would be covered in the revised version of Section A-701(3).</i></p>
<p>Paragraph 6. Payment and Transfer This paragraph sets forth how funds and securities get transferred from one party to the other; no withholding or gross-up, simultaneous delivery against payment, outright transfer, netting with respect to payments and with respect to deliveries of securities of a same type.</p>	<p>Section 6. Payment and Transfer This section only covers how funds and securities may be transferred from one party to the other. <u>Difference with GMRA</u>: the following concepts are not covered: no withholding or gross-up, simultaneous delivery against payment, outright transfer, netting with respect to payments and with respect to deliveries of securities of a same type.</p>	<p>Section D-606 Transfers and Payments This section sets forth how CDCC will calculate and notify members of their net delivery obligation in each acceptable security and/or their net payment obligation, as applicable. Members will be responsible for ensuring they have sufficient securities and/or funds in their CDS accounts to satisfy their transfer obligations by delivery time, which will be satisfied on a DVP basis between members and CDCC by CDS. Other net amounts due by clearing members to CDCC or by CDCC to clearing members will be</p>

		calculated, aggregated and netted against each other by CDCC and will need to be effected by banking transfers at the LVTS level: (i) the net mark-to-market repo rate spread payable by reverse repo parties if the repo rate has gone up or by repo parties if the repo rate has gone down calculated daily during the term of a repo position, (ii) the net reversal payment of net mark-to-market repo rate spreads and net opportunity cost of funds related to such payments, calculated on the repurchase date of a repo position, and (iii) coupon income payments flowing back to the repo party either upon receipt thereof or as a deduction of the repurchase price payable by the repo party on the repurchase date, as agreed by the original parties to the trade.
Paragraph 7. Contractual currency This paragraph provides that payments shall be made in the contractual currency or otherwise converted at spot FX rate.	N.A.	<i>All amounts payable are deemed denominated in Canadian currency.</i>
N.A.	Section 7. Segregation of Purchased Securities Purchased Securities in the possession of seller shall be segregated and identified as subject to this Agreement. Title passes to buyer and buyer may pledge, hypothecate, transfer or otherwise deal with the Purchased Securities, which doesn't relieve buyer from obligation to return the Purchased Securities to seller and to pay Income (or reduce repurchase price accordingly) to seller.	Section D-603(4) deals with the concept of absolute transfer of title over purchased securities and equivalent securities.
Paragraph 8. Substitution This paragraph provides that Seller may upon acceptance of the Buyer substitute the Purchased Securities or Margin Securities during the term of a transaction.	Section 8. Substitution Essentially same as GMRA.	Section D-608 Substitution This section provides that parties to a repo transaction submitted to CDCC for clearing may elect a right of substitution for the repo party to be allowed to replace Purchased Securities with other Acceptable Securities.
Paragraph 9. Representations This paragraph sets forth what each party represents to the other: execution, delivery, performance; acting as principal; authorized	Section 9. Representations Each party represents to the other: execution, delivery, performance; acting as principal; authorized signatory; legal; no violation.	<i>Not covered specifically in the new rules on fixed income clearing but covered in the following sections of existing rules:</i> Clause 6 of the Application for

<p>signatory; legal; no violation; satisfied tax implications; no reliance; own judgment and advisors; understand and assume risks involved; full right to transfer securities; transferee receiving all right, title, interest to securities free of any lien, claim, charge, encumbrance. Representations deemed repeated each time a transaction is entered into or a transfer is made.</p>	<p>Representations deemed repeated on each purchase date and each repurchase date.</p>	<p>Membership: Additional Representations and Warranties of the Member; Section A-1A01 Eligibility for Membership; and Section A-1A02 Standards for Membership</p>
<p>Paragraph 10. Events of default This paragraph sets forth what events constitute default under this Agreement: failure to pay purchase price or repurchase price, failure to deliver purchased securities or equivalent securities (if specified in Annex 1), failure to pay amounts due as a result of fail or partial delivery of purchased securities or equivalent securities, failure to pay margin, failure to pay income, act of insolvency, false representation, admission to inability to perform or intention not to perform, suspension from any securities exchange or other organization or gvt agency or assets transferred to a trustee, or otherwise defaults under this agreement.</p> <p>How a default (upon non-defaulting party serving a default notice) triggers early termination of all transactions and how a close-out amount will be determined applying netting.</p> <p>How fails or partial deliveries of securities will be treated under this Agreement.</p>	<p>Section 10. Events of Default This paragraph sets forth what events constitute default under this Agreement: failure to pay repurchase price or to transfer back purchased securities on repurchase date, failure to pay margin, failure to pay income, act of insolvency, false representation, admission to inability to perform or intention not to perform. <u>Difference with GMRA:</u> this section ignores the possibility of a default by either party on the front leg of the transaction; there is no election by the parties to treat fails and partial deliveries any differently; some events of default of GMRA are not found in this section.</p> <p>How a default (upon non-defaulting party serving a default notice) triggers early termination of all transactions and close-out amounts will be determined. <u>Difference with GMRA:</u> the method of terminating transactions and determining close out amounts depends on whether the defaulting party is buyer or seller under a given transaction (not done on a net basis like under GMRA).</p>	<p>Section D-608 Failed and Partial Deliveries This section deals with treatment of fails and partial deliveries of securities by clearing members that are under the obligation to deliver securities under fixed income transactions, whereby the reciprocal payment obligation of CDCC would be reduced accordingly and the obligation to deliver the missing quantity of securities would be rolled into next business day's delivery obligation of the failing member; unless CDCC determines in its sole discretion that it is preferable to terminate the roll, execute a buy-in transaction and deliver the securities to Net Buyers, or, if CDCC is unable to execute such buy-in or deems it inappropriate in the circumstances to do so, CDCC may force a definite fail on the Net Buyers and charge any direct costs incurred by Net Buyers as a result thereof to the member that failed to deliver. <i>Otherwise, events of default by Members and their consequences are treated in the following sections of existing rules:</i> Section A-1A04 Non-Conforming Member; Rule A-4 Enforcement; and Rule A-5 Disciplinary Proceedings Rule A-609 Application of Clearing Fund Rule A-701 Margin Maintenance and Purpose</p>
<p>Paragraph 11. Tax event This paragraph provides that a tax event can affect transactions and justify termination or compensation by the other party.</p>	<p>N.A.</p>	<p><i>Not covered specifically in the new rules on fixed income clearing, as it is currently anticipated that all Clearing Members are Canadian residents for tax purposes.</i></p>

<p>Paragraph 12. Interest This paragraph provides that interest shall apply to late payments: greater of applicable Pricing Rate and LIBOR (according to ISMA).</p>	N.A.	Not covered specifically in the new rules on fixed income clearing.
<p>Paragraph 13. Single agreement This paragraph provides that all transactions form part of one single contractual relationship between the parties, that a default to one transaction is a default to all, and that payments, deliveries and other transfers under any transaction is deemed made in consideration of payment, deliveries and other transfers under other transactions.</p>	<p>Section 11. Single Agreement Essentially same as GMRA with additional twist that: payments, deliveries and other transfers may be applied against each other and netted (which was not covered in Section 6. Payment and Transfer).</p>	<p>Not covered specifically in the new rules on fixed income clearing but covered in: Clause 2 of the Application for Membership This clause provides that CDCC Rules are incorporated in the Membership Agreement and in each contract or transaction conducted through CDCC; and that CDCC Rules are binding as in effect from time to time.</p>
<p>Paragraph 14. Notices and other communications This paragraph provides how notices must be made by and between the parties. Delivery methods specified and special provision for default notice.</p>	<p>Section 12. Notices and other communications Notices to be in writing and delivered to the address of the other party. No delivery methods specified; no special provision for default notice.</p>	<p>Not covered specifically in the new rules on fixed income clearing but covered in: Section A-206 Notices and Reports by the Corporation</p>
<p>Paragraph 15. Entire Agreement; Severability This paragraph provides how this Agreement supersedes any previous arrangement and its provisions are severable from one another</p>	<p>Section 13. Entire Agreement; Severability Same as in GMRA.</p>	Not covered specifically in the new rules on fixed income clearing.
<p>Paragraph 16. Non-assignability; Termination This paragraph provides there can be no assignment without prior written consent. Termination of the agreement by written notice but outstanding transactions remain submitted to the agreement. Remedies survive termination.</p>	<p>Section 14. Non-assignability; Termination Essentially same as GMRA.</p>	<p>Not covered specifically in the new rules on fixed income clearing but covered in: Clause 7.1 of the Application for Membership Section A-1A08 Termination</p>
<p>Paragraph 17. Governing law This paragraph provides that English law governs this Agreement. Process agent must be appointed in England for foreign entities.</p>	<p>Section 15. Governing law Laws of the province of Ontario and laws of Canada applicable therein.</p>	The Application for Membership and all of CDCC Rules will be governed by the laws of Québec and the federal laws of Canada applicable therein.
<p>Paragraph 18. No Waivers, etc. This paragraph provides that waivers must be in writing and signed by both parties.</p>	<p>Section 16. Waivers Same as GMRA.</p>	<p>Not covered specifically in the new rules on fixed income clearing. Now covered under revised Section A-408.</p>

N.A.	Section 17. Interest Act Whenever interest is calculated on the basis of a period that is less than a full year, such rate expressed as an annual rate for purposes of the Interest Act (Canada) shall be multiplied by the actual number of days comprised in such period divided by number of days used as the basis of such calculation.	Section D-603 (5) Substantially same as Section 17 of IDA.
Paragraph 19. Waiver of Immunity This paragraph provides that each party waives immunity from jurisdiction, attachment, execution to which it may be entitled.	N.A.	<i>Not covered specifically in the new rules on fixed income clearing.</i> Now covered under revised Section A-1A12 .
Paragraph 20. Recording This paragraph provides that each party is allowed to tape conversations.	Section 18. Recordings Same as GMRA.	<i>Not covered specifically in the new rules on fixed income clearing.</i>
Paragraph 21. Third Party Rights This paragraph provides that only parties to the agreement may claim benefit of its provisions.	N.A.	<i>Not covered specifically in the new rules on fixed income clearing but covered in:</i> Clause 7.1 of the Application for Membership

Annex 4
Benchmarking of LCH.Clearnet Rules against CDCC Rules

LCH.CLEARNET RULES REPOCLEAR REGULATIONS Regulations 53 to 60	CDCC RULES CLEARING OF FIXED INCOME TRANSACTIONS Rule D-6
<p>Regulation 53 Application of RepoClear Regulations The RepoClear Regulations apply to:</p> <ul style="list-style-type: none"> - RepoClear Contracts - RepoClear GC Contracts - RepoClear Clearing Members - RepoClear Dealers <p>Other relevant sections of LCH Rules and Regulations:</p> <ul style="list-style-type: none"> - Default Rules - Default Fund Rules - Definitions (to be found in preamble of General Regulations) - Regulations 1, 2, 3(b), 4, 5, 8, 9(b), 10, 11, 12, 14, 16, 26 to 39A inclusive (other than 35(a), 37(b) and 38(b)) <p>And the RepoClear Procedures.</p>	<p>The preamble of this new module specifies that its sections apply to Fixed Income Transactions: Repurchase Transactions and Cash Buy or Sell Trades between CDCC and its members.</p> <p>Section D-602 Paramountcy This section provides that the sections of this Rule D-6 will prevail in the event of any inconsistency between such sections and other provisions of CDCC Rules.</p> <p>Other relevant sections of the CDCC Rules:</p> <ul style="list-style-type: none"> - Rule A-1 Definitions - Rule A-1A Membership in the Corporation - Rule A-2 Miscellaneous Requirements - Rule A-3 Capital Requirements - Rule A-4 Enforcement - Rule A-5 Disciplinary Proceedings - Rule A-6 Clearing Fund Deposits - Rule A-7 Margin Requirements - Rule A-8 Daily Settlement <p>And the Operations Manual.</p>
<p>Regulation 54 Submission of details through an Approved Trade Matching System (ATMS) Clearing Member shall be bound by a RepoClear (or GC) Contract pursuant to the presentation of details by it or a RepoClear Dealer with whom it has a <u>RepoClear Dealer Clearing Agreement</u> (btw LCH, the clearing member and the dealer).</p> <p>To be registered as a RepoClear (or GC) Contract, trades must meet <u>RepoClear Eligibility Criteria</u> (Part B or F or H of Schedule) and other requirements when presented to LCH up to (including) Registration Time. A RepoClear (or GC) transaction is deemed <u>registered</u> as a RepoClear (or GC) Contract at the time prescribed in the Procedures (Registration Time). If not registered, it remains a RepoClear (or GC) transaction between the relevant parties and LCH shall have no obligation/liability with respect thereof. If <u>after</u> registration, Clearing House determines that the criteria were not met at Registration Time, the RepoClear (GC) Contract shall be <u>set aside</u>, funds and securities returned, and shall be deemed a RepoClear (or GC) transaction between the relevant parties and LCH shall have no obligation/liability.</p>	<p>Section D-604 Trade Reception and Validation Fixed Income Transactions need to be submitted through Acceptable Marketplaces (bilateral or multilateral); CDCC may require evidence of authorized use by a member of a multilateral Acceptable Marketplace; and CDCC is not responsible for any damages incurred by a member as a result of such use.</p> <p>Once received, a series of validations occur at CDCC consistent with OTC DI Clearing Platform procedure to verify that Economic Terms match and Acceptance Criteria are met.</p> <p>If a Fixed Income Transaction is received after Cut-Off Time, Trade Date or Purchase Date will be deemed the next Business Day.</p> <p>Any Fixed Income Transaction submitted on members' behalf by a multilateral facility needs to be affirmed by the members.</p>
<p>Regulation 55 Registration following submission of</p>	<p>Section D-605 Confirmation and Novation</p>

<p>details</p> <p>Details submitted through ATMS, accepted by LCH, are registered as two RepoClear (or GC) Contracts btw seller and LCH and btw buyer and LCH; with effect from registration, parties to the original trade are <u>released and discharged</u>, the resulting RepoClear (or GC) Contract becomes <u>governed by the RepoClear (or SGC or GC) Contrat Terms (Part A or E or G of Schedule)</u>. Economic Terms shall remain same as original trade btw seller and buyer; any cancellation of trade after acceptance by LCH for registration shall not affect the RepoClear (or GC) Contract. LCH may, with clearing members' agreement, set aside or take other steps with respect to Contracts entered into in error or containing erroneous terms.</p>	<p>Once validation by CDCC and affirmation by members have occurred, CDCC issues a trade confirmation and send it to members;</p> <p>CDCC will reject any trade where Economic Terms don't match or are incomplete or other Acceptance Criteria are not met; in such case the trade does not novate to CDCC; Upon the issuance of the trade confirmation, the trade is novated to CDCC, original trade is <u>cancelled and replaced</u> by 2 equivalent Fixed Income Transactions: one between the seller and CDCC (substituted buyer) and other between CDCC (substituted seller) and buyer;</p> <p>Economic Terms shall remain same as original trade btw seller and buyer;</p> <p>Upon novation, original parties are released and discharged from obligations under the original trade and resulting Fixed Income Transactions become governed by CDCC Rules;</p> <p>Any change to trades after acceptance by CDCC shall not affect Fixed Income Transactions.</p>
<p>Regulation 56 Trades entered into by clearing members through an Automated Trading System (ATS)</p> <p>ATS must be an operator approved by LCH and the clearing member must notify to, and be authorized by, LCH to use a given ATS as direct or indirect participant. RepoClear Regulations prevail over rules of the ATS. Terms of a registered RepoClear (or GC) Contract shall be as notified by the ATS and otherwise subject to the Regulations. LCH makes an open offer to ATS participants to enter into a RepoClear (or GC) Contract subject to satisfaction of RepoClear Open Offer Eligibility Criteria and particulars input into the relevant ATS by seller match terms input by buyer. Two RepoClear (or GC) Contracts arise immediately; LCH becomes buyer to the selling ATS participant and seller to the buying ATS participant.</p> <p>If details are not timely received by LCH from the relevant ATS operator, LCH and Clearing Member are not obliged to perform obligations thereunder; if received later, obligations shall be performed in accordance with any directions given by LCH as a consequence of the delay. LCH shall keep offer open until ATS participant is no longer eligible or withdraws from trading through ATS as notified to LCH. No liability of LCH for consequences of details not being timely received from the relevant ATS operator. ATS participants are bound by any and all RepoClear (or GC) Contracts registered in their name through a designated (and not withdrawn) ATS operator and details of which meet all criteria. LCH may, with clearing members' agreement, set aside or take other steps with respect to Contracts entered into in error or containing erroneous terms. Any dispute with respect to a trade to be registered shall be settled according to ATS Rules; any dispute with respect to registered RepoClear (or GC)</p>	<p>Covered under Section D-604 Trade Reception and Validation</p> <p>Different from LCH in that the members need to affirm trades submitted on their behalf by an Acceptable Marketplace.</p> <p>Alternative Trading Systems would qualify as Acceptable Marketplaces subject to approval by CDCC in accordance with <u>National Instruments 21-101 and 23-101</u> published by the Canadian Securities Administrators. See amended definition of "Acceptable Marketplace" in Section A-102.</p>

<p>Contracts shall be settled in accordance with the Regulations.</p>	
<p>Regulation 56A Trades entered into by RepoClear Dealers through an ATS [Exact same rules as Regulation 56 but where the ATS participant is a dealer acting as agent for a clearing member, pursuant to a RepoClear Dealer Clearing Agreement (btw LCH, the clearing member and the dealer).] The ATS participant must be a RepoClear Dealer (admitted to the Register of RepoClear Dealers – with the ability to submit contracts for registration with LCH) in good standing.</p>	<p>Also covered under Section D-604 Trade Reception and Validation Different from LCH in that the members need to affirm trades submitted on their behalf by an Acceptable Marketplace.</p>
<p>Regulation 57 RepoClear Dealers RepoClear Dealers must apply for admission to the Register of RepoClear Dealers, satisfy applicable criteria prescribed by LCH and enter into a RepoClear Dealer Clearing Agreement. Once admitted, shall continue to meet criteria prescribed by LCH for admission and any other rules adopted by LCH from time to time. LCH may suspend or remove a RepoClear Dealer from Register in accordance with Regulations, Procedures or the Agreement. A suspension for more than 3 months implies removal. A RepoClear Dealer can request removal by giving 3 month written notice. LCH may prescribe different criteria.</p>	<p><i>Not specifically covered.</i> Inter-Dealer Brokers would qualify as Acceptable Marketplaces subject to approval by CDCC so long as it complies with applicable IIROC Rules including IIROC Rule 2800 and applicable requirements of National Instruments 21-101 and 23-101 published by the Canadian Securities Administrators. See amended definition of “Acceptable Marketplace” in Section A-102.</p>
<p>Regulation 57A Authorization to act as a RepoClear Clearing Member A member must apply for authorization by LCH and be eligible to be a party to RepoClear (or GC) Contracts, must meet criteria applicable to the relevant RepoClear (or GC) Contracts, may be authorized as eligible for certain contracts and not others. Withdrawal or suspension shall not affect membership to LCH in and of itself or its eligibility for certain RepoClear (or GC) Contract not affected by the withdrawal or suspension. Default Notice or termination of Clearing Membership Agreement shall automatically withdraw authorization to be a RepoClear Clearing Member. LCH may suspend authorization if member is no longer eligible to have RepoClear (or GC) Contracts registered in its name. Upon such suspension or withdrawal, affected RepoClear (or GC) Contracts shall be closed-out in accordance with directions of LCH.</p>	<p>Section A-1A01 Eligibility for Membership, new subsection (f) A Clearing Member that intends to clear Fixed Income Transactions through the facilities of CDCC must be a full member participant in good standing with CDS, in addition to other general criteria.</p> <p>Section A-301 Minimum Capital Requirements A Clearing Member must also meet certain minimum capital requirements to clear Firm and/or Client Fixed Income Transactions: For members that are Primary Dealers, 50 million CAD to clear Firm Fixed Income Transactions, and 100 million CAD to clear Client Fixed Income Transactions; for other clearing members, 100 million CAD to clear Firm Fixed Income Transactions, and 200 million CAD to clear Client Fixed Income Transaction.</p>
<p>Regulation 58 Daily Margining of Trades The Net Present Value of each RepoClear (or GC) Contracts is calculated by LCH and may not be challenged. LCH shall require daily payment of <u>cash cover</u> for variation margin representing change of value from preceding RepoClear Opening Day. Interest shall be paid by LCH on cash cover paid by members and by members on cash cover paid by LCH, in accordance</p>	<p>Section D-607 Margin Requirements CDCC determines on a daily basis whether additional Margin is required to be delivered by a Fixed Income Clearing Member due to changes in the Market Value of the Purchased Securities under repo transactions, or due to changes in the Floating Price Rate and taking into account rate volatility and expected liquidation periods, or due to changes in the Market Value of the applicable Acceptable</p>

<p>with Procedures.</p> <p>Regulation 12 Margin and Cover for Margin is also generally applicable to RepoClear (or GC) Contracts.</p> <p>* RepoClear Procedures provides additional details in its section 2B.7.</p> <p>MARGINING</p> <p>Margining of repo contracts is made up of three basic components:</p> <ul style="list-style-type: none"> - Variation Margin: change in net present value (NPV) of a RepoClear (or GC) Contract over one day. MtM at least daily. Cash cover. Applicable to repo interest only for GC contracts. <p>Price alignment interest shall be used to compensate potential distortion of pricing mechanisms as a result of variation margin.</p> <ul style="list-style-type: none"> - Delivery Margin: protection against possible losses due to different timings of payments of variation margin and settlement. Based on cumulative VM by delivery. Not applicable to GC contracts. <p>If a member is long cumulative VM in a security for settlement on D, it will be called for delivery margin equal to the cumulative VM on D-2. If a member is short cumulative VM in a security for settlement on D, it will be called for delivery margin equal to the cumulative VM on D-1.</p> <ul style="list-style-type: none"> - Initial Margin: Standard Portfolio Analysis of Risk (SPAN1) is applied by LCH taking into account prevailing market conditions and expected time to close out the portfolio. Accounts are margined on a net basis, but house and clients accounts of a clearing member are margined separately. NO OFFSET. - Margin parameters may be altered upon notice one day prior. - Intra-day margin calls can be made if LCH deems necessary, resulting in a request for cover via PPS. 	<p>Security with respect to cash trades between the trade date and the settlement date.</p> <p>Rule A-7 Margin Requirements is also generally applicable to Fixed Income Transactions.</p> <p>Operations Manual provides additional details, which may be supplemented to specifically address any particularities with respect to fixed income transactions.</p>
<p>Regulation 59 Delivery (or other) Failures</p> <p>Without prejudice to Default Rules, <u>if seller fails to deliver securities</u> under a RepoClear (or GC) Contract by the due time, LCH shall issue binding directions to seller and buyer (on the other leg) regarding performance. LCH may call for cover for margin from the seller and from the buyer (under the other leg). If LCH feels the reputation of its service is undermined by seller's failure to deliver securities, LCH may terminate such clearing member's ability to have RepoClear (or GC) Contracts registered in its name and require liquidation or transfer of open positions.</p> <p>* RepoClear Procedures provides additional details in its section 2B.4.4.</p> <p><u>In the event of a fail or partial delivery by a member</u>, LCH will, where possible, ensure settlement by borrowing securities. Any costs incurred by LCH to</p>	<p>Section D-609 Failed and Partial Deliveries</p> <p>In the event a clearing member fails to deliver securities under its fixed income transactions on the due date, the reciprocal payment obligation of CDCC is reduced accordingly and the obligation to deliver the missing quantity of securities is rolled into next business day's delivery obligation of the failing member; unless CDCC determines in its sole discretion that it is preferable to terminate the roll, execute a buy-in transaction and deliver the securities to Net Buyers, or, if CDCC is unable to execute such buy-in or deems it inappropriate in the circumstances to do so, CDCC may force a definite fail on the Net Buyers and charge any direct costs incurred by Net Buyers as a result thereof to the member that failed to deliver.</p>

<p>borrow securities will be charged to the failing member, deducting such amount via its Protected Payment System account.</p> <p>If there is no facility for LCH to borrow securities, costs incurred by LCH as a result of a failure to deliver will be charged to the failing member.</p> <p>Notification of fails will be made via Clearing Member Reporting.</p> <p>Costs incurred by LCH as a result of any member failing to accept delivery will be born by failing member and any costs incurred by LCH as a result of a clearing member preventing partial settlement shall be charged to such member. LCH shall seek to minimize such costs.</p> <p>With respect to certain types of Gov securities, any failed settlement will be re-entered into next day's netting process, whereas for other types of Gov securities, a failed settlement will not be re-entered into next day's netting process. If LCH is unable to borrow sufficient securities to ensure settlement, it may require the buying clearing member to accept partial settlement.</p>	
<p>Regulation 60 Withdrawal of RepoClear Service by the Clearing House</p> <p>LCH may withdraw RepoClear service by giving not less than 6 month notice to all participants, specifying the nature of the service which LCH will provide until withdrawal. If there are open contracts registered in the name of any clearing member still on withdrawal date, LCH may liquidate and cash settle them. LCH may postpone the withdrawal date.</p>	<p><i>CDCC Rules do not contemplate a withdrawal of clearing services by CDCC.</i></p>

<p>SCHEDULE TO THE REPOCLEAR REGULATIONS PARTS A TO H</p>	
<p>Part A RepoClear Contract Terms <u>Economic Terms of a RepoClear Contract:</u></p> <ul style="list-style-type: none"> • Buyer • Seller • Pricing Rate • Purchase Date • Purchase Price • Purchased Securities • Repurchase Date <p>provided that LCH becomes Seller to Buyer and Buyer to Seller under all RepoClear Contracts.</p> <p><u>Standard Terms:</u></p> <ul style="list-style-type: none"> - On purchase date, seller transfers the securities against payment by buyer. - On repurchase date, buyer transfers the equivalent securities against payment by seller. - All right, title and interest with respect to securities transferred by seller or equivalent securities transferred by buyer or money paid shall pass to the transferee, notwithstanding use of such terms as margin, repurchase date, repurchase right, substitution. - Netting applies across RepoClear Contrats with respect to sums payable; Netting applies across RepoClear Contracts with respect to securities of same type to be transferred. - Margin: as set forth in the General Regulations (Regulation 12) and the RepoClear Procedures. - Income Payment: if the term of the repo extends over an income payment date than Buyer shall pay such amount to LCH in accordance with Procedures (Note: not applicable to GC Repo). - Payment and Transfer: Purchase Price, Repurchase Price, Purchased Securities, Equivalent Securities have to be paid or transferred in accordance with RepoClear Procedures*. Each party is liable as principal. Outright transfer of securities free from all liens. <p>* Section 2B-4 of RepoClear Procedures</p> <p>NETTING PROCESS AND SETTLEMENT</p> <p>Each day the system runs netting processes to determine delivery and settlement obligations through ADS;</p> <p>Settlement obligations are reported to members; Members must ensure they have sufficient securities and funds to meet their settlement obligations; LCH sends settlement instructions to the relevant ADS (with Power of Attorney or Direct Input facility in place)</p> <p>When available at ADS, participants should</p>	<p>Section D-603 Essential Terms of Fixed Income Transactions <u>Economic Terms of a Fixed Income Transaction:</u></p> <ul style="list-style-type: none"> • Seller • Buyer • Purchased Securities (CUSIP/ISIN) • Trade Date • Purchase Price • Purchase Date • Repurchase Date (as applicable) • Repo Rate (as applicable) • Substitution (indicate whether applicable or not) • Coupon Income (indicate whether payable as received, or payable only on Repurchase Date). <p>provided that CDCC becomes Seller to Buyer and Buyer to Seller under all Fixed Income Transactions once a Trade Confirmation is issued by CDCC</p> <ul style="list-style-type: none"> - On purchase date, seller transfers the securities against payment by buyer. - On repurchase date, buyer transfers the equivalent securities against payment by seller. - The transfer and payment obligations are subject to netting and settlement processes set forth in Section D-606. - All right, title and interest with respect to securities transferred by seller or equivalent securities transferred by buyer or money paid shall pass to the transferee, notwithstanding use of such terms as margin, repurchase date, repurchase right, substitution. - Interest Act (Canada) provision. - Margin: see Section D-607 (described above) - Income Payment: see Section D-606 (9): payable as received, or payable only on Repurchase Date, as elected by the parties on the Trade Date. - Payment and Transfer: see Section D-606 <p>CDCC will calculate and notify members of their net delivery obligation in each acceptable security and/or their net payment obligation, as applicable. Members will be responsible for ensuring they have sufficient securities and/or funds in their CDS accounts to satisfy their transfer obligations by delivery time, which will be satisfied on a DVP basis between members and CDCC by CDS. Other net amounts due by clearing members to CDCC or by CDCC to clearing members will be calculated, aggregated and netted against each other by CDCC and will need to be effected by banking transfers at the LVTS level: (i) the net mark-to-market repo rate spread payable by reverse repo parties if the repo rate has gone up or by repo parties if the repo rate has gone down calculated daily during the term of a repo position, (ii) the</p>

<p>participate in bond borrowing programs to avoid fails All securities delivered to LCH shall form one fungible pool which LCH may use at its discretion to satisfy its obligations</p> <ul style="list-style-type: none"> - Withholding tax: Goss-up shall apply to amounts payable by clearing members to LCH and by LCH to clearing members but only if LCH gets such additional amount from another clearing member on the related contract. - Substitution: Purchased securities may be substituted (buyer transfers equivalent securities in exchange for transfer of other securities by seller), in accordance with Procedures. For term repos, seller has the right to substitute securities but buyer has the right to refuse such substitution, in which case seller has the right to terminate the relevant contract within 2 days. If clearing member exercises substitution or termination, it shall be required to pay LCH any amount payable by LCH to another clearing member under the related contract. If LCH exercises substitution or termination, it shall be required to pay the clearing member actual cost or loss, provided LCH can recover the amount from another clearing member under the related contract (Note: <u>not applicable to GC Repo</u>). - Regulations: a repo contract is subject to Regulations which form part of its terms. - “When issued” securities: If the underlying securities are yet to be issued when contract is entered into and don’t get issued, contract shall be null and void ab initio and LCH shall return any margin held for it (Note: <u>not applicable to GC Repo</u>). - Governing Law: English - Third Party Rights: Third parties have no right to enforce any provision of a repo contract. 	<p>net reversal payment of net mark-to-market repo rate spreads and net opportunity cost of funds related to such payments, calculated on the repurchase date of a repo position, and (iii) coupon income payments flowing back to the repo party either upon receipt thereof or as a deduction of the repurchase price payable by the repo party on the repurchase date, as agreed by the original parties to the trade.</p> <ul style="list-style-type: none"> - Withholding tax: <i>Not specifically covered</i> - Substitution: see Section D-608 Parties to a repo transaction submitted to CDCC for clearing may elect a right of substitution for the repo party to be allowed to replace Purchased Securities with other Acceptable Securities. - Rules: Section D-605 (5) specifies that fixed income transactions are governed by the Rules. - Governing Law: Quebec Law and applicable federal laws. - Third Party Rights: <i>Not covered specifically in the new rules on fixed income clearing but covered in: Clause 7.1 of the Application for Membership</i>
<p>Part B Product Eligibility Criteria for Registration of a RepoClear Contract Specificities and operational issues applicable to trading in particular types of securities are detailed in this part.</p>	<p><i>The product specs will be addressed in an amendment to the Operations Manual.</i></p>
<p>Part C LCH GC Repo Contract Terms <i>This part has been deleted as this service has been withdrawn.</i></p>	<p>N.A.</p>
<p>Part D Product Eligibility Criteria for Registration of a LCH GC Repo Contract <i>This part has been deleted as this service has been withdrawn.</i></p>	<p>N.A.</p>
<p>Part E</p>	<p><i>CDCC is not offering GC Repo at this point.</i></p>

RepoClear SGC Contract Terms <u>Comparable to Part A with some distinct features specific to GC Repo.</u>	
Part F Product Eligibility Criteria for registration of a RepoClear SGC Contract Specificities and operational issues applicable to trading in particular baskets are detailed in this part. Structure: series of overnight repos. Eligible securities of the basket shall be as published from time to time by LCH.	N.A.
Part G RepoClear €GC Contract <u>Substantially same as Part E (difference is Euro instead of Sterling)</u>	N.A.
Part H Product Eligibility Criteria for registration of a RepoClear €GC Contract <u>Substantially same as Part F (various baskets listed)</u>	N.A.

RULE D-6 CLEARING OF FIXED INCOME TRANSACTIONS

D-601	Definitions
D-602	Paramountcy
D-603	Essential Terms of Fixed Income Transactions
D-604	Trade Reception and Validation
D-605	Confirmation and Novation
D-606	Transfers and Payments
D-607	Margin Requirements
D-608	Substitution
D-609	Failed and Partial Deliveries

RULE D-6 CLEARING OF FIXED INCOME TRANSACTIONS

The sections of this Rule D-6 are applicable only to the clearing of Fixed Income Transactions by the Corporation.

Section D-601 Definitions

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

“Accrued Coupon Income” – with respect to an N-Day Term Repo, the Coupon Income paid by an issuer of Purchased Securities and held by a Net Buyer under Section D-606(9)(b) plus the accrued interest on such Coupon Income calculated at the Repo Rate for such N-Day Term Repo for the period from and including the date such Coupon Income was paid by such issuer up to and excluding the Repurchase Date.

“Accrued Coupon Value” – with respect to any Purchased Security, the proportion of the Coupon Income payable by the issuer of the relevant Security on the next Coupon Payment Date corresponding to the number of days that have elapsed since the immediately preceding Coupon Payment Date up to the applicable calculation date.

“Cash Buy or Sell Trade” – a transaction by which a Fixed Income Clearing Member buys (Cash Buy Trade) or sells (Cash Sell Trade) an Acceptable Security.

“Client Fixed Income Transaction” – a Fixed Income Transaction entered into by a Fixed Income Clearing Member for the account of any of its clients and not for its own account.

“CORRA Rate” – means the Canadian overnight repo rate published by the Bank of Canada being the weighted average rate of overnight general (non-specific) collateral repo trades on a specified date as reported to the Bank of Canada.

“Coupon Income” – the fixed rate interest amount payable to the holder of a Security by its issuer on a Coupon Payment Date.

“Coupon Payment Date” – a date on which the issuer of a Security pays Coupon Income to the holder of the Security.

“Cut-Off Time” – means a time specified in the Operations Manual as the deadline on any Business Day for accepting Repurchase Transactions for clearing with settlement on the same Business Day and Cash Buy or Sell Trades for a Trade Date on the same Business Day.

“Economic Terms” – means the transactional details of a Fixed Income Transaction as set out in Section D-603(1).

“Equivalent Security” – an Acceptable Security that is equivalent to the Purchased Security in that it is of the same issuer, part of the same issue, of an identical type, nominal value, description and (except where otherwise specified by the Corporation) amount as the Purchased Security.

“Firm Fixed Income Transaction” – a Fixed Income Transaction entered into by a Fixed Income Clearing Member for its own account, as opposed to a Client Fixed Income Transaction.

“Fixed Income Clearing” – the provision of clearing services by the Corporation of Fixed Income Transactions.

“Fixed Income Clearing Member” – an applicant approved by the Corporation for Fixed Income Clearing in accordance with Section A-1A01.

“Fixed Income Transaction(s)” – Repo Position(s) and/or Cash Buy or Sell Trade(s).

“Floating Price Rate” – the spot lending rate with respect to any Acceptable Securities, used to daily mark-to-market any Repo Position in accordance with Section D-606(5) and D-607(2).

“Market Value” – with respect to any Purchased Securities as of any time on any date, the current price as of such date for the relevant Purchased Securities as determined by the Corporation on the basis of then available price source quotations or alternative market information, as determined by the Corporation plus the Accrued Coupon Value in respect of such Purchased Securities to the extent not included in such current price.

“MTM Repo Rate Payment” – represents a mark-to-market payment made in respect of a change in the current Floating Price Rate and means, in respect of a Repo Position, an amount that is payable to the Corporation by a Fixed Income Clearing Member that is a party to such Repo Position, or by the Corporation to a Fixed Income Clearing Member that is a party to such Repo Position, due to changes in the Floating Price Rate from the last time a MTM Repo Rate Payment was calculated (the “Previous Floating Price Rate”) in respect of such Repo Position (or, in the case of the first such calculation, due to changes in the Repo Rate initially agreed between the parties), by comparing the Previous Floating Price Rate or the Repo Rate, as the case may be, to the then current Floating Pricing Rate.

“N-Day Term Repo” – means a Repo Position with a term longer than one Business Day.

“Net Buyer” – a Fixed Income Clearing Member whose aggregate net sum of Net Funds Transfer Requirement, Net Funds Reversal Requirement and any applicable Postponed Payment Obligation(s) due by such Fixed Income Clearing Member to the Corporation on a given Business Day are greater than the aggregate net sum of Net Funds Transfer Requirement, Net Funds Reversal Requirement and any applicable Postponed Payment Obligation(s) due by the Corporation to such Fixed Income Clearing Member on such Business Day.

“Net Delivery Obligation” – in respect of a Fixed Income Clearing member, the quantity of a given Acceptable Security which is the aggregate net quantity of any Net Securities Transfer Requirement deliverable by or to such Fixed Income Clearing Member to or by the Corporation and any Net Securities Reversal Requirement deliverable by or to such Fixed Income Clearing Member to or by the Corporation, and any Rolling Delivery Obligation deliverable by or to such Fixed Income Clearing Member to or by the Corporation, as the case may be, with respect to such Acceptable Security, on a given Business Day, calculated in accordance with Section D-606(3).

“Net Funds Transfer Requirement” – the amount which is the aggregate net sum of Purchase Prices payable by a Fixed Income Clearing Member to the Corporation or by the Corporation to a Fixed Income Clearing Member, as the case may be, calculated in accordance with Section D-606(1).

“Net Funds Reversal Requirement” – the amount which is the aggregate net sum of Repurchase Prices payable by a Fixed Income Clearing Member to the Corporation or by the Corporation to a Fixed Income Clearing Member, as the case may be, calculated in accordance with Section D-606(2).

“Net MTM Repo Rate Payment” – means, on any day the amount which is the aggregate net sum of all MTM Repo Rate Payments payable by a Fixed Income Clearing Member to the Corporation or by the Corporation to a Fixed Income Clearing Member, as the case may be, calculated in accordance with Section D-606(5).

“Net MTM Reversal Requirement” – means in respect of a Fixed Income Clearing Member on any day, the amount which is the aggregate net sum of (i) all Net MTM Repo Rate Payments made by such Fixed Income Clearing Member in respect of its Repo Positions, net of (ii) all Net MTM Repo Rate Payments made to such Fixed Income Clearing Member in respect of its Repo Positions.

“Net OCF MTM Payment” – means, on any day, the amount which is the aggregate net sum of all OCF MTM Payments payable by a Fixed Income Clearing Member to the Corporation or by the Corporation to a Fixed Income Clearing Member, as the case may be, calculated in accordance with Section D-606(7).

“Net Payment Obligation” – in respect of a Fixed Income Clearing Member, the amount which is the aggregate net sum of any Net Funds Transfer Requirement payable by or to such Fixed Income Clearing Member to or by the Corporation and any Net Funds Reversal Requirement payable by or to such Fixed Income Clearing Member to or by the Corporation, and any Postponed Payment Obligation due and payable by or to such Fixed Income Clearing Member to or by the Corporation, as the case may be, on a given Business Day, calculated in accordance with Section D-606(3).

“Net Seller” – a Fixed Income Clearing Member whose aggregate net quantity of Net Securities Transfer Requirement, Net Securities Reversal Requirement and any applicable Rolling Delivery Obligation(s) in respect of any given Acceptable Security due by such Fixed Income Clearing Member to the Corporation on a given Business Day are greater than the aggregate net quantity of Net Securities Transfer Requirement, Net Securities Reversal Requirement and any applicable Rolling Delivery Obligation(s) in respect of any given Acceptable Security due by the Corporation to such Fixed Income Clearing Member on such Business Day.

“Net Securities Transfer Requirement” – the aggregate net quantity of an Acceptable Security due by a Fixed Income Clearing Member to the Corporation or by the Corporation to a Fixed Income Clearing Member, as the case may be, calculated in accordance with Section D-606(1).

“Net Securities Reversal Requirement” – the aggregate net quantity of an Acceptable Security due by a Fixed Income Clearing Member to the Corporation or by the Corporation to a Fixed Income Clearing Member, as the case may be, calculated in accordance with Section D-606(2).

“Netting Cut Off Time” – means, with respect to a Business Day and a Fixed Income Clearing Member, the time specified in the Operations Manual on such Business Day for purposes of determining, in respect of such Fixed Income Clearing Member, the Net Securities Transfer Requirement, the Net Securities Reversal Requirement, the Net Funds Transfer Requirement, the Net Funds Reversal Requirement, the Net Delivery Obligation and the Net Payment Obligation.

“OCF MTM Payment” – represents an opportunity cost of funds payment in respect of an MTM Repo Rate Payment made and means, with respect to any Repo Position on any calculation date and in respect of all MTM Repo Rate Payments made by or to a Fixed Income Clearing Member in respect of such Repo Position, an amount equal to the absolute value of the sum of one day interest amounts calculated for each day during the period commencing on and including the Business Day after the first date on which a MTM Repo Rate Payment is made in respect of such Repo Position and ending on and including the Repurchase Date of such Repo Position, by the application of the CORRA Rate determined on such calculation date (provided if such calculation date is not a Business Day, on the immediately following Business Day) to each such MTM Repo Rate Payment and on a 365 day basis, provided that if such Fixed Income Clearing Member had to pay an MTM Repo Rate Payment, the interest amount calculated in respect of such MTM Repo Rate Payment shall be negative, and if such Fixed Income Clearing Member received an MTM Repo Rate Payment, the interest amount calculated in respect of such MTM Repo Rate Payment shall be positive.

“OTC DI Clearing Platform” – the dedicated trade input screens for clearing and settlement of OTC DI operated and/or used by the Corporation.

“Postponed Payment Obligation” – with respect to the Corporation, the amount by which its Net Payment Obligation in favour of a Net Seller has been reduced as a result of the Net Seller’s failure to deliver Acceptable Securities on the Business Day they were due and the payment by the Corporation of such reduction has been postponed until full delivery by the Net Seller in accordance with Section D-609(1); and with respect to a Fixed Income Clearing Member who is a Net Buyer, the amount by which its Net Payment Obligation 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 and the payment by such Fixed Income Clearing member of such reduction has been postponed until full delivery by the Corporation in accordance with Section D-609(2).

“Price Differential” – with respect to any Repo Position, an amount payable by the Repo Party equal to an amount obtained by application of the Repo Rate for such Repo Position to the Purchase Price for such Repo Position (on a 365 day basis), for the actual number of days of the term of such Repo Position.

“Purchase Date” – with respect to any Repo Position, the date on which Purchased Securities are to be sold by the Repo Party to the Corporation and by the Corporation to the Reverse Repo Party; and with respect to any Cash Buy or Sell Trade, the date on which it settles, provided that if such date is not a Business Day or the transaction is submitted after the Cut-Off Time on that Business Day, the Purchase Date shall be the immediately following Business Day.

“Purchase Price” – with respect to any Fixed Income Transaction, the nominal amount at which the Purchased Securities are sold or to be sold by the Seller to the Corporation and by the Corporation to the Buyer.

“Purchased Securities” – with respect to any Fixed Income Transaction, the Acceptable Securities sold or to be sold by the Seller to the Corporation and by the Corporation to the Buyer.

“Quantity of Purchased Securities” – with respect to a Fixed Income Transaction, an amount equal to the Purchase Price for such Fixed Income Transaction on the Trade Date of such Fixed Income Transaction divided by the specified denomination of the relevant Purchased Securities.

“Repo” or “Repurchase Transaction” – Transaction originally entered into between two Fixed Income Clearing Members in which a Repo Party agrees to sell Acceptable Securities against the payment of the Purchase Price by a Reverse Repo Party with a simultaneous agreement by the Repo Party to purchase Equivalent Securities at a future date at an agreed-upon Repurchase Price to be paid to the Reverse Repo Party, which is submitted to the Corporation for clearing.

“Repo Party” or “Seller” – in respect of a Fixed Income Clearing Member, such Fixed Income Clearing Member who is the seller under a Fixed Income Transaction and who becomes the seller to the Corporation upon acceptance of the Fixed Income Transaction by the Corporation, and in respect of the Corporation, the Corporation when it has assumed the position of the seller under a Fixed Income Transaction pursuant to Section D-605. The term “Repo Party” will be used when referring specifically to a Repurchase Transaction or Repo Position, whereas the term “Seller” will be used when referring to a Cash Buy or Sell Trade or to Fixed Income Transactions generally.

“Repo Position” – position in a Fixed Income Clearing Member’s account resulting from the novation of a Repo whereupon the Corporation becomes the buyer to the Repo Party and the seller to the Reverse Repo Party.

“Repo Rate” – with respect to any Repo Position, the per annum fixed pricing rate agreed by the Repo Party and the Reverse Repo Party.

“Repurchase Date” – with respect to any Repo Position, a day on which Equivalent Securities are to be sold by a Reverse Repo Party to the Corporation and by the Corporation to a Repo Party, in accordance with Section D-606; provided that if such date is not a Business Day, the Repurchase Date shall be the immediately following Business Day.

“Repurchase Price” – with respect to any Repo Position, the sum of the Purchase Price and the Price Differential.

“Reverse Repo Party” or “Buyer” – in respect of a Fixed Income Clearing Member, such Fixed Income Clearing Member who is the buyer of a Fixed Income Transaction and who becomes the buyer to the Corporation upon acceptance of the Fixed Income Transaction by the Corporation, and in respect of the Corporation, the Corporation when it has assumed the position of the buyer under a Fixed Income Transaction pursuant to Section D-605. The term “Reverse Repo Party” will be used when referring specifically to a Repurchase Transaction or a Repo Position, whereas the term “Buyer” will be used when referring to a Cash Buy or Sell Trade or to Fixed Income Transactions generally.

“Rolling Delivery Obligation” – with respect to a Fixed Income Clearing Member who is a Net Seller, the quantity of a given Acceptable Security that it has failed to deliver to the Corporation under a Net Delivery Obligation on the Business Day it was due, which is rolled into the calculation of the next Business Day’s Net Delivery Obligation (and the Net Delivery Obligation of each subsequent Business Day) of such Fixed Income Clearing Member, in accordance with,

and until such time as set out under, Section D-609(1); and with respect to the Corporation and a Fixed Income Clearing Member who is a Net Buyer, the quantity of a given Acceptable Security that the Corporation has failed to deliver to such Fixed Income Clearing Member under a Net Delivery Obligation on the Business Day it was due (as a direct consequence of a Net Seller's failure to deliver all or a part of its Net Delivery Obligations 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 Obligation (and the Net Delivery Obligation of each subsequent Business Day) in favour of such Fixed Income Clearing Members, in accordance with, and until such time as set out under, Section D-609(2).

"Trade Date" – the date on which a Fixed Income Transaction is entered into and submitted to the Corporation for clearance provided that if such date is not a Business Day or the transaction is submitted after the Cut-Off Time on that Business Day, the Trade Date shall be deemed to be the immediately following Business Day.

Any capitalized term used in this Rule D-6 that is not defined in this Section D-601 shall have the meaning assigned to it in Section A-102.

Section D-602 Paramountcy

(1) In the event of any inconsistency between the provisions of this Rule D-6 and the other provisions of the Rules, the provisions of this Rule D-6 will prevail.

Section D-603 Essential Terms of Fixed Income Transactions

(1) In addition to and not in lieu of the Acceptance Criteria set forth in Section D-104, the following Economic Terms of a Fixed Income Transaction shall be required to be submitted to the Corporation:

- Seller
- Buyer
- Purchased Securities (CUSIP/ISIN)
- Quantity of Purchased Securities
- Trade Date
- Purchase Price
- Purchase Date
- Repurchase Date (as applicable)
- Repo Rate (as applicable)
- Substitution (indicate whether applicable or not)
- Coupon Income (for an N-Day Term Repo, indicate whether payable when received, or payable only on Repurchase Date).

(2) Subject to conditions set forth herein, once a Trade Confirmation has been issued by the Corporation, the Corporation shall assume the position of the Seller and become a seller to Buyer and shall assume the position of the Buyer and become the buyer to Seller under all Fixed Income Transactions in each case, as principal to such Fixed Income Transactions, as a result of the novation process set forth in Section D-605 (3).

(3) On the Purchase Date of each Fixed Income Transaction, the Seller shall transfer the Purchased Securities on such Purchase Date against payment of the Purchase Price by the Buyer. On the Repurchase Date of each Repo Position, the Reverse Repo Party shall transfer the Equivalent Securities against payment of the Repurchase Price by the Repo Party. The transfer and payment obligations referred to in this provision shall be subject to netting and settlement processes set forth in Section D-606.

(4) Notwithstanding the use of expressions such as “Repurchase Date”, “Repurchase Price”, “margin” and “substitution” or any other Rule, all right, title and interest (free from liens, claims, charges, encumbrances) in and to the Purchased Securities and Equivalent Securities and money transferred or paid under these Rules shall pass to the transferee upon transfer or payment, and no security interest or hypothec is created in the Purchased Securities and Equivalent Securities. Each Fixed Income Clearing Member shall execute and deliver all necessary documents and take all necessary steps to procure that all right, title and interest in any Purchased Securities and in any Equivalent Securities shall pass to the party to which transfer is being made upon transfer of the same in accordance with these Rules, free from all liens, claims, charges and encumbrances, and such transfer will not violate any agreement to which such Fixed Income Clearing Member may be a party or by which such Fixed Income Clearing Member’s property may be bound.

(5) For purposes of the *Interest Act* (Canada), if any rate of interest payable under any Fixed Income Transaction is expressed to be calculated on the basis of a period less than a full calendar year, the yearly rate of interest to which such rate is equivalent is the product obtained by multiplying such rate by a fraction, the numerator of which is the actual number of days in the calendar year and the denominator of which is the number of days comprising such other basis.

Section D-604 Trade Reception and Validation

(1) Any Repurchase Transaction or Cash Buy or Sell Trade must be submitted for clearing to the Corporation through an Acceptable Marketplace (whether bilateral or multilateral). The Corporation may require evidence as it deems reasonably acceptable that a Fixed Income Clearing Member is a duly authorized participant of any multilateral Acceptable Marketplace. The Corporation shall not bear any responsibility or liability for any error, delay, misconduct, negligence, or any other act or omission, by the multilateral Acceptable Marketplace.

(2) Once a Repurchase Transaction or Cash Buy or Sell Trade is received by the Corporation, a variety of validations will occur in accordance with the OTC DI Clearing Platform procedure. These validations are designed to ensure that all Economic Terms match and all Acceptance Criteria set forth in Section D-104 are satisfied, and the Corporation does not accept any Repurchase Transaction or Cash Buy or Sell Trade bearing attributes that are determined by the Corporation as not acceptable for clearing.

(3) If a Repurchase Transaction is received for clearing by the Corporation after the Cut-Off Time, the Purchase Date of the Repo Position shall be the next Business Day, and if a Cash Buy or Sell Trade is received for clearing by the Corporation after the Cut-Off Time, the Trade Date shall be the next Business Day.

(4) If the Acceptable Marketplace used for submitting a Repurchase Transaction or Cash Buy or Sell Trade for clearing is a multilateral facility, each Fixed Income Clearing Member transacting as Buyer or Seller shall be responsible for timely affirming the Fixed Income Transactions on the OTC DI Clearing Platform, as directed by the Corporation.

Section D-605 Confirmation and Novation

(1) Once all validations have occurred and Fixed Income Clearing Members have duly affirmed the Fixed Income Transactions on the OTC DI Clearing Platform, the Corporation shall issue a Trade Confirmation with respect to each individual Fixed Income Transaction and send it to the transacting Fixed Income Clearing Members. A Fixed Income Clearing Member shall be bound by the terms of a Fixed Income Transaction for which the Corporation has issued a Trade Confirmation in its name.

(2) If (i) Economic Terms listed in Section D-603 are determined by the Corporation in its sole discretion as incorrect or incomplete when the Repo or Cash Buy or Sell Trade is submitted to the Corporation by or on behalf of a Fixed Income Clearing Member, or (ii) the Economic Terms submitted by or on behalf of the two Fixed Income Clearing Members that are parties to a Repo or Cash Buy or Sell Trade do not match, or (iii) any other Acceptance Criteria set forth in Section D-104 is not met, the Corporation shall reject the relevant Repo or Cash Buy or Sell Trade, such Repo or Cash Buy or Sell Trade will remain in effect solely between the persons party thereto in accordance with any terms agreed between them, and the Corporation shall have no further obligation or liability with respect to such Repo or Cash Buy or Sell Trade.

(3) Upon the issuance of a Trade Confirmation by the Corporation under Section D-605(1) and notwithstanding the fact that the transacting Fixed Income Clearing Members may not have received such Trade Confirmation, the Repo or Cash Buy or Sell Trade shall be automatically novated to the Corporation, such that the original Repo or Cash Buy or Sell Trade between the two Fixed Income Clearing Members is cancelled and replaced by two equivalent Fixed Income Transactions, one between the Seller and the Corporation where the Corporation is substituted as the Buyer, and one between the Buyer and the Corporation where the Corporation is substituted as the Seller. In respect of the Economic Terms, the Fixed Income Clearing Member that is a Seller under such original Repo or Cash Buy or Sell Trade shall have the same rights against, and owe the same obligations to, the Corporation under such Repo Position or such Cash Buy or Sell Trade to which it is a party as the selling party had and owed in respect of its counterparty under the original Repo or Cash Buy or Sell Trade, as the case may be. For purposes hereof, a reference to the "same" rights or obligations is a reference to rights or obligations falling due for exercise or performance after the time at which a Trade Confirmation is issued in respect of a Fixed Income Transaction, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the original Repo or Cash Buy or Sell Trade (it being assumed, for this purpose, that such Repo or Cash Buy or Sell Trade was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Corporation for clearing), notwithstanding the substitution in the person entitled to them or obliged to perform them and subject to any changes thereto as a result of the operation of these Rules.

(4) Fixed Income Clearing by the Corporation is subject to, and contingent upon, the occurrence of the novation described in Section 605(3) above. Effective as at the time of such novation, Fixed Income Clearing Members that were parties to the original Repo or Cash Buy or Sell Trade shall be released and discharged from their respective obligations to each other and the resulting Fixed Income Transactions shall be governed by these Rules.

(5) If a Repurchase Transaction or a Cash Buy or Sell Trade is revoked, voided or otherwise declared invalid for any reason after the Economic Terms of it have been accepted by the

Corporation for clearing, that revocation, avoidance or invalidity shall not affect any Fixed Income Transaction arising out of this Section D-605.

Section D-606 Transfers and Payments

(1) At the Netting Cut Off Time on a Purchase Date, the Corporation shall calculate with respect to each Fixed Income Clearing Member (i) the Net Securities Transfer Requirement with respect to each Acceptable Security by aggregating the Purchased Securities of such Acceptable Security due by each Fixed Income Clearing Member on such Purchase Date and netting them against the Purchased Securities of such Acceptable Security due by the Corporation to such Fixed Income Clearing Member on such Purchase Date, and (ii) the Net Funds Transfer Requirements by aggregating all Purchase Prices due by each Fixed Income Clearing Member to the Corporation and netting them against all Purchase Prices due by the Corporation to such Fixed Income Clearing Member across all its Fixed Income Transactions.

(2) At the Netting Cut Off Time on each Repurchase Date, the Corporation shall calculate with respect to each Fixed Income Clearing Member (i) the Net Securities Reversal Requirements with respect to each Acceptable Security by aggregating the Equivalent Securities of such Acceptable Security due by each Fixed Income Clearing Member on such Repurchase Date and netting them against the Equivalent Securities of such Acceptable Security due by the Corporation to such Fixed Income Clearing Member on such Repurchase Date; and (ii) the Net Funds Reversal Requirements by aggregating all Repurchase Prices less all Accrued Coupon Income deductible pursuant to Section D-606(9)(b), due by each Fixed Income Clearing Member to the Corporation and netting them against all Repurchase Prices less all Accrued Coupon Income deductible pursuant to Section D-606(9)(b), due by the Corporation to such Fixed Income Clearing Member across all of its Repo Positions.

(3) At the Netting Cut Off Time on each Business Day, for each Fixed Income Clearing Member, the Corporation shall calculate (i) the Net Delivery Obligation with respect to an Acceptable Security by aggregating and netting the Net Securities Transfer Requirement, the Net Securities Reversal Requirement, and any Rolling Delivery Obligation, as applicable, owing to or by the Fixed Income Clearing Member with respect to such Acceptable Security on such Business Day; and (ii) the Net Payment Obligation by aggregating and netting the Net Funds Transfer Requirement, the Net Funds Reversal Requirement, and any Postponed Payment Obligation, as applicable, owing to or by the Fixed Income Clearing Member, provided, however, these amounts shall not be netted against any other payment owing to or by a Fixed Income Clearing Member.

(4) At the Netting Cut Off Time on each Business Day, the Net Delivery Obligations and the Net Payment Obligations will be communicated by the Corporation to Fixed Income Clearing Members that are Net Sellers with respect to a given Acceptable Security and/or Net Buyers. Fixed Income Clearing Members are responsible for ensuring that there are sufficient funds and sufficient Acceptable Securities in their cash and securities accounts at CDS to satisfy their Net Delivery Obligation and/or Net Payment Obligation, as applicable, as they become due.

(5) At the end of each Business Day, the Corporation shall calculate the Net MTM Repo Rate Payment for each Fixed Income Clearing Member, which shall be due and payable at Settlement Time, by aggregating all MTM Repo Rate Payments due by each Fixed Income Clearing Member to the Corporation and netting them against all MTM Repo Rate Payments due by the Corporation to such Fixed Income Clearing Member across all its Repo Positions provided that a

MTM Repo Rate Payment shall not be calculated in respect of a Repo Position where such Business Day is the Repurchase Date of such Repo Position.

(6) At the end of the Business Day immediately preceding the Repurchase Date of a Fixed Income Clearing Member's Repo Positions, an amount in respect of the Net MTM Reversal Requirement will be calculated, which shall be due and payable at Settlement Time to a Fixed Income Clearing Member by the Corporation if the amount in clause (i) of the definition of "Net MTM Reversal Requirement" is greater than the amount in clause (ii) of such definition, and will be paid by such Fixed Income Clearing Member to the Corporation if the amount in clause (ii) of such definition is greater than the amount in clause (i) of such definition; provided that this Section D-606(6) shall not apply if such Fixed Income Clearing Member is a Non-Conforming Member.

(7) (a) The payment of MTM Repo Rate Payments on a daily basis potentially distorts the pricing mechanisms for a Repo Position and in order to minimize the impact of such MTM Repo Rate Payments, the Corporation will, for each Fixed Income Clearing Member that is a party to a Repo Position, either charge interest on such MTM Repo Rate Payments received or pay interest on such MTM Repo Rate Payments paid, as determined pursuant to Section D-606(7)(b). (b) At the end of the Business Day immediately preceding the Repurchase Date of a Fixed Income Clearing Member's Repo Positions, an amount in respect of the Net OCF MTM Payment will be calculated, which shall be due and payable at Settlement Time (i) to a Fixed Income Clearing Member by the Corporation if it is determined on such day that a Net MTM Reversal Requirement is payable to such Fixed Income Clearing Member by the Corporation, or (ii) by a Fixed Income Clearing Member to the Corporation if it is determined on such day that a Net MTM Reversal Requirement is payable by such Fixed Income Clearing Member to the Corporation. The amount of such Net OCF MTM Payment shall be determined by aggregating all OCF MTM Payments due by each Fixed Income Clearing Member to the Corporation in respect of its Repo Positions and netting them against all OCF MTM Payments due by the Corporation to such Fixed Income Clearing Member in respect of its Repo Positions.

(8) Notwithstanding anything to the contrary herein, all payments to be made hereunder to a Fixed Income Clearing Member or to the Corporation in respect of a Net MTM Repo Rate Payment, a Net OCF MTM Payment, a Net MTM Reversal Requirement and any Coupon Income payable pursuant to Section D-606(9)(a) which are due and payable at the same Settlement Time, shall be aggregated and netted against each other such that only one net payment shall be made either to a Fixed Income Clearing Member by the Corporation or to the Corporation by a Fixed Income Clearing Member in respect of such amounts, as may be further netted in accordance with, and otherwise subject to, Section A-802.

(9) (a) In respect of (i) any Repo Position other than an N-Day Term Repo, and (ii) any N-Day Term Repo where the parties have agreed on the Trade Date that Coupon Income will be paid to a Seller as it is received, in each case, any Coupon Income paid by an issuer of Purchased Securities that has been transferred by a Net Seller to the Corporation and by the Corporation to a Net Buyer shall be paid on the Coupon Payment Date by the Net Buyer to the Corporation and by the Corporation to the Net Seller.

(b) In respect of any N-Day Term Repo, where the parties have agreed on the Trade Date that Coupon Income will not be paid to a Seller as it is received, any Coupon Income paid by an issuer of Purchased Securities that has been transferred by a Net Seller to the Corporation, and by the Corporation to a Net Buyer, shall be held by the Net Buyer until the applicable Repurchase Date. On such Repurchase Date, the Repurchase Price otherwise payable by a Net

Seller to the Corporation and by the Corporation to a Net Buyer in respect of such N-Day Term Repo shall be reduced by the Accrued Coupon Income.

Section D-607 Margin Requirements

(1) In respect of all Repo Positions to which a Fixed Income Clearing Member is a party, on each day that is a Business Day, the Corporation shall determine whether, due to changes in the Market Value of the Purchased Securities, additional Margin is required to be delivered by such Fixed Income Clearing Member by the Settlement Time on such Business Day.

(2) In respect of all Repo Positions to which a Fixed Income Clearing Member is a party, on each day that is a Business Day, the Corporation shall determine whether, due to changes in the Floating Price Rate and taking into account rate volatility and expected liquidation periods as determined in the Corporation's sole discretion, additional Margin is required to be delivered by such Fixed Income Clearing Member by the Settlement Time on such Business Day.

(3) In respect of all Cash Buy or Sell Trades to which a Fixed Income Clearing Member is a party, on each Business Day commencing on the applicable Trade Date and ending on (but excluding) the applicable Purchase Date, the Corporation shall determine whether, due to changes in the Market Value of the applicable Acceptable Security, additional Margin is required to be delivered by such Fixed Income Clearing Member by the Settlement Time on such Business Day.

Section D-608 Substitution

(1) In respect of a Repo Position that is an N-Day Term Repo, where the parties have agreed on the Trade Date that the Repo Party shall have the right, upon providing notice to the Corporation, to substitute Purchased Securities for another Acceptable Security, such Repo Position may be varied in accordance with the provisions of the Operations Manual by the transfer by the Reverse Repo Party to the Repo Party of Equivalent Securities in exchange for the transfer by the Repo Party to the Reverse Repo Party of New Purchased Securities, being securities having a Market Value at the date of the variation at least equal to the Purchase Price. Such Repo Position varied under this section shall thereafter continue in effect as though the Purchased Securities in respect of such Repo Position consisted of the New Purchased Securities instead of the securities in respect of which Equivalent Securities were transferred to the Repo Party.

Section D-609 Failed and Partial Deliveries

(1) If a Fixed Income Clearing Member who is a Net Seller does not deliver or partially delivers Acceptable Securities pursuant to a Net Delivery Obligation, the reciprocal Net Payment Obligation of the Corporation in favour of that Net Seller shall be reduced accordingly. The type and quantity of Acceptable Securities that has not been delivered shall constitute a Rolling Delivery Obligation of the failing Fixed Income Clearing Member for purposes of calculating the next Business Day's Net Delivery Obligation, and the Net Delivery Obligation of each subsequent Business Day, until the type and quantity of Acceptable Securities due are delivered in full, at which time the Corporation's Postponed Payment Obligation shall become due and payable.

(2) As a direct consequence of a Net Seller failing to deliver or partially delivering Acceptable Securities pursuant to a Net Delivery Obligation, the Corporation will force a failed or partial delivery of the same type and quantity of Acceptable Securities *prorata* among Fixed Income Clearing Members who are Net Buyers on the relevant Business Day of such Acceptable Securities in accordance with the Operations Manual. The reciprocal Net Payment Obligation of such Net Buyers in favour of the Corporation shall be reduced accordingly and the type and quantity of Acceptable Securities that has not been delivered shall constitute a Rolling Delivery Obligation of the Corporation for purposes of calculating next Business Day's Net Delivery Obligation, and the Net Delivery Obligation of each subsequent Business Day, until the type and quantity of Acceptable Securities due are delivered in full, at which time the Net Buyers' Postponed Payment Obligation shall become due and payable.

(3) Notwithstanding any other provision of this Section D-609, the Corporation in its sole discretion has the right to terminate the daily roll mechanic set out under Section D-609(1) and Section D-609(2) and may, in its sole discretion, effect a buy-in transaction under Section D-609(4) or may, in its sole discretion, exercise any other remedies under the Rules.

(4) Upon the exercise of its right to terminate the daily roll mechanic set out under Section D-609(1) and Section D-609(2), the Corporation may, in its sole discretion, satisfy its delivery obligations to Net Buyers of Acceptable Securities, notwithstanding any failed or partial delivery by any Net Seller, by purchasing the missing quantity of such Acceptable Securities on the open market on such terms as the Corporation deems commercially reasonable in the circumstances. The difference between the price paid by the Corporation to purchase the missing quantity on the open market (including associated costs incurred) and the Purchase Price (or Repurchase Price, as the case may be) of the relevant Fixed Income Transaction(s) shall be charged to the Net Seller who failed to deliver or partially delivered the Acceptable Securities.

(5) If the Corporation is unable to satisfy its delivery obligations to Net Buyers of Acceptable Securities under Section D-609(4) because they are unavailable on the open market or the Corporation determines in its sole discretion, taking into account the size and nature of the failed or partial delivery, the market conditions prevailing at the time, the potential market effects of purchasing the missing quantity on the open market and associated costs, and such other circumstances that the Corporation, in its sole discretion, deems relevant, that such buy-in transaction would not be in the best interest of the Corporation, other Fixed Income Clearing Members or the general public, the Corporation will fail to satisfy its delivery obligations to Net Buyers of Acceptable Securities, in which case, the corresponding Net Payment Obligation of Net Buyers shall be reduced accordingly. Any direct costs (which, for greater certainty, do not include any indirect or consequential loss or damage) incurred by such Net Buyers as a result of the failed delivery or partial delivery by the Corporation shall be promptly assessed and notified to the Corporation who will charge them to the Net Seller responsible for such failed delivery or partial delivery. The Corporation will reimburse such direct costs to such Net Buyers to the extent the Corporation is able to collect such direct costs from such Net Sellers.

CANADIAN DERIVATIVES CLEARING CORPORATION

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 Parts A, B, C and D of these Rules the capitalized terms used herein shall have the meanings given them in Section A-102.

Amended 03/02, 04/03

Section A-102 Definitions

“Acceptable Instrument Types” or “Acceptable OTC DI” – Over-The-Counter Derivative Instruments which are ~~deemed~~determined by the Corporation as acceptable for clearing with the Corporation.

“Acceptable Underlying Interests” – is an Underlying Interest ~~deemed~~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 ~~the requirements of the Corporation to be considered for 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 a Transaction.

“Acceptance Criteria” – the criteria established by the Corporation for acceptance or rejection of an OTC DI 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.

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

“Application for Membership” – the Application for Membership, ~~and the Rules, By-Laws and Operations Manual~~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 under Section A-613.

“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.

“Associated Clearing Member” – a corporation recognized as such by the Corporation. An Associated Clearing Member shall not maintain any positions on the Corporation’s books. Upon acceptance of an Associated Clearing Member’s Exchange Transactions by the Corporation, all positions shall be automatically transferred to a Related Ordinary Clearing Member. Positions can only be transferred if a Related Ordinary Clearing Member has entered into an agreement, approved by the Corporation, with the Associated Clearing Member for such purposes.

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

“Bank Clearing Member” – an Ordinary or an Associated 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 any office of the Corporation is open for business. The term Business Day shall exclude the Expiration Date of any Options which expires on a Saturday.

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

“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.

[“CDS” – CDS Clearing and Depository Services Inc. or any other successor depository of Acceptable Securities in Canada.](#)

[“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” – any one of the funds established pursuant to Rule A-6 Clearing Funds Deposits.

“Clearing Member” - a member who has been admitted to membership in the Corporation as an Ordinary Clearing Member or, where the context so requires, as an Associated Clearing Member.

“Client” – those customers of an Ordinary Clearing Member *or* Associated Clearing Member who are not On-Floor Professional Traders 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 Participating 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.

“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 OTC DI transactions.

“Contract Specifications” – the specifications provided in these Rules and in the by-laws of the Exchange on which the Option or Future is traded.

“Corporation or CDCC” – Canadian Derivatives Clearing Corporation.

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

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

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

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

“Deposit Multiplier” – the amount of money used to calculate the Variable 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.

“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" – i) any circumstance that may materially affect the performance of obligations, which may include 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, Acceptable Marketplaces, Market Center and Delivery Agents that may have a direct impact on the Corporation including impossibility for the Corporation to perform its obligations further to any "force majeure" or emergency affecting any Market Center or 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 it appears that a Clearing Member or any other person 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 person 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 with respect to which it is not practicable for the Corporation to submit, in timely fashion, a rule amendment to its regulatory authorities for prior review, approval or non-disapproval under the relevant securities legislation.

"Escrow Receipts" - a receipt, in a form acceptable to the Corporation, issued by an Approved Depository.

"European Option" (or European Style Option) - an Option which can be exercised only on its Expiration Date.

"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 for the closing out of a Long or Short Position in an Option; or
- b) for 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 specified in Section B-~~403~~404.

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

“Expiration Time” - the time on the Expiration Date, as fixed by the Corporation, at which the Option expires. Unless changed by the Corporation, the Expiration Time shall be 12:30 p.m. on the Expiration Date.

“Expiry Response Screen” - a computer display made available to Clearing Members in connection with Rule B-3.

“Firm” - an Ordinary Clearing Member or, unless the context otherwise requires, an Associated Clearing Member.

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

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

“Futures Margin Receipt” - a receipt, in a form acceptable to the Corporation, issued by an Approved Depository.

“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.

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

“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.

“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:

- (i) 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; or
- (ii) a letter of credit and an advice of credit if the letter or advice states that it must be surrendered upon claiming payment thereunder; but does not include a security.

“Joint Regulatory Financial Questionnaire and Report” - the documents required under the Joint Regulatory Audit Instructions of the Exchanges and the Investment ~~Dealers Association~~ 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 defaulting clearing member during the liquidation of positions and Margin Deposits.

“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 Derivative 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, Money, 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 Funds 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 Derivative Instruments, including Margin, Base Deposit, Additional Deposit, Variable Deposit, Safe Custody Receipts, Escrow Receipts, Futures Margin Receipts, letters of credit, puts and any other form of deposit as from time to time are accepted by the Corporation, and Rule D-3 Physical Delivery of Underlying Interest on Over-The-Counter Derivative Instruments; and
- c) any and all securities pledged or assigned to the Corporation through the facilities of The Canadian Depository for Securities Limited; 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 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 OTC DI.

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

“Money” - means the lawful currency of Canada or its equivalent in the lawful currency of any other country of the G-8.

“Monthly Financial Report” - the financial returns, documents and related information required to be filed by each Clearing Member under the relevant rules of any Exchange and/or self-regulatory organization applicable to that Clearing Member.

“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 a report (“Daily Settlement Summary Report”).

“Net Delivery Requirement” – the physical requirement needed to be satisfied for a period of time by a Clearing Member or his client, expressed on a net basis.

“Non-Conforming Member” – the meaning assigned to this term by Rule A-1A04.

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

“On-Floor Professional Trader” - 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 floor trader, an options floor trader, a trader member, a market maker and a specialist.

“On-Floor Professional Trader Account” - the account or accounts required to be established for Exchange Transactions of the Clearing Member's On-Floor Professional Traders pursuant to Sections B-103 and C-103.

“Open Interest” or “Open Position” - the position of a buyer or a seller of an Option, of a Future or of an OTC DI.

“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, 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 ~~deemed-acceptable~~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.

“Ordinary Clearing Member” - any Clearing Member including, without limitation, an SRO Clearing Member, a Bank Clearing Member and a ~~Bank~~Fixed Income Clearing Member, that is not also an Associated Clearing Member.

“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.

“OTC DI Margin Requirement Report” – the report created by the Corporation on a daily basis and which provides for total Margin requirement stemming from OTC DI transactions for all accounts and sub-accounts.

“Over-The-Counter Derivative Instrument” or “OTC DI” – refers to any bilaterally negotiated transactions as well as any transactions concluded on any Acceptable Marketplaces.

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

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

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

“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.

“Related” - a Clearing Member is deemed to be related to another Clearing Member where either of them, or any of the partners in and directors, officers, shareholders and employees of it, collectively have at least a 20% ownership interest in the other of them, including an interest as a partner or shareholder, directly or indirectly, and whether or not through holding companies.

“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.

“Rules” - shall mean the Rules of the Corporation ~~as the same may be amended~~and the Operations Manual, as any such rules, by-laws and manual may from time to time be amended, changed, supplemented or replaced in whole or in part.

“SRO Clearing Member” - an Ordinary or an Associated Clearing Member that is within the audit jurisdiction of either the Investment ~~Dealers Association~~Industry Regulatory Organization of Canada or one of the Participating Exchanges.

“Safe Custody Receipt” - a receipt, in a form acceptable to the Corporation, issued by an Approved Depository.

“Security” - shall mean a document that is

- (i) issued in bearer, order or registered form;
- (ii) 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;
- (iii) one of a class or series or by its terms is divisible into a class or series of documents; and
- (iv) 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 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 established by the Corporation on such Business Day and if no Business Day is specified, the time established on the Business Day immediately following a trade day, a calculation date or a Coupon Payment Date, as applicable, by which time Settlement of Gains and Losses, premium payments ~~and~~ 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 Derivative 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).

“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.

“Trade Confirmation” – the official document issued to a Clearing Member which details the attributes of the OTC DI 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 Derivative Instruments which are ~~deemed~~determined by the Corporation as acceptable for clearing ~~by the Corporation~~.

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

“Underlying Interest” - Asset which underlies and determines the value of a Derivative Instrument. 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.

“Uncovered Residual Risk” – The amount of risk ~~deemed~~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 Equivalent” - the items specified in Section A-708.

“Unit of Trading” – in respect of any series of futures and options 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 the number to be the subject of a single Derivative Instrument contract.

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

Amended 9/87, 12/89, 5/90, 4/91, 6/91, 1/92, 9/92, 9/93, 6/94, 9/96, 10/97; 5/98; 9/98; 3/99; 03/02, 04/03, 02/06, 10/06, 5/08, 12/08

RULE A-1A MEMBERSHIP IN THE CORPORATION

Section A-1A01 – Eligibility for Membership

~~(a)~~ (a) In order to apply for membership, an applicant must be:

- i) a member or approved participant in good standing with an exchange recognized in a Canadian province; or
- ii) a bank or an authorized foreign bank to which the *Bank Act* (Canada), as amended from time to time, applies.

~~(b)~~ (b) A Clearing member that intends to clear Stock Options or Share Futures through the facilities of the Corporation, must be a full member participant in good standing with ~~The Canadian Depository for Securities Limited~~ CDS.

~~(c)~~ (c) A Clearing Member that intends to clear bond Options and/or bond Futures through the facilities of the Corporation, must be a full member participant in good standing with ~~The Canadian Depository for Securities Limited~~ CDS.

~~(d)~~ (d) A Clearing Member that intends to clear physically settled OTC DI transactions, must ensure that it and/or its client is in good standing and remains as such at all times with the appropriate Market Centres and/or Delivery Agents. Furthermore, and where appropriate, the Clearing Member and/or its client need to ensure access to a transportation system for the physical transport of the Underlying Interest to the appropriate Market Centres and/or Delivery Agents.

~~(e)~~ (e) A Clearing Member that intends to clear Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units with physical settlement must ensure that at all times it and/or its client is and remains in good standing with the Registry as this term is defined in Section A-102 of the Rules.

(f) A Clearing Member that intends to clear Fixed Income Transactions through the facilities of the Corporation must be a full member participant in good standing with CDS.

The Corporation may in its sole discretion waive the requirements set forth in clauses (b), (c), (d), ~~(e)~~ or ~~(f)~~ if the Clearing Member enters into an agency agreement with another Clearing Member, which agency agreement shall be in form and substance satisfactory to the Corporation, pursuant to which such other Clearing Member agrees to act as the first Clearing Member's agent for the purpose of fulfilling such Clearing Member's obligations to the Corporation under the Corporation's Rules and the Application for Membership.

Amended 04/03, 02/06, 05/08

Section A-1A02 Standards of Membership

Every applicant to become an Ordinary Clearing Member or an Associated Clearing Member must meet such standards as may be adopted from time to time by the Board, including the following:

~~(a)~~ (a) the applicant must meet the respective initial Ordinary Clearing Member or Associate Clearing Member capital requirements then in effect;

~~(b)~~ (b) the applicant must be engaged, or propose to engage, in the clearance of Options or Futures which are the subject of Exchange Transactions or in the clearance of Fixed Income Transactions or other OTC DI transactions through the facilities of the Corporation;

- ~~(c)~~ (c) the applicant shall demonstrate to the Corporation that it maintains adequate operations facilities and staff and has sufficient and competent personnel for the expeditious and orderly transactions of business with the Corporation and other Clearing Members, and to meet the requirements of the Corporation's Rules; and
- ~~(d)~~ (d) the applicant has deposited with the Corporation its initial deposit with the Clearing Fund in the amount and at the time required by the Rules and has signed and delivered to the Corporation an agreement in such form as the Board shall require.

Amended 02/06

Section A-1A03 Admission Procedure

Applications for membership shall be in such form and contain such information as the Board shall from time to time prescribe. Officers of the Corporation shall review applications for membership and shall recommend approval or disapproval thereof to the Board. The Corporation may but is not obligated to examine the books and records of any applicant, and take such evidence as it may deem necessary or employ such other means as it may deem desirable or appropriate to ascertain relevant facts bearing upon the applicant's qualifications. If the officers of the Corporation propose to recommend to the Board that an application for membership be disapproved, it shall first notify the applicant of its proposed recommendation and the grounds therefore, and shall afford the applicant an opportunity to be heard and to present evidence on its own behalf.

If the applicant fails to request a hearing or if, after a hearing, officers of the Corporation still propose to recommend disapproval, officers of the Corporation shall make their recommendation to the Board in writing, accompanied by a statement of the grounds therefore, and a copy thereof shall be furnished to the applicant on request.

The Board shall independently review any recommendation by officers of the Corporation, and if the applicant so requests, afford the applicant further opportunity to be heard and to present evidence. If the Board disapproves the application, written notice of its decision, accompanied by a statement of the grounds thereof, shall be provided to the applicant.

An applicant shall have the right to present such evidence as it may deem relevant to its application.

Nothing contained herein shall be construed as derogating or attempting to derogate from the right of any applicant whose application has been disapproved to avail itself of any right of appeal which is provided to such applicant by applicable law.

Section A-1A04 Non-Conforming Member

- ~~(1)~~ (1) A Clearing Member who is or may become insolvent or unable to meet its obligations shall immediately notify the Corporation and all Related Clearing Members of its situation by telephone. Such notice shall be confirmed by the Clearing Member by notice in writing to the Corporation and all Related Clearing Members, sent by facsimile transmission within the next business day.
- ~~(2)~~ (2) A Clearing Member who, in the judgement of the Corporation or pursuant to notification to the Corporation under subsection (1), is or may be insolvent or unable to meet its obligations, becomes a Non-Conforming Member.
- ~~(3)~~ (3) Without limiting the application of this Rule, any one of the following events, whether actual or anticipated by the Corporation, constitutes a reasonable ground for the Corporation to determine in its judgement that a Clearing Member is a Non-Conforming Member:

- ~~(a)~~ (a) breach of any term, eligibility, qualification, standard or condition of the Application for Membership;
 - ~~(b)~~ (b) breach of a rule of an Exchange, ~~The Canadian Depository for Securities Limited~~ CDS, or of any other recognized, designated or foreign investment exchange or clearing agency;
 - ~~(c)~~ (c) refusal of an application for membership, breach of the terms of membership or contractual agreement, or suspension, termination or expulsion from membership of an Exchange, ~~CDS Clearing and Depository Services Inc.~~, Market Centres and/or Delivery Agents, the Registry, transportation systems or any other recognized, designated or foreign investment exchange or clearing agency of which the Clearing Member is a member;
 - ~~(d)~~ (d) refusal of a licence, breach of the terms of its licence or withdrawal or suspension of such licence by a regulatory agency;
 - ~~(e)~~ (e) contemplated, threatened or actual action by a regulatory agency, a court of justice or administrative authority against or in respect of the Clearing Member under any provision or process of law or regulation;
 - ~~(f)~~ (f) default in a payment, deposit or delivery required or payable under the Application for Membership or these Rules;
 - ~~(g)~~ (g) an order, arrangement, proposal, distress or execution is presented, made or approved in any jurisdiction to or by a court of competent jurisdiction relating to the bankruptcy, insolvency, winding up of the Clearing Member or the appointment of an administrator, receiver manager, trustee, or person with similar power in connection with the Clearing Member;
 - ~~(h)~~ (h) the determination on reasonable grounds by the Corporation that the Clearing Member is in such financial or operating condition that its continuation as a Clearing Member would jeopardize the interests of the Corporation or other Clearing Members; or
 - ~~(i)~~ (i) such other event as the Board or, if time does not permit action by the Board, the Corporation in its sole discretion reasonably determines to constitute reasonable grounds for such determination.
- ~~(4)~~ (4) If a Clearing Member is late in making all payments at Settlement Time, the Corporation may, in its sole discretion, elect to deem that Clearing Member a Non-Conforming Member. ~~If that Clearing Member has not yet made all payments one hour after Settlement Time, the Corporation shall deem that Clearing Member a Non-Conforming Member, if it has not yet been deemed to be such, and the Board may suspend that Non-Conforming Member. The Board may impose such fines, penalties or other sanctions as it deems fit in respect of a Non-Conforming Member who is late in making payment.~~
- ~~(5)~~ (5) Except where the Corporation has been notified under subsection (1), the Corporation shall, in writing or by telephone, notify a Clearing Member that it has become a Non-Conforming Member.
- (6) The Corporation can revert the status of a Non-Conforming Clearing Member to a Clearing Member in good standing if the Clearing Member resolves, to the satisfaction of the Corporation, the issue(s) which led to its Non-Conforming status.

- ~~(1)~~ (1) The Board may suspend a Non-Conforming Member and any Related Clearing Member, taking into consideration whether the suspension may protect the integrity of the market.
- ~~(2)~~ (2) Upon such suspension, the Corporation shall cease to act for the suspended Non-Conforming Member or the suspended Related Clearing Member.
- ~~(3)~~ (3) The suspension may be total or may be for any function with respect to a particular security or class of securities, with respect to a particular transaction or class of transactions, or with respect to securities or transactions generally. Any suspension may be limited to a particular location or office of the Non-Conforming Member or Related Clearing Member or a particular branch of the Corporation.
- ~~(4)~~ (4) The Board may lift the suspension of the Non-Conforming Member or Related Clearing Member if the Corporation in its sole discretion determines that the Non-Conforming Member or Related Clearing Member has corrected the situation which caused the Corporation to suspend the Non-Conforming Member and any Related Clearing Members in such a manner that it is unlikely to occur again.
- ~~(5)~~ (5) A suspended Non-Conforming Member and any suspended Related Clearing Member shall remain liable to the Corporation for all obligations, costs and expenses, including all margin, including calls whether occurring before or after suspension, and other requirements, arising out of or in connection with such Non-Conforming Member's or Related Clearing Member's positions, and shall cooperate fully with the Corporation in respect of all matters arising out of or relating to the settling of or dealing with such positions.

Section A-1A06 Notice of Suspension to Clearing Members

Upon the suspension of a Non-Conforming Member and the suspension of any Related Clearing Members, the Corporation shall notify the Board, all Clearing Members, the Exchanges, and the suspended Non-Conforming Member's and suspended Related Clearing Member's applicable self-regulatory organization or regulatory agency, the regulatory agency of the Corporation and such other persons and organizations as the Corporation may consider appropriate. Such notice shall state, in general terms, how pending Exchange Transactions, Open Positions, tendered Exercise Notices or Tender Notices, Exercised Positions, Assigned Positions, and other pending matters will be affected, what steps are to be taken in connection therewith, and the right of the suspended Non-Conforming Member and suspended Related Clearing Member to appeal the suspension before the Board.

Section A-1A07 Appeal of Suspension

A Non-Conforming Member or Related Clearing Member suspended pursuant to Section A-1A05 shall receive from the Corporation a written statement of the grounds for its suspension, and shall have the right to appeal its suspension within ten business days from the effective date of the suspension.

Where a suspended Non-Conforming Member or suspended Related Clearing Member appeals its suspension, the Board shall give the appellant the opportunity to be heard as promptly as possible, and in no event more than 14 days after the filing of the notice of appeal.

The appellant shall be notified of the time, place and date of the hearing not less than three business days in advance of such date. At the hearing, the appellant shall be afforded an opportunity to be heard and to present evidence on its own behalf and may, if it so desires, be represented by counsel. As promptly as possible after the hearing the Board shall, by the vote of a majority of its members, affirm or reverse the suspension, and then instruct the Secretary of the Corporation to notify the appellant in writing

of the decision. If the decision shall have been to affirm the suspension, the appellant shall be given a written statement of the grounds thereof.

The filing of an appeal of a suspension shall not impair the validity or stay the effect of the suspension appealed from. The reversal of a suspension shall not invalidate any acts of the Corporation taken prior to such reversal pursuant to such suspension and the rights of any person which may arise out of any such acts shall not be affected by the reversal of such suspension.

Nothing contained herein shall be construed as derogating or attempting to derogate from the right of any Clearing Member the suspension of which has been affirmed by the Board to avail itself of any right of appeal which is provided to such Clearing Member by applicable law.

Amended 02/06

Section A-1A08 Termination

- (1) The Board shall, at its next meeting following the calendar month in which the Non-Conforming Member or Related Clearing Member is suspended, or if an appeal is heard pursuant to Section A-1A07, following the calendar month in which the Board has affirmed the decision to suspend, lift the suspension or terminate the membership in the Corporation of a suspended Non-Conforming Member or Related Clearing Member.
- (2) A Non-Conforming Member or Related Clearing Member shall be given the opportunity to be heard by the Board before its membership is terminated.
- ~~(3)~~ (3) Fifteen business days before the meeting of the Board at which the termination of a suspended Non-Conforming Member or suspended Related Clearing Member is to be considered, the Corporation shall give to the suspended Non-Conforming Member or suspended Related Clearing Member notice in writing of the meeting and a summary of the reasons for the proposed termination.
- ~~(4)~~ (4) A committee of the Board shall not exercise the powers of the Board under this Rule, and the Board and the suspended Non-Conforming Member or suspended Related Clearing Member may mutually agree on a variation of such notification and meeting date.
- ~~(5)~~ (5) The suspended Non-Conforming Member or suspended Related Clearing Member shall cease to be a Clearing Member as of the date and hour specified in the written decision of the Board.
- ~~(6)~~ (6) The Corporation shall notify the regulatory bodies which have jurisdiction over the Corporation when a meeting of the Board is called to authorize the termination of the membership of a suspended Non-Conforming Member or a suspended Related Clearing Member.

Section A-1A09 Voluntary Withdrawal

- ~~(1)~~ (1) A Clearing Member which shall include a Non-Conforming Member (whether or not suspended) may at any time notify the Corporation in writing of its withdrawal as a Clearing Member and shall cease to be a Clearing Member thirty days following said notification.
- ~~(2)~~ (2) The Corporation shall promptly notify other Clearing Members that it has received notice of the Clearing Member's withdrawal from membership in the Corporation and the effective withdrawal date.

Section A-1A10 Transfer/Survival of Obligations

- (1) A Clearing Member may not allocate or transfer any rights or obligations under any Transaction confirmed in its name except as otherwise expressly provided in these Rules or with the prior consent of the Corporation, in its sole discretion.
- ~~(1)~~ (2) The liabilities and obligations of a Clearing Member to the Corporation and to other Clearing Members, and of the Corporation and other Clearing Members to the Clearing Member, arising from its membership shall survive the suspension, termination or withdrawal of the Clearing Member's membership as though the former Clearing Member were still a Clearing Member.
- ~~(2)~~ (3) Nothing contained herein shall be construed as derogating or attempting to derogate from the right of any suspended or terminated Non-Conforming Member to avail itself of any right of appeal which is provided by applicable law.

Section A-1A11 Reinstatement

- ~~(1)~~ (1) A Clearing Member which has withdrawn as a Clearing Member or had its membership terminated may at any time be considered for reinstatement by the Board provided that the Clearing Member, if it is then eligible for membership, re-applies to become a Clearing Member, pays any entrance or reinstatement fee determined by the Board, meets the standards and qualifications for membership, demonstrates to the satisfaction of the Board that it has discharged all of its liabilities and indebtedness to the Corporation and the other Clearing Members, and the application for membership is accepted by the Board.
- (2) The Board may, in its sole discretion and on terms and conditions determined by the Board, approve or reject the new application for membership from a terminated or withdrawn Clearing Member. A committee of the Board shall not exercise the powers of the Board under this Rule.

New Rule 6/99

Section A-1A12 Waiver of Immunity

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

RULE A-2 MISCELLANEOUS REQUIREMENTS

Section A-201 Designation of Clearing Offices

Amended 9/96, abrogated 02/06

Section A-201 Offices

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

Amended 4/91, 9/96, 02/06

Section A-202 Evidence of Authority

- (1) Every Clearing Member shall file with the Corporation a certified list of the signatures of the representatives ("Authorized Representatives") of such Clearing Member (including partners and officers) who are authorized to sign certificates, cheques, agreements, receipts, orders and other papers necessary for conducting business with the Corporation, together with an executed copy of the powers of attorney, resolutions or other instruments giving such authority.
- (2) Any Clearing Member who has given a person a power of attorney or other authorization to transact business with the Corporation shall, immediately upon the withdrawal, retirement, resignation or discharge of such person or the revocation of his power to act, give written notice of such fact to the Corporation.
- (3)
 - (a) where a document is presented by a Clearing Member to the Corporation which bears an authorization stamp of a Clearing Member in the form approved by the Corporation or,
 - (b) where data is transferred electronically from a Clearing Member to the Corporation

the Corporation shall be entitled to assume the authenticity of the authorization stamp and the authority of the person presenting the document or initiating the electronic transfer to do so on behalf of the Clearing Member.
- (4) The Corporation shall be entitled to rely and act upon any instruction given hereunder. The Corporation shall be under no obligation to ensure the genuineness or validity of any signature purporting to be that of an authorized signatory of the Clearing Member, of any stamp purporting to be an authorized stamp, or of the authority of any person initiating any electronic data transfer. The Corporation shall have no responsibility in the event that any such signature, stamp or data is forged, unauthorized or otherwise invalid or ineffective.

Amended 1/92, 9/98, 02/06

Section A-203 Receipt of Documents

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

Amended 12/89, 4/91, 6/91, 1/92, 9/96, 9/98, 02/06

Section A-204 Documents and Other Items Submitted to the Corporation

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

INTERPRETATION AND POLICIES

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

Amended 9/89, 4/91; 9/98, 02/06

Section A-205 Records

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

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

Amended 4/91, 9/96, 9/98, 02/06, 00/00

Section A-206 Notices and Reports by the Corporation

- (1) (a) Unless otherwise specifically provided for in any other Rule, the Corporation may give notice to a Clearing Member in such manner as the Corporation deems appropriate in the circumstances of the notice being given, including by telephone, by hand delivery, by fax and by Electronic Communication.
- (b) Each Clearing Member shall by notice in writing signed by a Clearing Member's Authorized Representative provide to the Corporation the names of at least two individuals and their positions for the purposes of telephone communications. The Corporation shall attempt to contact such individuals (or any other persons at the Clearing Member holding such positions) (the "CDCC Contacts") in connection with all telephone communications during business hours. If the CDCC Contacts are not available, the Corporation shall be entitled, during business hours, to provide telephone communications to any person answering the telephones at the Clearing Member. All telephone communications by the Corporation will be logged, electronically or manually, by the Corporation in one or more files ("Notice Files") kept for that purpose, recording the time and subject matter of the call, the individual at the Corporation who made the call and the individual at the Clearing Member who received the call. The Notice File, absent manifest error, shall be deemed to be correct.
- (c) Telephone communications given in accordance with Paragraph A-206 (1)(b) or in accordance with Subsection A-206 (6) shall constitute full and proper notice notwithstanding the absence of any written or electronic confirmation of same.
- (d) For the purposes of this Section A-206, "business hours" shall mean from 8:00 a.m. to the Close of Business on any Business Day.

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

For greater certainty, under subsection 6(b), where a notice is given or report is received prior to 9:00 a.m. on a Business Day, it shall be deemed to have been received not later than 9:15 a.m. on that Business Day. The Corporation shall maintain a list of emergency contact telephone and/or fax numbers of not less than

three responsible individuals employed by each Clearing Member with whom the Corporation can communicate out of ordinary business hours if the Corporation determines such communication is necessary or advisable. It shall be the responsibility of each Clearing Member to ensure that the individuals so selected can be readily contacted outside of ordinary business hours, and that the contact numbers for them are kept current.

Amended 10/97, 9/98; 3/99, 02/06

Section A-207 Payment of Fees and Charges

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

Amended 02/06

Section A-208 Emergency

- (1) The Corporation shall not be subject to any penalty or other liability for non-performance or delay in performance of its obligations if performance is prevented or delayed by reason of an Emergency.
- (2) On the happening of an Emergency, the Corporation is entitled to take such action as it deems necessary and appropriate or require any Clearing Member to take such action as the Corporation may direct in respect of the same. In taking such action, the Corporation reserves the right, with regards to the settlement of a Transaction, to make a cash settlement in lieu of the delivery of the Underlying Interest.

Amended 9/98, 02/06

Section A-209 Time

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

Amended 02/06

Section A-210 Distribution of Information

The Corporation may provide, on a confidential basis, any information regarding a Clearing Member to the Exchange(s) of which the Clearing Member is a member, the Clearing Member's applicable self-regulatory organization or regulatory agency, as the case may be, other clearing organizations of which the Clearing Member is a member, and such other persons, Market Centres, Delivery Agents and organizations as the Corporation may consider appropriate, when, in the opinion of the Corporation, such information is relevant to the preservation of the integrity of the securities industry or the provision of such information is in the public interest.

The Corporation may also receive, on a confidential basis, any information regarding a Clearing Member from the Exchange(s), the Clearing Member's applicable self-regulatory organization or regulatory agency, as the case may be, and such other persons and organizations as the Corporation may consider appropriate. Where in the opinion of the Corporation such information is relevant, the Corporation shall be entitled to rely upon such information for the purposes, among others, of Rule A-3, Capital Requirements.

Clearing Members, by virtue of their membership in the Corporation, shall be deemed to have authorized the Corporation to provide any information regarding the Clearing Member to the Exchange(s) of which the Clearing Member is a member, the Clearing Member's applicable self-regulatory organization or regulatory agency, as the case may be, other clearing organizations of which the Clearing Member is a member and such other persons and organizations as the Corporation may consider appropriate.

Clearing Members, by virtue of their membership in the Corporation, shall be deemed to have authorized the Corporation to receive any information regarding the Clearing Member from the Exchange(s) of which the Clearing Member is a member, the Clearing Member's applicable self-regulatory organization or regulatory agency, as the case may be, other clearing organizations of which the Clearing Member is a member and such other persons and organizations as the Corporation may consider appropriate.

The Clearing Member, by virtue of its membership in the Corporation, shall be deemed to have released the Corporation and each of its directors, officers and employees from any and all liability whatsoever which may arise by virtue of information being furnished to the Corporation or any organization considered appropriate, for such purposes, by the Corporation.

New Rule 7/88, Amended 4/91, 06/96; 9/98, 02/06

Section A-211 Notice of Proposed Amendments to Rules

Where, in the sole discretion of the Board, it is practicable to do so, the Corporation shall provide all Clearing Members with the text or a description of any proposed rule changes and a statement of its purpose and effect on Clearing Members. This Section A-211 shall not require the Corporation to give notice of any subsequent modification that is made in a proposed rule change after the Corporation has given notice of such proposed rule change, although to the maximum extent practicable in the sole discretion of the Board, the Corporation shall also give notice of such subsequent modifications. The failure of the Corporation to provide any advance notice of rule changes pursuant to this Section A-211 or the non-receipt under this Rule by any Clearing Member shall not affect the validity, force or effect of any rules change or of any action taken by the Corporation pursuant thereto.

New Rule 12/89; amended 9/98, 02/06

Section A-212 Deposits and Withdrawals

(1) General

- (a) From time to time, each Clearing Member will be required to make payments, deposits or transfers of cash, Securities, certificates, property, Underlying Interests, Underlying Interest Equivalents or other interests or rights to the Corporation under these Rules, to assure the performance of the obligations of such Clearing Member or to fulfil such Clearing Member's obligations to the Corporation hereunder.
- (b) Each payment, deposit or transfer, whether of cash, Securities, certificates, property, Underlying Interests, Underlying Interest Equivalents or other interests or rights (a "Deposit") shall be deemed to have been made at the time that (i) the Deposit has been delivered to and accepted by the Corporation, (ii) where the Corporation has the authority or under these Rules is entitled to transfer or apply any monies, securities or position from any Clearing Member's account, whether such account is held at the Corporation or elsewhere, at the time such transfer or application is effected by the Corporation, or (iii) a Safe Custody, Escrow or Futures Margin Receipt has been accepted by the Corporation.

- (c) At the time of any Deposit hereunder, the Clearing Member shall indicate on the appropriate form filed with the Corporation the details and purpose of the Deposit.
- (2) Deposits of Safe Custody Receipts, Escrow Receipts or Futures Margin Receipts will be accepted only if the Approved Depository has agreed in writing in the form prescribed by the Corporation, that:
 - (a) the Deposit has been received by such Approved Depository and is in Good Deliverable Form;
 - (b) the Deposit shall be immediately delivered to the order of the Corporation in accordance with the terms and conditions of the depository agreement made between such Approved Depository and the Corporation at any time during the period the Corporation holds the Safe Custody Receipt, Escrow Receipt or Futures Margin Receipt;
 - (c) the Deposit shall remain on deposit with the Approved Depository until either the Safe Custody Receipt, Escrow Receipt or Futures Margin Receipt therefor is returned to the Approved Depository, or the Deposit is delivered to the order of the Corporation in accordance with clause (b) hereof; and
 - (d) the Corporation shall have the right to hold the Safe Custody Receipt, Escrow Receipt or Futures Margin Receipt until the Corporation is satisfied, following the filing of a withdrawal request pursuant to this Section, that all margin required has been deposited with the Corporation.
- (3) The Clearing Member shall deliver the Deposit or the original of the Safe Custody Receipt, Escrow Receipt or Futures Margin Receipt to the Corporation (together with such covering forms as the Corporation may require), between the hours specified by the Corporation. Clearing Members shall ensure that at all times their own Margin Deposits are not held by them but by the Corporation or an Approved Depository.
- (4) A Deposit or a Safe Custody Receipt, Escrow Receipt or Futures Margin Receipt may be withdrawn by a Clearing Member between the hours specified by the Corporation; provided, however, that the Corporation may continue to hold a Deposit, or a Safe Custody Receipt, Escrow Receipt or Futures Margin Receipt:
 - (a) following the Expiration Date of the relevant Options until all obligations of the Clearing Member arising from the assignment of Exercise Notices have been performed; or
 - (b) following the acceptance of a Tender Notice until all obligations of the Clearing Member arising from the delivery of or payment for the Underlying Interest have been performed; or
 - (c) in relation to a Deposit in a Clearing Fund, until all obligations of the Clearing Members have been performed.

A Clearing Member seeking to withdraw a Deposit or a Safe Custody Receipt, Escrow Receipt or Futures Margin Receipt shall submit a duly completed withdrawal request in the form prescribed by the Corporation.

- (5) Safe Custody Receipts and Escrow Receipts which relate to the Underlying Interests and Underlying Interest Equivalents detailed in Section A-708 for equity, bond, cash settlement and short term money-market vehicle Options shall be acceptable. In addition Safe Custody Receipts which relate to Deposits in a Clearing Fund under Section A-608 and to Margin Deposits under Section A-709 shall also be acceptable.

(6) **Deposits**

- (a) At the time of the delivery of a Deposit other than a Safe Custody Receipt or Escrow Receipt, the Clearing Member shall indicate on the appropriate form filed with the Corporation whether the Deposit is a 'bulk deposit' or a 'specific deposit'.
- (b) A bulk deposit may be made in respect of any number of unspecified Option Short Positions or unspecified Futures positions held in the account of the Clearing Member for which the Deposit is made.
- (c) A specific deposit may be made only of Underlying Interest or Underlying Interest Equivalent held for the account of a named depositor in respect of a specified call Option Short Position or specified Futures position held by the Clearing Member for such depositor. The Clearing Member shall maintain a record of each specific deposit, identifying the depositor, the account in which the Underlying Interest or Underlying Interest Equivalent is held and the specified positions for which the specific deposit has been made.
- (d) No Underlying Interest or Underlying Interest Equivalent held for the account of a Client may be deposited hereunder in respect of a position in any account other than a Client Account. No Underlying Interest or Underlying Interest Equivalent held for any On-Floor Professional Trader may be deposited hereunder in respect of a position in any account other than such On-Floor Professional Trader Account.
- (e) The Deposit hereunder by a Clearing Member of any Underlying Interest or Underlying Interest Equivalent held for the account of any Client may be made only to the extent permitted by applicable law, regulations and policies of the Corporation and shall constitute the certification of the Clearing Member to the Corporation that such Deposit does not contravene any provision of applicable law, regulations or policies of the Corporation.
- (f) The Clearing Member shall not deposit hereunder more Underlying Interest or Underlying Interest Equivalent held for a Client Account than is fair and reasonable in light of the indebtedness of the Client to such Clearing Member and the Client's positions with the Clearing Member.
- (g) The Corporation shall not use any Underlying Interest or Underlying Interest Equivalent in bulk deposit in a Client Account or an On-Floor Professional Trader Account, or the proceeds therefrom, to satisfy any obligation of the Clearing Member to the Corporation other than an obligation arising out of such Client Account or On-Floor Professional Trader Account.

(7) **Safe Custody Receipts**

Safe Custody Receipts shall be used only for:

- (a) deposits made in respect of any number of unspecified Option Short Positions, unspecified

Futures positions held in the account of the Clearing Member for which the Deposit is made, or

- (b) deposits made in respect of a Clearing Fund.

(8) **Escrow Receipts**

- (a) A Clearing Member may file an Escrow Receipt issued by an Approved Depository (in the form approved by the Corporation) which certifies that the Underlying Interest or Underlying Interest Equivalent described therein is held by such Approved Depository to the order of the Corporation on the instructions of a named depositor.
- (b) Pending the issuance of an Escrow Receipt by an Approved Depository a Clearing Member may deposit with the Corporation a letter of guaranty issued by such Approved Depository. Such letter of guaranty shall be in the form prescribed by the Corporation.
- (c) In the event any Short Position in a call Option for which an Escrow Receipt has been deposited is closed out by a Closing Purchase Transaction, the Clearing Member making such Deposit shall promptly request the withdrawal of the Escrow Receipt evidencing such Deposit.
- (d) If an Exercise Notice is assigned to a Clearing Member in respect of a call Option included in a Short Position of a Client Account maintained by such Clearing Member, no Escrow Receipt may thereafter be deposited in respect of such Option. If an Escrow Receipt shall previously have been deposited by such Clearing Member in respect of such Option, the Clearing Member shall be obligated to deposit with the Corporation no later than Settlement Time on the second Business Day immediately following the day on which the Exercise Notice was assigned, margin in respect of such Option. When such margin is deposited, the Corporation will release and return the Escrow Receipt previously filed in respect of such Option.

(9) **Futures Margin Receipts**

The Clearing Member may file a Futures Margin Receipt issued by an Approved Depository (in the form approved by the Corporation) which certifies that the security described therein is held by such Approved Depository to the order of the Corporation on the instructions of a named depositor.

New Rule 3/90, Amended 6/91, 9/92, 10/97; 9/98, 02/06

Section A-213 Accounts with Financial Institutions

Every Clearing Member shall designate an account or accounts established and maintained by it in a Canadian financial institution acceptable to the Corporation for each currency of the Transactions that it enters into. Each Clearing Member shall authorize the Corporation to withdraw funds from such account or accounts on an irrevocable basis in satisfaction of any obligation arising from these Rules.

New Rule 4/91, Amended 9/98, 02/06

Section A-214 Electronic Interfaces

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

New Rule 1/92, amended 02/06

Section A-215 Liability

- (1) Notwithstanding anything to the contrary in the Rules, all obligations of the Corporation described in the Rules are solely to its Clearing Member. For greater certainty, the Rules are not to be interpreted or construed to imply that the Corporation has any obligation to any person or entity other than its Clearing Members. Without limiting the generality of the foregoing, the Corporation is also not liable for obligations of a non-Clearing Member, or of a Clearing Member to a non-Clearing Member, of a Clearing Member to another Clearing Member who is acting for it as an agent, or obligations to a Client by a Clearing Member, nor shall the Corporation become liable to make deliveries to or accept deliveries from a Client of its Clearing Member.
- (2) Notwithstanding the fact that a Clearing Member may not be a member of an Exchange on which Options or Futures trade, such Clearing Member shall nonetheless be subject to the position limits, exercise limits and any risk limits established by such Exchange
- (3) For the purposes of this section the term "Clearing System" shall mean both clearing systems and electronic data transmission systems and includes all the facilities and services provided by the Corporation to Clearing Members in connection with the acceptance and/or clearance of Transactions including, but not limited to, clearing and settlement, margining, holding of deposits and the preservation or communication of data in or through any computer or electronic data transmission system.
- (4) ~~The~~Subject to Sections A-215(6) and A-805, the Corporation shall not be liable to a Clearing Member for any direct or indirect or consequential loss, damage, loss of anticipated profit (whether direct or indirect), loss of bargain, cost, expense, or any other liability or claim suffered or incurred by or made against a Clearing Member as a result of the use by the Clearing Member of the Corporation's Clearing System. By making use of the Corporation's Clearing System, Clearing Members expressly agree to accept any and all such loss, damage, cost, expense, or other liability or claim arising from the use of such Clearing System.
- (5) ~~The~~Subject to Section A-805, the Corporation shall not be liable to a Clearing Member for any direct or indirect or consequential loss, damage, loss of anticipated profit (whether direct or indirect), loss of bargain, cost, expense, or other liability or claim suffered or incurred by or made against a Clearing Member as a result of any failure of the Corporation's Clearing System or any act or omission of the Corporation, its directors, officers or employees, or members of any standing or ad hoc committee formed by the Corporation, regardless of whether such act or omission constitutes negligence.
- (6) The Corporation shall not be liable to a Clearing Member for any indirect or consequential loss, damage, loss of anticipated profit (whether direct or indirect), loss of bargain, cost, expense, or any other liability or claim suffered or incurred by or made against a Clearing Member as a result of the failure by the Corporation to pay a Settlement Amount owing in respect of a transaction.

(7) In the event any legal proceeding is brought by any person against the Corporation seeking to impose liability on the Corporation as a direct or indirect result of the use by a Clearing Member of the Corporation's Clearing System, the Clearing Member shall reimburse the Corporation for:

- (a) all expenses and legal fees incurred by the Corporation in connection with the proceeding;
- (b) any judgment awarded against the Corporation in the event it is found to be liable; and
- (c) any payment made by the Corporation, with the consent of the Clearing Member, in settlement of any such proceeding.

New Rule 9/92, Amended 9/96, 9/98, 02/06

Section A-216 Cross Guarantees

Each Clearing Member shall be responsible for and guarantee all of the obligations incurred by each of its Related Clearing Members and each Related Clearing Member shall guarantee and be responsible for all of the obligations of the Clearing Member with which it is Related.

New Rule 9/96, amended 02/06

Section A-217 Audited Statements of the Corporation

Within 120 days of director approval of its audited financial statements at the annual meeting of, the Corporation shall furnish at its expense to each Clearing Member one copy of:

- (a) its audited financial statements for such fiscal year;
- (b) the report of the Corporation's independent auditor thereon;
- (c) the report of the Corporation's independent auditors on the suitability of the system of internal controls of the Corporation with the objectives of internal control stated by the Corporation pertaining to its:
 - (i) administration;
 - (ii) information technology;
 - (iii) trading/assignment/exercise; and
 - (iv) margin and collateral

New Rule 9/98, amended 02/06

RULE A-3 CAPITAL REQUIREMENTS

Section A-301 Minimum Capital Requirements

- (1) Unless a specific temporary exception is made by the Corporation in the case of a particular Clearing Member due to unusual circumstances, a Clearing Member shall not at any time permit its minimum capital to be less than:
 - (a) the most stringent minimum capital adequacy requirements adopted from time to time by any Participating Exchange and the Investment ~~Dealers Association~~Industry Regulatory Organization of Canada, for a Clearing Member who is a member of any Participating Exchange or the Investment ~~Dealer Association~~Industry Regulatory Organization of Canada; or
 - (b) the capital adequacy requirement adopted from time to time by the Office of the Superintendent of Financial Institutions, for a Clearing Member who is a Bank Clearing Member.
- (2) Every Clearing Member shall file with the Corporation, on request, a report covering the computation of the capital requirements.
- (3) A Fixed Income Clearing Member, in spite of Section A-301(1), must also meet the following criteria:

(a) if it clears only Firm Fixed Income Transactions,

(i) have minimum capital of \$50,000,000 and be a primary dealer for government securities auctions for the Bank of Canada; or

(ii) have minimum capital of \$100,000,000

(b) if it clears both Firm Fixed Income Transactions and Client Firm Fixed Income Transactions,

(i) have minimum capital of \$100,000,000 and be a primary dealer for government securities auctions for the Bank of Canada; or

(ii) have minimum capital of \$200,000,000

(c) for the purpose of this Section A-301(3), "capital" means the Clearing Member's shareholder's equity as reflected in its most recent audited annual financial statements. The Corporation may also, in its sole discretion, take into consideration other forms of capital as a substitute for shareholder's equity.

Amended 9/87, 3/89, 9/98

Section A-302 Minimum Capital

No Transaction shall be cleared by the Corporation for any Clearing Member from the time the Corporation acquires actual knowledge that such Clearing Member does not meet the minimum capital adequacy requirements prescribed in Section A-301.

Section A-303 Early Warning

An Ordinary or Associated Clearing Member shall notify the Corporation immediately if such a Clearing Member has any indication or suspicion that it may not meet the minimum capital adequacy requirements prescribed in Section A-301 or that any calculation of its capital requirement, as determined from time to time by the Corporation, reflects a capital deficiency or early warning situation as provided in this Section A-303.

An SRO Clearing Member shall advise the Corporation immediately if such Clearing Member enters any early warning level (as defined from time to time by the Investment ~~Dealers Association~~Industry Regulatory organization of Canada or the applicable Participating Exchanges.)

A Bank Clearing Member shall advise the Corporation immediately if such Clearing Member fails to meet either a) the minimum capital adequacy requirements and liquidity requirements that may be set from time to time under the Bank Act (Canada) and the regulations thereto as amended from time to time; or b) the minimum capital adequacy requirements and liquidity requirements that may be set from time to time by the Office of the Superintendent of Financial Institutions.

Section A-304 Audits

- (1) The Corporation has the authority to inspect the books and records of Clearing Members and may require any Clearing Member and any specific director, officer, employee or auditor thereof to appear personally before the Corporation and produce its books and records and answer questions regarding any actual or alleged violation of the Rules.
- (2) Unless otherwise agreed to by the Corporation, the audit of the financial statements of an Ordinary or Associated Clearing Member will take place on the fiscal year-end of such Ordinary Clearing Member.
- (3) The audit of the financial statements of an Ordinary or Associated Clearing Member shall be conducted in accordance with generally accepted auditing standards and shall include a review of the accounting system, the internal accounting control and procedures for safeguarding securities. It shall include all audit procedures necessary under the circumstances to support the opinions which must be expressed to meet all legal and regulatory requirements applicable to such Ordinary or Associated Clearing Member.

Ordinary and Associated Clearing Members shall cause their auditors to also comment on any material inadequacies found to exist in the accounting system, the internal accounting control or in the procedures for safeguarding securities and shall indicate any corrective action the Ordinary or Associated Clearing Member has taken or which it proposes to implement and shall provide copies of these comments to the Corporation.

Amended 9/87, 4/91, 9/94, 9/96, 9/98

Section A-305 Filing Procedures

- (1) Each SRO Clearing Member shall deliver to the Corporation one copy of Parts I and II of the Joint Regulatory Financial Questionnaire and Report, together with the certificate of partners or directors, as required by the self-regulatory body of which such SRO Clearing Member is a member, in the form prescribed by such self-regulatory body at the same time such documents are provided to the self-regulatory body.
- (2) Each Bank Clearing Member shall deliver to the Corporation one copy of the Capital Adequacy Return, as required by the Office of Superintendent of Financial Institutions, in the form prescribed by the Office of Superintendent of Financial Institutions and at the same time such documents are provided to the Office of Superintendent of Financial Institutions, and one copy of the Bank Clearing Member's annual financial statements, in the form prescribed by the Office of Superintendent of Financial Institutions and at the same time such documents are provided to the Office of Superintendent of Financial Institutions.

New Rule 9/87.; Amended 3/89, 4/91, 9/94, 9/96, 9/98

Section A-306 Special Examinations

- (1) The Corporation may at any time require the Corporation's auditor to make any general or special examination of the financial affairs of any Clearing Member or to report upon the whole or any aspect of the business or affairs thereof.

- (2) The Corporation's auditor for the purpose of this special examination shall be entitled to request from the Clearing Member, or its auditors, any information or items which the auditors believe to be relevant to any transactions directly or indirectly related to the business of the Corporation and no person or Clearing Member shall withhold, conceal, destroy or refuse to give any such information or items reasonably required by the Corporation's auditors for the purpose of this examination. A Clearing Member must provide any information or items requested by the Corporation's auditor within the time period specified in the request.

New Rule 9/87. Amended 9/94, 9/98

Section A-307 Board Action Relating to Capital Deficiency Concerns

- (1) If the Board determines as a result of any early warning notice under Section A-303, filing under Section A-304 or A-305, general or special examination under Section A-306, or from any other information given to or obtained by it that a Clearing Member is insolvent or does not have minimum capital satisfying the requirements referred to in Section A-301 or otherwise is in or is believed by the Board in its sole discretion to be in, such financial condition that the Board in its sole discretion deems it is undesirable in the public interest or in the interest of the Corporation that the Corporation continue to accept and/or clear such Clearing Member's Transactions, the Board pursuant to Rule A-1A may at any time suspend such Clearing Member concerned for such period and on such terms and conditions as the Board may determine and notice thereof shall be forthwith mailed or delivered to every Clearing Member.
- (2) The Board may as an alternative determine that it is in the interest of the public or in the interest of the Corporation that the Corporation continue to accept and/or clear such Clearing Member's Transactions but that the Corporation's auditors should regulate and generally supervise the operations of the Clearing Member, as they relate to its activities or performance as a Clearing Member, for such period and in such manner as the Corporation may direct. Notice thereof shall be forthwith mailed or delivered to every Clearing Member.
- (3) Any examination, report or supervision required by the Corporation pursuant to this Rule A-3 shall be conducted at the expense of the Clearing Member involved.

New Rule 9/87. Amended 9/94, 9/96; 9/98, 02/06

Section A-308 Restrictions on Certain Transactions and Positions

- (1) If the Board shall at any time determine that the financial or operational condition of a Clearing Member makes it necessary or advisable, for the protection of the Corporation, other Clearing Members or the general public, to impose restrictions on such Clearing Member's Transactions with the Corporation, the Board shall have the authority:
 - (a) to prohibit or to impose limitations on the acceptance and/or clearance of Opening Purchase Transactions, Opening Writing Transactions or newly concluded OTC DI transaction by such Clearing Member;
 - (b) to require such Clearing Member to reduce or eliminate existing Long Positions or Short Positions in such Clearing Member's accounts with the Corporation; and/or

- (c) to require such Clearing Member to transfer any account maintained by such Clearing Member with the Corporation, any Transaction maintained in any such account, or any account carried by such Clearing Member, to another Clearing Member.

Amended 12/89, 9/96, 02/06

RULE A-4 ENFORCEMENT

Section A-401 Action against a Non-Conforming Member

- (1) In addition to a measure made available to the Corporation under the Rules and the Application for Membership to remedy a specific or general default of a Clearing Member, where a Clearing Member is a Non-Conforming Member, the Corporation may take any one of the actions prescribed by the Rules in respect of such Clearing Member including, but not limited to:
 - (a) prohibiting and/or imposing limitations on the acceptance and/or clearance of Transactions by such Clearing Member;
 - (b) requiring such Clearing Member to reduce or close out existing Transactions in such Clearing Member's accounts with the Corporation; ~~and/or~~
 - (c) requiring such Clearing Member to transfer any account maintained by such Clearing Member with the Corporation, any position maintained in any such account, or any account carried by such Clearing Member, to another Clearing Member;
 - (d) applying the Clearing Fund and Margin Deposit of the Non-Conforming Member;
 - (e) sanctioning, reprimanding, fining or imposing a penalty on it; ~~and~~
 - (f) suspending the Non-Conforming Member; ~~and~~
 - (g) reverting the Non-Conforming status of a Clearing Member to that of a Clearing Member in good standing if the Clearing Member resolves, to the satisfaction of the Corporation, the issue(s) which led to its Non-Conforming status.
- (2) The actions contemplated by the Rules in respect of Non-Conforming Members may be taken in any sequence the Corporation deems appropriate.

New Rule 09/98, amended 02/06

Section A-402 Creation of Liquidating Settlement Account

- (1) Upon the suspension of a Clearing Member, the Corporation may convert to cash all Margin Deposits with the Corporation by such Clearing Member in all accounts (including Securities held in bulk deposit but excluding Securities held in specific deposit) and all of such Clearing Member's contributions to Clearing Funds; provided, however, that if the issuer of a letter of credit deposited by such Clearing Member shall agree in writing to extend the irrevocability of its commitment thereunder in a manner satisfactory to the Corporation, the Corporation may, in lieu of demanding immediate payment of the face amount of such letter of credit, but reserving its right thereto, demand only such amounts as it may from time to time deem necessary to meet anticipated disbursements from the Liquidating Settlement Account provided for below. These and all other funds of the suspended Clearing Member subject to the control of the Corporation shall be placed by the Corporation in a special account, to be known as the Liquidating Settlement Account, in the name of the suspended Clearing Member, for the purposes hereinafter specified. In the event the funds received as the proceeds from the sale of Underlying Interests and Underlying Interest Equivalents held in bulk deposit in a Client Account should exceed the amount withdrawn by the Corporation from the Liquidating Settlement Account pursuant to Sections A-403(~~3~~2)(c), A-404(2)

and A-405 in respect of transactions or positions in such Client Account, the excess shall be remitted by the Corporation to the suspended Clearing Member or its representative for distribution to the persons entitled thereto in accordance with applicable law.

- (2) Notwithstanding the provisions of Section A-402(1), if the Corporation shall determine in its sole discretion, taking into account the size and nature of a suspended Clearing Member's Margin Deposits, the market condition prevailing at the time, the potential market effects of liquidating transactions that might be directed by the Corporation, and such other circumstances that the Corporation deems relevant, that the conversion to cash of some or all of the suspended Clearing Member's Margin Deposits would not be in the best interest of the Corporation, other Clearing Members or the general public, such deposits need not be converted to cash, provided that any determination made pursuant to this paragraph shall be reported to the Board within 24 hours.

Amended 12/89, 9/98, 02/06

Section A-403 Pending Transactions

- (1) Unsettled processed Transactions of a suspended Clearing Member shall be accepted or rejected by the Corporation in accordance with the By-Laws and Rules of the Exchange or Acceptable Marketplace on which they took place, and in the event that an Exchange Transaction is rejected, it shall be closed by the Clearing Member thereto in accordance with the Corporation's Rules or in accordance with the By-Laws and Rules of the Exchange or Acceptable Marketplace on which the transaction was effected.
- (2) With respect to Open Positions and accepted Transactions:
- (a) monies payable to the suspended Clearing Member in Settlement of Gains and Losses and/or Mark-to-Market Valuation in the Client Account shall be deposited by the Corporation in a Clients Settlement Account for remittance to the suspended Clearing Member or its representative for distribution to the persons entitled thereto in accordance with applicable law;
 - (b) monies payable to the suspended Clearing Member in Settlement of Gains and Losses in the respective On-Floor Professional Trader Accounts shall be held in such accounts pending the closing of all Open Positions and transactions in such accounts for application in accordance with the applicable On-Floor Professional Trader Account agreement;
 - (c) monies payable to the suspended Clearing Member in Settlement of Gains and Losses and/or Mark-To-Market Valuation in the Firm Account (as well as in the On-Floor Professional Trader Accounts) shall be credited by the Corporation to the Liquidating Settlement Account;
 - (d) monies owed to the Corporation in Settlement of Gains and Losses and/or Mark-To-Market Valuation in any account shall be withdrawn by the Corporation from the Liquidating Settlement Account;
 - e) monies owed to the Corporation in Settlement Amounts for settlements not yet paid, will remain in the Liquidating Settlement Account in the form of margin deposits until the next available ~~settlement time~~Settlement Time consistent with the Transaction from which the Settlement Amounts were derived;
 - f) monies payable to the suspended Clearing Member in Settlement Amounts for settlements not yet paid, will remain in the Liquidating Settlement Account in the form of margin

deposits until the next available ~~settlement time~~Settlement Time consistent with the Transaction from which the Settlement Amounts were derived.

Amended 4/91, 6/96, 9/98, 02/06

Section A-404 Open Positions

- (1) Open Positions of a suspended Clearing Member, may, ~~at~~in the Corporation's sole discretion, be closed by the Corporation at such price as the Corporation deems reasonable, transferred to another Clearing Member or maintained by the Corporation. Amounts payable to the Corporation in Settlement of Gains and Losses and/or Mark-to-Market Valuation, as a result of closing transactions effected by the Corporation shall be withdrawn from the suspended Clearing Member's Liquidating Settlement Account. ; provided, however, that amounts payable to the Corporation in Settlement of Gains and Losses in an On-Floor Professional Trader Account shall first be withdrawn from the funds available in such account and only the amount of any deficit therein shall be withdrawn from the Liquidating Settlement Account. Amounts receivable by the suspended Clearing Member in Settlement of Gains and Losses and/or Mark-to-Market Valuation as a result of a closing transaction effected by the Corporation or the transfer of an Open Position shall be credited to the suspended Clearing Member's Liquidating Settlement Account. Clients affected by any closing or transfer of an Open Position shall be notified as promptly as possible.
- (2) With respect to Options:
 - (a) Open Long Positions in the Client Account of a suspended Clearing Member shall be maintained by the Corporation. The Corporation shall promptly use its best efforts to identify each person having a Long Position in such account, to transfer each such person's Long Position to another Clearing Member, and to notify each such person of such transfer; in the event that notwithstanding the best efforts of the Corporation any Long Position in a Client Account of a suspended Clearing Member cannot promptly be transferred to another Clearing Member, such Long Position may be closed by the Corporation in the most orderly manner practicable and the proceeds shall be deposited in a Clients Settlement Account;
 - (b) Open Long Positions in any On-Floor Professional Trader Account of a suspended Clearing Member shall be closed by the Corporation in the most orderly manner practicable and the proceeds of such closing transactions shall be held in such account pending the closing out of all Open Positions and transactions for application in accordance with the applicable On-Floor Professional Trader Account Agreement;
 - (c) Open Long Positions in a suspended Clearing Member's Firm Account (as well as in the On-Floor Professional Trader Account) shall be closed by the Corporation in the most orderly manner practicable, and the proceeds of such closing transactions shall be credited by the Corporation to the suspended Clearing Member's Liquidating Settlement Account; and
 - (d) Open Short Positions in any account of a suspended Clearing Member may, ~~at~~in the Corporation's sole discretion, be closed by the Corporation at such price as the Corporation deems reasonable, transferred to another Clearing Member, or maintained by the Corporation. Amounts payable to the suspended Clearing Member in settlement of Closing Purchase Transactions effected by the Corporation shall be withdrawn from the suspended Clearing Member's Liquidating Settlement Account.; provided, however, that amounts payable to the suspended Clearing Member in settlement of Closing Purchase Transactions

in an On-Floor Professional Trader Account shall first be withdrawn from the funds available in such account and only the amount of any deficit therein shall be withdrawn from the Liquidating Settlement Account. Clients affected by any closing or transfer of a Short Position, if known to the Corporation, shall be notified as promptly as possible.

- (3) If the Corporation elects or is required pursuant to this Section A-404 to close both Long Positions and Short Positions in the same series of Options or Futures carried by a suspended Clearing Member, the Corporation may, in lieu of closing such positions through closing transactions on an Exchange, offset such positions against each other, reducing the Open, Long and Short Positions of the Clearing Member in such series by the same number of Option contracts or Futures contracts. If the Corporation closes positions in any series of Options or Futures by offset pursuant to the foregoing sentence, the Corporation shall notify the suspended Clearing Member or its representative thereof, and such positions shall be deemed to have been closed at a price equal to the closing Market Price as determined by the Exchange involved for such series on the date when the positions were offset.
- (4) Notwithstanding the provisions of Section A-404(3), if the Corporation, through an officer or designated representative, shall determine in its sole discretion, taking into account the size and nature of a suspended Clearing Member's positions, the market conditions prevailing at the time, the potential market effects of liquidating Transactions that might be directed by the Corporation, and such other circumstances as the Corporation deems relevant, that the closing out of some or all of the suspended Clearing Member's Transactions would not be in the best interests of the Corporation, other Clearing Members or the general public, such positions need not be closed out, provided that any determination made pursuant to this paragraph shall be reported to the Board within 24 hours.
- (5) If the Corporation, through an officer or its other designated representative shall:
 - (a) determine that the Corporation is unable, for any reason, to close out in a prompt and orderly fashion, any Transactions or to convert to cash any Margin Deposits of a suspended Clearing Member, or
 - (b) elect pursuant to Section A-404(4) not to close out any such Transactions or pursuant to Section A-402(2) not to convert to cash any such Margin Deposits, the Corporation may authorize the execution from time to time for the account of the Corporation, solely for the purpose of reducing the risk to the Corporation resulting from the continued maintenance of such positions or the continued holding of such Margin Deposits, of hedging transactions, including, without limitation, the purchase or sale of Underlying Interests or interests deemed similar thereto or Transactions on any such Underlying Interests or similar interests. The Corporation may delegate to specified officers or agents of the Corporation the authority to determine, within such guidelines, if any, as the Corporation may prescribe, the nature and timing of such hedging transactions. Any authorizing of hedging transactions shall be reported to the Board within 24 hours, and any such transactions that are executed shall be reported to the Board on a daily basis. All premiums and other expenses incurred by the Corporation in connection with such transactions shall be charged against the Liquidating Settlement Account of the suspended Clearing Member. Hedging transactions effected for the account of the Corporation pursuant to this paragraph shall be closed out or exercised promptly as the positions to which they relate are eliminated, whether by expiration, transfer, close out or assignment. Any cost or expenses, including losses sustained by the Corporation in connection with Transactions effected for its account pursuant to this paragraph shall be charged to the Liquidating Settlement Account of the suspended Clearing Member, and any gains realized on such

Transaction shall be credited to such Liquidating Settlement Account; provided, however, that costs, expenses and gains related to the hedging of positions in an On-Floor Professional Trader Account or a Firm Account shall be charged or credited, as the case may be, to that account, and only the excess, if any, of such costs and expenses over the funds available in that account shall be charged to the Liquidating Settlement Account. Reasonable allocations of costs, expenses and gains among accounts made by the Corporation for the purpose of implementing the proviso to the preceding sentence shall be binding on the Clearing Member and any persons claiming through the Clearing Member and the respective successors and assigns.

Amended 12/89, 4/91, 6/91, 9/98, 02/06

Section A-405 Exercised Options and Tender Notices

Unless the Corporation stipulates otherwise in a particular case, exercised Options to which a suspended Clearing Member is a party or Futures which have been the subject of Tender Notice to which a suspended Clearing Member is a party shall be closed through the procedures set forth in Sections B-404, B-405, C-510 and C-511, respectively, except that the Corporation may decide not to buy-in or sell-out, as the case may be, in the event that the Corporation is informed that the Underlying Interest is in transit or transfer. All losses and gains on such buy-ins and sell-outs shall be paid from or credited to, as the case may be, the Liquidating Settlement Account of the suspended Clearing Member; provided, however, that all losses on such buy-ins and sell-outs in an On-Floor Professional Trader Account shall first be paid from such account to the extent there are funds available in such account and only the amount of any deficit therein shall be paid from the Liquidating Settlement Account.

Amended 9/92, 9/98

Section A-406 Amounts Payable to the Corporation

- (1) The Corporation shall be entitled promptly to recover from a suspended Clearing Member, any amount payable to the Corporation in accordance with these Rules and the By-laws, including all costs and expenses, including legal expenses, incurred by the Corporation, from such Clearing Member's Liquidating Settlement Account or a Related Clearing Member's Liquidating Settlement Account with the Corporation upon completion of the liquidation of such Clearing Member's or Related Clearing Member's positions in accordance with this Rule A-4.
- (2) Should the Corporation be unable to promptly recover from a suspended Clearing Member or Related Clearing Member any amount payable to the Corporation in accordance with these Rules and the By-laws, the Corporation shall be entitled promptly to recover any amount payable to the Corporation, under these Rules and By-laws, from a Clearing Member Related to the suspended Clearing Member.

Amended 9/95, 5/96, 9/96, 9/98

Section A-407 Member Claims

All claims upon the Liquidating Settlement Account of a suspended Clearing Member by other Clearing Members resulting from losses incurred when closing pending transactions, or closing Open Positions or in the delivery of Underlying Interests or buying in or selling out exercised Options in accordance with this Rule A-4 shall be filed with the Corporation in the form prescribed. Such claims shall be paid as follows:

- (1) Claims for losses incurred when closing pending transactions with a suspended Clearing Member that are rejected for clearance shall be subordinate to all other claims upon the Liquidating Settlement Account. The Corporation shall pay such claims, to the extent funds are available, from the Liquidating Settlement Account of the suspended Clearing Member only after payment of all other applicable claims, and such claims shall not constitute a claim upon the Clearing Fund contributions of other Clearing Members; and
- (2) Claims for losses incurred on buy-ins and sell-outs, and the closing of Open Positions, shall be senior to all other claims upon the Liquidating Settlement Account. If a buy-in, sell-out or closing transaction does not occur by the close of the first full Business Day immediately following the issuance of the notice of suspension, the claim thereon shall be limited to the amount that would have been recoverable if, in the case of a buy-in or sell-out, the buy-in had been made at the highest price or the sell-out at the lowest price at which the Underlying Interest traded in the market in which it trades, on the first full Business Day or, in the case of the closing of Open Positions, if the positions had been closed by the close of the first full Business Day.

Amended 6/96, 9/98

Section A-408 No Waivers

No failure by the Corporation to exercise, nor any delay on its part in exercising, any of its rights (in whole or in part) under these Rules shall operate as a waiver of the Corporation's rights or remedies upon that or any subsequent occasion, nor shall any single or partial exercise of any right or remedy prevent any further exercise thereon or any other right or remedy.

RULE A-6 CLEARING FUND DEPOSITS

Unless otherwise specified, this Rule A-6 is only applicable to Ordinary Clearing Members.

Amended 9/98

Section A-601 Clearing Fund Maintenance and Purpose

- (1) The Corporation shall establish a Clearing Fund relating to all Transactions cleared by the Corporation. Each Clearing Member admitted to clear Transactions at the Corporation shall maintain a deposit in the Clearing Fund of the amounts from time to time required by the Rules. The Clearing Fund shall be used for the purposes set out in Section A-~~609~~609 and A-701(4).
- (2) The Clearing Fund base deposits are as follows:
 - (a) Options Clearing Base Deposit - \$25,000 Money or equivalent value (as set out in Section A-608) of Government Securities acceptable to the Corporation and with less than 1 year to maturity.
 - (b) Futures Clearing Base Deposit - \$75,000 Money or equivalent value (as set out in Section A-608) of Government Securities acceptable to the Corporation and with less than 1 year to maturity.
 - (c) OTC DI Clearing Base Deposit - \$100,000 Money or equivalent value (as ~~set out in Section A-608) of Government Securities acceptable to the Corporation and with less than 1 year to maturity.~~
(other than Fixed Income Transactions) set out in Section A-608) of Government Securities acceptable to the Corporation and with less than 1 year to maturity.
 - (d) Fixed Income Transactions - \$1,000,000 Money or equivalent value
Clearing Base Deposit (as set out in Section A-608) of
Government Securities acceptable to the
Corporation and with less than 1 year to
maturity.

Amended 9/95, 5/96, 9/96, 9/98, 02/06

Section A-602 Level of Clearing Funds

The aggregate level of the Clearing Funds to be deposited by all Clearing Members at the close of each calendar month shall be equivalent to the Uncovered Residual Risk. The amount of the Clearing Funds to be deposited by each Clearing Member shall be calculated according to Section A-603.

New Rule 9/95. Amended 5/96, 02/06

Section A-603 Amount of Deposit

- (1) The required deposit of each Clearing Member to the Clearing Fund shall be an amount equal to the total of;
 - (a) an Options Clearing Base Deposit, if the Clearing Member has been accepted to clear Options;
 - (b) a Futures Clearing Base Deposit, if the Clearing Member has been accepted to clear Futures;
 - (c) an OTC DI Clearing Base Deposit, if the Clearing Member has been accepted to clear OTC DI transactions other than Fixed Income Transactions;
 - (d) a Fixed Income Transactions Clearing Base Deposit, if the Clearing Member has been accepted to clear Fixed Income Transactions; and
 - (e) a Variable Deposit equal to the amount by which (i) the Clearing Member's contribution to the Corporation's Total Uncovered Residual Risk exceeds (ii) such Clearing Member's Base Deposits.
- (2) Each Clearing Member's contribution shall be determined by imposing a market-driven stress test on their portfolio and calculating the difference between their Uncovered Residual Risk and their average Margin requirement over 60 days.
- (3) During the first 60 days of membership, the Uncovered Residual Risk will be pro-rated by the number of days in the month that the clearing membership was effective. The average margin requirement over the number of days that the clearing membership was effective will be used.

Amended 9/95, 5/96; 9/98, 02/06

Section A-604 Changes in Requirement

The required amount of Base and Variable Deposits made by Clearing Members may be altered from time to time by the Corporation. If the deposit to the Clearing Fund to be made by a Clearing Member is increased as a result of an amendment to the Rules, the increase shall not become effective until the Clearing Member is given 3 Business Days prior written notice of such amendment. Unless a Clearing Member notifies the Corporation in writing that it wishes to terminate its membership and closes out or transfers all of its aggregate positions in the relevant instrument before the effective date of such amendment, such Clearing Member shall be liable to make the increased deposit whenever it is required of all Clearing Members.

Amended 12/89, 9/95, 5/96

Section A-605 Clearing Fund Statement

Within 10 days after the close of each calendar month, the Corporation shall issue to each Clearing Member a Clearing Fund statement that shall list the current amount of such Clearing Member's deposit to the Clearing Fund and the amount of deposit required of such Clearing Member on the basis of the preceding 60 days' Uncovered Residual Risk amount (from the close of the calendar month). Any surplus over and above the amount required or any deficit to be satisfied will also be shown.

Amended 5/90, 9/95, 5/96, 02/06

Section A-606 Additional Clearing Fund Deposit

Whenever a Clearing Member's Clearing Fund statement shows a deficit, such Clearing Member shall satisfy the deficit by a deposit in a form approved by the Corporation within 3 Business Days of the date of issuance of such a Clearing Fund statement.

Amended 5/90, 9/95, 5/96

Section A-607 Withdrawals

In the event that the Clearing Fund statement of the Clearing Member shows a surplus, a Clearing Member may request the withdrawal of such surplus by submitting a withdrawal request in the form and delay prescribed by the Corporation.

Amended 5/90, 9/95, 5/96, 02/06

Section A-608 Form of Deposits

- (1) Other than deposits made pursuant to the requirements of Section A-601(2) for Clearing Fund Base Deposits, deposits to the Clearing Fund shall be in cash or in such Government Securities acceptable to the Corporation, which are freely negotiable and which shall be valued at a discounted rate, to be determined in the Operations Manual, of their market value; if no market value is generally available for such Government Securities, they shall be valued at an amount determined by the Corporation. Substitutions may be made with the prior approval of the Corporation. Deposits in cash shall not be used by the Corporation as working capital but any interest or gain received or accrued on the investment of such funds shall belong to the Corporation.
- (2) The Clearing Fund deposit shall be deemed to be deposited with the Corporation at the time the Corporation accepts the cash, Government Securities or an Approved Depository's Safe Custody Receipt for such deposit. All interest or gain received or accrued on any Government Securities, prior to any sale, negotiation or pledge thereof, shall belong to the depositing Clearing Member.
- (3) Government Securities deposited by the Clearing Member with an Approved Depository shall be deposited under arrangements:
 - (a) permitting the Government Securities to be promptly sold by or upon the order of the Corporation for the account of the Clearing Member without notice; and
 - (b) requiring the Clearing Member to pay all fees and expenses incidental to the ownership or sale of such Government securities or the arrangement with the Depository.

Amended 6/91, 9/95, 5/96, 9/98, 02/06, 05/06.

Section A-609 Application of Clearing Fund

- (1) The Corporation shall apply the Non-Conforming Member's Clearing Fund deposit, and those of any Related Clearing Member or, when the Corporation deems expedient, those of any other Clearing Member, ~~to the discharge of~~ as set out in Section A-701(2).

~~(a) — the Non-Conforming Member's obligation with respect to any Transaction accepted by the Corporation, whether or not such failure is caused by the Non-Conforming Member;~~

- ~~(b) — a failure or anticipated failure to make any payment to the Corporation required of a Non-Conforming Member, whether or not such failure is attributable to the Non-Conforming Member;~~
- ~~(c) — any loss or expense anticipated or suffered by the Corporation upon the liquidation of the Non-Conforming Member's position;~~
- ~~(d) — any loss or expense anticipated or suffered by the Corporation pertaining to the Non-Conforming Member's obligations in respect of exercised Options, tendered Futures, or OTC DI for which settlement has not yet been made.~~
- ~~(e) — any protective or hedging transaction effected for the account of the Corporation pursuant to Rule A-4 in respect of the Clearing Member's Transactions.~~
- ~~(f) — any other situation determined by the Board.~~

~~At the sole discretion of the Corporation, cash and securities deposited with the Corporation as Clearing Fund deposits and Margin Deposits by the Clearing Member may be pledged, repledged, hypothecated or rehypothecated as security for the Corporation's own indebtedness incurred to discharge or facilitate the discharge, in whole or in part, of such obligation and such securities may be loaned either separately or together with other securities for the purpose of discharging or facilitating the discharge of such obligations.~~

- (2) If the amount of the undischarged obligation, payment, loss or expense exceeds the amount of the Clearing Member's total Clearing Fund deposit, and if the Clearing Member fails to pay the Corporation the amount of the deficiency on demand, the amount of the deficiency shall be paid out of the Clearing Fund and charged pro rata, based on the size of each of the other Clearing Members' required Clearing Fund deposits at that time, against all other Clearing Members' required deposits notwithstanding such pro rata charges made against each of the other Clearing Members. The Clearing Member who failed to pay the deficiency, and any Related Clearing Member(s), including Associated Clearing Member(s), shall remain liable to the Corporation for the full amount of such deficiency until repayment thereof by them.
- (3) Whenever any pro rata charges are made against Clearing Members' deposits to the Clearing Fund, the Corporation shall promptly notify all Clearing Members of the amount of the charge and the reasons therefor. For the purposes of this Section A-609, the amount of any loss sustained by the Corporation shall be determined without reference to the possibility of any subsequent recovery in respect thereof, through insolvency proceedings or otherwise, but the net amount of any such recovery shall be applied in accordance with Section A-612.

Amended 12/89, 9/95, 5/96, 9/96, 9/98, 02/06

Section A-610 Making Good on Charges to Clearing Fund

Whenever an amount is paid out of the Clearing Fund deposit of a Clearing Member, whether by pro-rata charge or otherwise, such Clearing Member shall be liable promptly to make good the deficiency if any in its deposit resulting from such payment. Notwithstanding the foregoing, if the payment is made as a result of a pro-rata charge, a Clearing Member will not be liable to make good more than an additional

100% of the amount of its Base Deposit and Variable Deposits to the Clearing Fund then prescribed by the Rules with respect to the default of any one Clearing Member, if;

- (i) within 3 Business Days following the pro-rata charge, the Clearing Member notifies the Corporation that it is terminating its membership;
- (ii) no Opening Purchase Transaction or Opening Writing Transaction is submitted for clearance through any of the Clearing Member's accounts after the giving of such notice; and
- (iii) the Clearing Member closes out or transfers all of its Open Positions as promptly as practicable after the giving of such notice.

Amended 12/89, 9/95, 5/96

Section A-611 Deposit Refund

- (1) Whenever a Clearing Member ceases to be a Clearing Member with respect to all Transactions covered by the Clearing Fund, the amount of its Base Deposit, relating to the Transactions no longer being cleared, to the Clearing Fund shall be returned, subject to the time limit specified in this Section A-611, but not until all Transactions of the Clearing Member from which losses or payments chargeable to the Clearing Fund might result have been fulfilled or closed, or with the approval of the Corporation, another Clearing Member has been substituted thereon. All amounts chargeable against a Clearing Member's deposit in the Clearing Fund on account of transactions effected whilst a Clearing Member, including pro-rata charges, shall be deducted from the amount to be returned.
- (2) Thirty days after all outstanding items have been eliminated from the Clearing Member's accounts with the Corporation the balance of the Clearing Fund owed to the former Clearing Member will be paid to that former member.

Amended 9/95, 5/96, 02/06

Section A-612 Recovery of Loss

- (1) If a loss charged pro-rata against the deposit of Clearing Members in the Clearing Fund is afterward recovered by the Corporation from the Clearing Member and/or any Related Clearing Member whose failure to pay led to the loss being charged, in whole or in part, the net amount of such recovery shall be paid or credited to the Clearing Members against whose deposit the loss was charged in proportion to the amount charged against their respective deposits, whether or not they are still Clearing Members.
- (2) Any Clearing Member (a "Contributing Member") that has had a loss charged against its deposit under Section A-609(2) or Section A-610, shall have the right to claim from the Clearing Member and/or from a Related Clearing Member whose failure to pay a deficiency led to the loss being charged (collectively "the Responsible Member(s)"), and the Responsible Member(s) shall be obligated to reimburse to such Contributing Member, the amount so charged against the Contributing Member's deposit.

Amended 9/95, 5/96, 9/96; 9/98

Section A-613 Approved Depositories

- (1) Prior to approving a financial institution, as hereinafter defined, as a depository for the safe custody of Securities, certificates, Underlying Interest and Underlying Interest Equivalent, the institution shall have agreed with the Corporation that it will meet the conditions prescribed by the Corporation for an Approved Depository.
- (2) Clearing Members may enter into a safe custody agreement, in a form approved by the Corporation, with an Approved Depository for the safekeeping of Securities, certificates, Underlying Interest and Underlying Interest Equivalent.
- (3) Approved Depositories will issue Safe Custody Receipts, Escrow Receipts and Futures Margin Receipts in a form approved by the Corporation.
- (4) The following financial institutions may apply for recognition as an Approved Depository.
 - (a) a bank to which the Bank Act (Canada) or the Quebec Savings Banks Act (Canada) applies, which has a minimum paid-up capital and surplus of \$25,000,000 and for which current audited financial statements are available;
 - (b) a trust company which is subject to legislation of Canada or of any province of Canada similar to the Loan and Trust Corporations Act (Ontario) or the Trust Companies Act (Quebec) which has minimum paid up capital and surplus of \$25,000,000, and for which current audited financial statements are available;
 - (c) the Corporation and any subsidiary of the Corporation;
 - (d) securities depositories;
 - (e) such other institution as the Board may, in its sole discretion, approve from time to time, provided that in no case shall approval be given to an institution having less than \$25,000,000 paid up capital and surplus, which does not have the required power under its charter or other constituting documents to act as a fiduciary or for which current audited financial statements are not available.

Amended 12/89, 6/91, 5/96

RULE A-7 MARGIN REQUIREMENTS

Unless otherwise specified, this Rule A-7 is only applicable to Ordinary Clearing Members.

Amended 9/98

Section A-701 Margin Maintenance and Purpose

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

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

- (2) The Corporation shall apply the Non-Conforming Member's Margin and Margin Deposit, and those of any Related Clearing Member, to the discharge of:
 - (a) the Non-Conforming Member's obligation with respect to any Transaction accepted by the Corporation, whether such failure is caused or not by the Non-Conforming Member;
 - (b) a failure or anticipated failure to make any payment to the Corporation required of a Non-Conforming Member, whether such failure is attributable to the Non-Conforming Member or not;
 - (c) any loss or expense anticipated or suffered by the Corporation upon the liquidation of the Non-Conforming Member's position;
 - (d) any loss or expense anticipated or suffered by the Corporation pertaining to the Non-Conforming Member's obligations in respect of exercised Options or tendered Futures or OTC DI for which settlement has not yet been made or in connection with hedging transactions effected for the account of the Corporation pursuant to Rule A-4 in respect of the Non-Conforming Member's positions in Options and Futures;
 - (e) any protective or hedging transaction effected for the account of the Corporation pursuant to Rule A-4 in respect of the Clearing Member's positions in Options and Futures;

- (f) any protective or hedging transaction effected for the account of the Corporation pursuant to Rule A-4 in respect of any OTC DI accepted by the Corporation; or
- (g) any other situation determined by the Board.

(3) Each Clearing Member grants to and in favour of the Corporation a first ranking pledge of, lien on and security interest and hypothec in, all property deposited by the Clearing Member with the Corporation or which may, from time to time be in the possession or control of CDCC, or in the possession or control of a person acting on behalf of CDCC, other than the Clearing Member or an agent of the Clearing Member, including without limitation, property deposited as Margin and Margin Deposit, and all Long Positions, Short Positions, Securities and Underlying Interest, to secure the performance by the Clearing Member and a Related Clearing Member of all of its obligations to the Corporation, except that all property in a Client Account only secures the performance by the Clearing Member and a Related Clearing Member of all of its obligations incurred in respect of that Client Account. The Clearing Member shall execute and deliver to the Corporation such other documents as the Corporation may from time to time request for the purpose of confirming or perfecting the pledge, lien, security interest and hypothec provided to the Corporation by the Clearing Member; provided that the failure by the Corporation to request or by the Clearing Member to execute and deliver such documents shall not limit the effectiveness of the foregoing sentence.

At(4) Without limiting the rights of the parties under Section A-701(2) and A-704, at the sole discretion of the Corporation, ~~cash and securities~~ all property deposited with the Corporation as Margin and Margin Deposit by the Clearing Member may be pledged, repledged, hypothecated ~~or~~, rehypothecated or transferred by the Corporation as security for or in connection with, the Corporation's own ~~indebtedness incurred to discharge or facilitate the discharge, in whole or in part, of such obligation and such securities may be loaned either separately or together with other securities for the purpose of discharging or facilitating the discharge of such obligations~~ obligations to any person. The Corporation shall be deemed to continue to hold all Margin and Margin Deposit deposited with the Corporation, regardless of whether the Corporation has exercised its rights under this Section 701(4).

Amended 9/92, 6/96, 9/98, 02/06

Section A-702 Discretionary Margin Rule

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

Amended 9/92; 9/98

Section A-703 Daily Margin Activity Report

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

Margin required to be deposited with the Corporation, so that the Margin requirements are met before Settlement Time each Business Day.

Amended 9/98

Section A-704 Withdrawals of Margin

~~In~~(1) Subject to Section A-704(2), in the event that on any particular day the amount of a Clearing Member's Margin on deposit exceeds the amount required to be deposited by such Clearing Member on such day pursuant to this Rule A-7, as shown by a report ("Deposits/Withdrawals Report") for such day, the Corporation shall authorize the withdrawal of the amount of the excess upon the submission to the Corporation, by such Clearing Member during the hours specified by the Corporation, of a withdrawal request in the form prescribed by the Corporation.

(2) If a Clearing Member has excess Margin deposited in any Firm Account, the Corporation shall be entitled to apply such excess (or a portion thereof) as is necessary to meet the Margin requirements in respect of a Client Account. If a Clearing Member has excess Margin deposited in any Client Account or any On-Floor Professional Trader Account, the Clearing Member shall not be entitled to apply such excess (or a portion thereof) to meet the Margin requirements in respect of a Firm Account.

Amended 9/92; 9/98

Section A-705 Intra-Day Margin Calls

- (1) The Corporation may require the deposit of supplementary Margin by any Clearing Member in any account at any time during any Business Day which the Corporation, in its sole discretion, considers necessary or advisable to reflect changes during such day in the Market Price of any Underlying Interest, or changes in the financial position of the Clearing Member or to protect the Corporation, Clearing Members or the public.
- (2) ~~Subject to A-704(2), if~~ Subject to A-704(2), if a Clearing Member has excess Margin on deposit with the Corporation, the Corporation shall be entitled, upon determining that supplementary Margin is required, immediately to apply such portion of the excess Margin as is necessary to meet the supplementary Margin requirements. The Corporation shall notify the Clearing Member ~~by telephone or by fax~~ as soon as practicable of such application. If there is no excess Margin then on deposit, the Corporation will notify the Clearing Member ~~by telephone or by fax~~ of the amount of supplementary Margin required. Such supplementary Margin shall be deemed to be owing upon a Clearing Member receiving notice thereof and shall be deposited by the Clearing Member within one hour of the Clearing Member receiving such notice, or such longer time as may be permitted by the Corporation. Credit for all such supplementary Margin deposits, shall be reflected on a report ("Daily Settlement Summary") on the following Business Day.

Amended 9/92, 10/97; 9/98

Section A-706 Margin Calculations

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

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

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

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

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

New Rule 9/92, amended 9/98, 02/06

Section A-707 Margin on Options Spread Positions Carried in Client Accounts

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

Amended 9/92; 9/98

Section A-708 Underlying Interest and Underlying Interest Equivalent

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

(1) For **CALL OPTIONS** the Underlying Interest or Underlying Interest Equivalent shall mean:

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

In case of a stock split, a Clearing Member may make a deposit hereunder by depositing certificates representing the underlying Security and by filing with the Corporation a letter of undertaking executed by the Clearing Member in the form prescribed by the Corporation. Each deposit shall be deemed only to occur and continue so long as both the certificates are on deposit and the letter of undertaking duly executed, complete and unexpired is filed with the Corporation.

- (b) Bond Options – Government of Canada Bonds (excluding Canada Savings Bonds) which:
 - (i) are the underlying bond; or
 - (ii) have been ~~deemed acceptable~~determined by the Corporation as acceptable.

INTERPRETATION AND POLICY

A list of acceptable bonds will be published from time to time. Acceptable bonds for Margin against a series of bond Options will normally be bonds which:

- (i) have higher coupon rates;
 - (ii) have an aggregate face value at maturity of at least \$1,000,000,000;
 - (iii) trade at a premium of \$5 greater than the underlying bond; and
 - (iv) mature no sooner than 2 years prior to the underlying bond.
 - (c) Silver Options – silver certificates issued by organizations acceptable to the Corporation.
 - (d) Cash Settlement Options –
 - (i) Government Securities as specified in Section A-709 equal in value to the aggregate current value (which for the purposes of this Section have the meaning attributed thereto in Section B-1001 as the context requires) of the Option at the close of trading on the Business Day prior to the deposit.
 - (ii) If the value of the government Securities deposited for each contract falls below the value of the aggregate current value on any Business Day the Corporation may call for an additional deposit or Margin.
 - (e) Options on short term money-market instruments expiring in one year or less –
The Underlying Interest or any other instrument acceptable to the Corporation.
 - (f) Futures Options – Government of Canada Bonds (excluding Canada Savings Bonds) which:
 - (i) are the underlying bond; or
 - (ii) have been ~~deemed acceptable~~determined by the Corporation as acceptable.
 - (g) Gold Options – gold certificates issued by organizations acceptable to the Corporation.
- (2) For **PUT OPTIONS** Underlying Interest and Underlying Interest Equivalent shall mean:
- (a) Cash,
 - (b) Government Securities as specified in Section A-709, or
 - (c) Puts Guaranty Letter - a guaranty letter in the form approved by the Corporation, issued by an Approved Depository which states that it is being deposited to serve as Margin for puts positions in a Client Account and that such guaranty letter shall not constitute Margin for any other account maintained by the Clearing Member.

INTERPRETATION AND POLICY

The Corporation will only accept a puts guaranty letter from a bank and trust company which is an Approved Depository and which meets the Bourse de Montréal Inc.'s requirements of an "Acceptable Institution" or "Acceptable Counterparty" as from time to time amended.

With respect to **FUTURES** the Clearing Member may deposit any Underlying Interest or Underlying Interest Equivalent which would be considered good delivery on the corresponding Futures contracts. For cash settlement Futures, the Corporation may impose from time to time at its sole discretion margin requirements on the Underlying Interest or Underlying Interest Equivalent as determined by the Corporation.

For **FUTURES**, the Underlying Interest or Underlying Interest Equivalent shall mean the physical Underlying Interest or Underlying Interest Equivalent which has been ~~deemed~~determined acceptable by the Corporation.

Amended 4/91, 9/92; 9/98; 11/00

Section A-709 Forms of Margin

Required Margin may be deposited with the Corporation in one or more of the following forms:

- ~~(1)~~ (1) **Cash** - Clearing Members may deposit cash by way of an irrevocable funds transfer, a certified cheque or bank draft drawn on a bank acceptable to the Corporation and payable to the Corporation or such other funds as may be acceptable to the Corporation. Funds so deposited may, from time to time, be partially or wholly invested by the Corporation for its account and, to the extent not so invested, shall be deposited to the credit of the Corporation in such financial institutions as the Board may select. Any interest or gain received or accrued on the investment of such funds shall belong to the Corporation. ~~Such~~Subject to Section A-701(4), such funds shall not be used by the Corporation as working capital.
- (2) **Government Securities** – Clearing Members may deposit, as hereinafter provided, such government Securities as may be specified by the Corporation, which are freely negotiable and which shall be valued at a discounted rate to their market value, to be determined in the Operations Manual for government Securities. Such valuation rate shall be applied to the Market Value of the relevant Securities. "Market value" as used in this section A-709(2) shall be determined on the close of each Business Day by the Corporation through reference to one or more data supply services retained by the Corporation for such purpose. If a market value is required to be determined on a non-Business Day, and the data supply service does not provide a market value for such day, the market value on the immediately preceding Business Day shall be used. If no market value is generally available for any government Securities accepted by the Corporation as a form of Margin, such Securities shall be valued at an amount determined by the Corporation.

The government securities shall be deemed to be deposited with the Corporation at the time the Corporation accepts the government Securities as Margin or an Approved Depository's Safe Custody Receipt or Futures Margin Receipt in respect of such government Securities. All interest or gain received or accrued on such government Securities prior to any sale or negotiation thereof shall belong to the depositing Clearing Member and such interest will be paid to such depositing Clearing Member by the relevant issuer.

Government Securities deposited by the Clearing Member with an Approved Depository shall be deposited under arrangements:

- (a) permitting the government Securities to be promptly sold by or upon the order of the Corporation for the account of the Clearing Member without notice; and
- (b) requiring the Clearing Member to pay all fees and expenses incidental to the ownership or sale of such government securities or the arrangement with the Approved Depository.

(3) Letters of Credit - Clearing Members may deposit with the Corporation letters of credit issued by banks or other organizations approved by the Corporation for this purpose. Such letters of credit:

- (a) shall be issued by a bank or other organization which has provided no more than 50% of the total financial statement capital of the clearing member firm;
- (b) shall not be deposited to satisfy both client and firm margin commitments, but rather, shall be provided as separate letters of credit for either client or firm margin commitments;
- (c) shall contain the unqualified commitment of the issuer to pay a specified sum of money to the Corporation immediately upon demand at any time prior to the expiration of the letter of credit;
- (d) shall expire at 3:00 p.m. Eastern Time on the first bank Business Day of either March or September;
- (e) shall be revocable only upon the issuer's written notice of revocation delivered to the Corporation not less than 2 full Business Days prior to the date fixed for such revocation.

INTERPRETATION AND POLICY

The Corporation will accept letters of credit from Canadian chartered banks which have capital of at least \$50 million, and from duly authorized central credit unions or regional Caisses Populaires with capital in excess of \$100 million. The sum of letters of credit issued by and bankers' acceptances accepted by any one financial institution, on behalf of all Clearing Members, shall not exceed 10% of the capital of such institution.

(4) Bankers' Acceptances - Clearing Members may deposit with the Corporation bankers' acceptances which are accepted by banks recognized by the Corporation as issuers of letters of credit. These bankers' acceptances:

- a) shall be valued at a rate, which is expressed as a percentage and which is specified in the Operations Manual of the Corporation. This rate shall be applied to the face value of the relevant bankers' acceptances;
- b) shall be issued by a bank or other organization which has provided no more than 50% of the financial statement capital of the clearing member firm;
- c) shall not be deposited to satisfy both client and firm margin commitments, but rather, shall be provided as separate bankers' acceptances for either client or firm margin commitments.

INTERPRETATION AND POLICY

The Corporation will accept bankers' acceptances accepted by Canadian chartered banks which have capital of at least \$50 million. The sum of letters of credit issued by and bankers' acceptances accepted by any one financial institution, on behalf of all Clearing Members, shall not exceed 10% of the capital of such institution.

(5) Valued Securities

- (a) In addition to the Underlying Interest and Underlying Interest Equivalent which may be deposited under Section A-708 Clearing Members may deposit any Security listed on an Exchange (a "Valued Security"), other than a debt Security, against their total Margin requirements. This Margin shall be deemed to be deposited with the Corporation at the time the Corporation either accepts the Securities, accepts a Safe Custody Receipt issued in respect of the Securities by an Approved Depository or accepts notification from an Approved Depository of a position in the security segregated to the order of the Corporation.
- (b) No value will be given for any Valued Security on any one day when the closing price thereof or, if there was no trading in such Valued Security on such day on any Exchange, the previous closing price is less than \$10 on any Exchange.
- (c) Valued Securities so deposited will be marked-to-the-market daily and 50% of this daily value applied against the total Margin required against all accounts combined.
- (d) No more than 10% of the total Margin required against all accounts combined may be covered by any one Valued Security.

- (6) Other Forms of Margin Deposit** - The Corporation may from time to time accept other forms of Margin deposit in accordance with its operating policies then in effect. The Corporation may alter any such accepted form of deposit and may at any time cease accepting any alternative form of deposit previously accepted by it. Where a previously accepted form of deposit is determined to be no longer acceptable by the Corporation, it shall notify all Clearing Members who shall promptly replace all such unacceptable forms of deposit with forms of deposit acceptable to the Corporation.

Amended 6/91, 9/92, 7/97, 9/98, 3/05, 02/06, 05/06

Section A-710 Daily Capital Margin Monitoring Calls

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

New Rule 02/06

RULE A-8 DAILY SETTLEMENT

Unless otherwise specified, this Rule A-8 is only applicable to Ordinary Clearing Members.

Section A-801 Daily Settlement Summary

(1) Each Business Day the Corporation shall issue to each Clearing Member a report ("Daily Settlement Summary") which will summarize:

- (a) the debit and credit premium for each account as shown on Consolidated Activity Reports;
- (b) the net gains and losses for each account as shown on Consolidated Activity Reports;
- (c) the net settlement for Exercised and Assigned Positions of cash settled Options;
- (d) the net payment for Settlement Amounts resulting from OTC DI;
- (e) the debit or credit ~~deemed~~determined as necessary by the Corporation resulting from any adjustment reported by the Clearing Member;
- (f) the net Margin required for each account as shown on a report ("Daily Margin Activity Report");
- (g) the total Margin deposits held by the Corporation; and
- (h) the net amount due to or from the Corporation.

Amended 9/98, 02/06

(2) For greater certainty, subject to any Rule which expressly prohibits netting, on each Business Day,

- (a) the Corporation shall have the right to net all payments owing to a Clearing Member on such Business Day against all payments owing by a Clearing Member on such Business Day such that one net amount shall be payable to or from such Clearing Member.
- (b) the Corporation shall have the right to net all settlement obligations for the same CUSIP/ISIN number for an Acceptable Security owing to a Clearing Member on such Business Day against all settlement obligations for such Acceptable Security owing by a Clearing Member on such Business day such that one net amount of such Acceptable Security is owing to or from such Clearing Member.
- (c) subject to Section A-704(2), the Corporation shall have the right to net Margin requirements owing by a Clearing Member in respect of one product on such Business Day against excess Margin delivered by such Clearing Member and available in respect of another product on such Business Day such that Margin in respect of one net amount is required to be delivered by the Clearing Member on such Business Day or one net amount is available for withdrawal by such Clearing Member on such Business Day under A-704;

Section A-802 Daily Settlement

- (1) On or before Settlement Time on each Business Day, as determined by the Bank of Canada to be a settlement day, each Clearing Member shall be obligated to pay the Corporation, in the Money applicable to the Transaction, by irrevocable funds transfer or any other method as may be approved by the Corporation from time to time, the amount of any Net Daily Settlement in an account shown to be due to the Corporation on a report (“Daily Settlement Summary”) for such account for such day (notwithstanding any error in such report nor any credit balance which may be due from the Corporation to the Clearing Member in any other account).
- (2) If for any reason the Daily Settlement Summary is not available to the Clearing Member, it shall be the responsibility of that Clearing Member to ascertain from the Corporation the amount of any Net Daily Settlement, so that payment may be made before Settlement Time each Business Day.
- (3) ~~One~~Provided all applicable conditions precedent have been satisfied, one hour after Settlement Time of each Business Day the Corporation shall be obligated to pay a Clearing Member the amount of any Net Daily Settlement in an account shown to be due from the Corporation to such Clearing Member on the Daily Settlement Summary for such account for such day. The Corporation may make such payment to the Clearing Member by uncertified cheque or electronic funds transfer in the amount of such Net Daily Settlement.

- (4) When the banks in a city where the Corporation has an office are closed on a Business Day, settlement shall nevertheless occur through the method of irrevocable funds transfer or any other method as may be approved by the Corporation from time to time on such Business Day if it has been determined by the Bank of Canada to be a settlement day.

Amended 3/96, 9/96, 9/98; 03/02, 02/06

Section A-803 Application of Settlement Credit

The Corporation may apply any funds payable to a Clearing Member on a Business Day as reflected on such Clearing Member's reports ("Options Daily Transaction Report" and/or "Futures Consolidated Activity Report" and/or "OTC DI Margin Requirement Report") for such Business Day in satisfaction of any Margin required to be deposited by such Clearing Member on such Business Day.

Amended 02/06

Section A-804 Application of Cash Margin Excess

~~The~~Subject to A-704(2), the Corporation may apply any excess of Margin reflected on a Clearing Member's report ("Daily Settlement Summary"), not exceeding the amount of cash Margin on deposit as shown in such statement, against the amount of the Net Daily Premium due to the Corporation and Settlement of Gains and Losses and Mark-to-Market Valuation due to the Corporation.

Amended 02/06

Section A-805 Physical Settlement

Where the Corporation will effect the transfer of Securities or an Underlying Interest in respect of a Transaction through a Central Securities Depository, the Corporation shall be exclusively responsible for the communication of Net Delivery Requirements to such Central Securities Depository and will bear no responsibility for the replacement of the Securities or the Underlying Interest in respect of such Transaction in the event that the Clearing Member fails to perform on the physical delivery obligation specified under the terms of the Transaction. The Corporation will, however, bear the responsibility of guaranteeing the Settlement Amounts derived from the physical delivery process in any Transaction up to the time a CSD Confirmation is issued, and, for greater certainty, has no liability in respect of such Settlement Amounts at any time after the issuance of such CSD Confirmation in respect of such Settlement Amounts. A "CSD Confirmation" means in respect of settlement instructions relating to a Net Delivery Requirement for a Transaction, a trade confirmation issued by the applicable Central Securities Depository confirming that the applicable Clearing Member's account with such Central Securities Depository has been credited with cash or Acceptable Securities in accordance with such settlement instructions.

CANADIAN DERIVATIVES CLEARING CORPORATION

PART B - OPTIONS

RULE B-1 CLEARING OF EXCHANGE TRANSACTIONS IN OPTIONS

The provisions of this Part B shall apply only to Exchange Transactions which are trades in Options issued by the Corporation pursuant to these Rules and to those Clearing Members who are required to make deposits to the Clearing Fund.

Amended 9/90, 02/06

Section B-101 Responsibility of Members for Exchange Transactions

Every Clearing Member shall be responsible for the clearance of its own Exchange Transactions and of the Exchange Transactions of each exchange member or non-member which has agreed with the Clearing Member that its transactions will be cleared by such Clearing Member. A copy of each such clearing agreement shall be provided to the Corporation upon its request.

Section B-102 Maintenance of Accounts

- (1) Every Ordinary Clearing Member shall establish and maintain with the Corporation the following accounts:
 - (a) One or more Firm Accounts which shall be confined to the Exchange Transactions in Options of such Clearing Member.
 - (b) A separate On-Floor Professional Trader Account for each On-Floor Professional Trader employed or sponsored by such Clearing Member, and
 - (c) In addition to the foregoing accounts, every Ordinary Clearing Member conducting business with the public in Options shall also establish and maintain one or more Client Account(s), which shall be confined to the Exchange Transactions of such Clearing Member's clients.

Amended 4/91, 9/98

Section B-103 Agreement Regarding Accounts

Every Clearing Member, in consideration of its admittance to membership in the Corporation agrees that:

- (1) In respect of each Firm Account:
 - (a) the Corporation shall have a security interest and hypothec in, all Long Positions, Short Positions, Securities, Underlying Interest, Underlying Interest Equivalent, Margin, Margin Deposit and other ~~funds~~property in such account as security for all of the Clearing Member's obligations to the Corporation;
 - (b) the Corporation shall have the right to net all ~~writing transactions~~Opening Writing Transactions and Closing Writing Transactions against all purchase transactions effected in such account in accordance with these Rules, whether or not accounts are denominated in the same currency; and

- (c) the Corporation may close out the positions in such account 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.
- (2) Each Clearing Member is responsible for all obligations owed to the Corporation in respect of every account opened by or in respect of such Clearing Member.
- (3) Where more than one account is opened by or in respect of a Clearing Member, the Corporation has the right to combine or consolidate the balances on any or all of such Clearing Member's accounts, and to set off any amount or amounts standing from time to time to the credit of any one of such Clearing Member's accounts in or towards payment or satisfaction of all or any of such Clearing Member's ~~liabilities~~obligations to the Corporation on any one or more of such accounts.
- (4) Amounts standing to the credit of a Clearing Member's accounts may be applied by the Corporation towards the payment of any sum whatsoever due by Clearing Member of the Corporation whether or not arising under the Rules.
- (5) Each On-Floor Professional Trader Account shall be confined to the Exchange Transactions of the On-Floor Professional Trader for which it is established.
- (6) Each On-Floor Professional Trader shall enter into an agreement with the Clearing Member which shall provide that the On-Floor Professional Trader agrees with the Clearing Member and the Corporation that:
 - (a) the Corporation shall have a security interest and hypothec in, all Long Positions, Securities, Underlying Interest, Underlying Interest Equivalent, Margin, Margin Deposit and other ~~Money~~property in such account with the Clearing Member as security for the Clearing Member's obligations to the Corporation in respect of all Exchange Transactions effected through such account, Short Positions maintained in such account and Exercise Notices assigned to such account;
 - (b) the Corporation shall have the right to net all ~~writing transactions~~Opening Writing Transactions and Closing Writing Transactions against all purchase transactions effected in such account in accordance with these Rules; and
 - (c) the Corporation may close out the positions in the account and apply the proceeds thereof to the obligations of the Clearing Member to the Corporation in respect of all Exchange Transactions effected through such account, Short Positions maintained in such account and Exercise Notices assigned to such account, at any time, without prior notice to the On-Floor Professional Trader or the Clearing Member.
- (7) In respect of a Client Account:
 - (a) the Corporation shall not have a security interest and hypothec on the Long Positions in Options in such account but shall have a security interest and hypothec to the extent set forth in these Rules on all Margin Deposit deposited with the Corporation in respect of such account;
 - (b) the Corporation shall have the right to net all Opening Writing Transactions and Closing Writing Transactions against all purchase transactions effected in such account in accordance with these Rules, whether or not accounts are denominated in the same currency; and

(c) the Corporation may close out the positions in such account 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.

Amended 4/91, 9/98, 02/06

Section B-104 Novation

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

All Options 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.

New Rule 02/06

Section B-105 Obligation of Purchasing Clearing Member

The Clearing Member responsible for an Exchange Transaction which is either an Opening or Closing Purchase Transaction shall be obligated to pay the Corporation the amount of the premium agreed upon in such Exchange Transaction. Such payment shall be made as set forth in these Rules not later than the Settlement Time for such Exchange Transaction.

Amended 4/91, 02/06

Section B-106 Obligations of the Corporation

An Exchange Transaction shall, subject to the fulfilment of the conditions precedent set forth in Sections B-~~108 and B-109~~,108, be deemed to have been accepted by the Corporation ~~one hour following the Settlement Time for~~at the time the trade information in respect of such Exchange Transaction ~~is received by the Corporation from the Exchange~~. Upon the acceptance of an Exchange Transaction by the Corporation, the rights of the Clearing Members in respect of such transaction shall be solely against the Corporation and the Corporation shall be obligated to the Clearing Members in accordance with the provisions of these Rules. Upon acceptance of an Exchange Transaction, the Corporation shall be obligated as follows:

- (a) In an Opening Purchase Transaction, the Corporation shall be obligated to issue to the purchasing Clearing Member the Options purchased in such Exchange Transaction;
- (b) In a Closing Purchase Transaction, the Corporation shall be obligated to reduce the purchasing Clearing Member's Short Positions in the Series of Options involved in the account in which the Exchange Transaction was effected by the number of Options purchased in such Exchange Transaction;
- (c) In an Opening or Closing Writing Transaction, the Corporation shall be obligated to pay, at the time and in the manner specified by the ~~By-laws and~~ Rules, to the writing Clearing Member the amount of the premium agreed upon in such Exchange Transaction.

Section B-107 Issuance of Options

- (1) The Corporation shall be the issuer of all Options purchased in Exchange Transactions. Subject to the provisions of ~~Sections B-106, B-108 and B-109,~~ Section B-108, an Option shall be issued by the Corporation in every Opening Purchase Transaction ~~one hour following the Settlement Time for~~ upon the acceptance of such transaction. ~~by the Corporation pursuant to Section B-106.~~
- (2) An Option shall carry the rights and obligations set forth in Section B-110 and shall contain the variable terms as agreed upon by the purchasing Clearing Member and writing Clearing Member as shown on the trade information filed by them with the Exchange on which such Exchange Transaction occurred and which is transmitted to the Corporation. In the event of a discrepancy between the trade information filed with the Exchange and the information reported to the Corporation, the latter shall govern as between the Clearing Member and the Corporation.
- ~~(3) Unless and until an Option is issued by the Corporation in the manner contemplated by these Rules, the Corporation shall have no obligation whatsoever to any Clearing Member in respect thereof. The obligations of the Corporation are effective solely upon the issuance of an Option.~~

Amended 4/91, 02/06

Section B-108 Exchange Report

- (1) The acceptance of every Exchange Transaction and the issuance of every Option by the Corporation as provided in Sections B-106 and B-107 shall be subject, ~~in addition to the condition precedent that payment shall have been received by the Corporation as provided for in Section B-109,~~ to the condition that the Exchange on which such Exchange Transaction occurred shall have provided the Corporation with the trade information submitted by the purchasing Clearing Member and the writing Clearing Member as to:
 - (a) the identity of the purchasing Clearing Member and the writing Clearing Member;
 - (b) the Class and Series of Option;
 - (c) the premium per Unit of Trading;
 - (d) the number of contracts;
 - (e) in the case of a transaction in a Client Account, whether it is an opening or closing transaction; and
 - (f) such other information as may be required by the Corporation.

In the event any Exchange Transaction is rejected as herein provided, the Corporation shall promptly notify, either orally or in writing, the purchasing Clearing Member and all writing Clearing Members involved.

- (2) (a) A closing transaction in a Client Account which has been reported to the Corporation at a time when the Corporation's records indicated no corresponding open position in such account shall be considered as an initial operation provided that the number of contracts

indicated in subsection (1)(d) of this Section B-108 exceeds the number of contracts, if any, for which there is an existing position.

- (b) ~~the~~The Corporation shall promptly notify the Clearing Member of any change affecting either all or part of a closing transaction, aiming at transforming such closing transaction into an initial operation in accordance with subsection (2)(a) of this Section B-108.
- (3) The Corporation shall have no ~~obligation~~liability for any loss resulting from the untimely submission by an Exchange to the Corporation of the information described in subsection (1) of this Section B-108.

Amended 4/91, 6/96, 9/98, 02/06

Section B-109 Payment to the Corporation

- ~~(1) In addition to the conditions provided in Sections B-106 and B-107 the acceptance of every Exchange Transaction and the issuance of every Option by the Corporation shall be subject to the condition precedent that the Corporation shall have received payment, at or prior to the Settlement Time, of all amounts due to the Corporation from the purchasing Clearing Member in the account in which the Exchange Transaction is effected. Notwithstanding the fact that the Corporation has not received such payment by the Settlement Time, the Corporation may in its sole discretion choose to accept all unpaid Opening and Closing Purchase Transactions of such Clearing Member in such account; however, the Corporation shall have the right to apply any funds available in a Clearing Member's Firm Account or to liquidate the positions in such Firm Account and apply the proceeds thereof to the payment of the premiums due in any other account of such Clearing Member.~~
- ~~(2) In the event any Exchange Transaction is rejected as herein provided, the Corporation shall promptly notify, either orally or in writing, the purchasing Clearing Member and all writing Clearing Members involved.~~
- ~~(3) In the event the Corporation shall in its sole discretion accept any Exchange Transaction at a time when the Corporation has not received payment of all amounts due to the Corporation from the purchasing Clearing Member, the Corporation may apply any funds credited to accounts of such Clearing Member with the Corporation or that are otherwise in the possession of or at the disposal of the Corporation to the payment of the premium on such Exchange Transaction. If the Corporation accepts an Opening Purchase Transaction at a time when the Corporation has not received payment of all amounts due to the Corporation from the purchasing Clearing Member~~
and (1) On each Business Day immediately following the acceptance of an Exchange Transaction, the Clearing Member shall pay to the Corporation at or prior to the Settlement Time on such Business Day, all amounts due to the Corporation from the purchasing Clearing Member in the account in which such Exchange Transaction is effected. If the Corporation has not received such payment by the Settlement Time, the Corporation shall have the right to apply any funds available in a Clearing Member's accounts or to liquidate the positions in such accounts and apply the proceeds thereof to the payment of the amounts due by such Clearing Member. If the funds of the Clearing Member (if any) applied by the Corporation to the payment of the premium of such transaction
Exchange Transaction are insufficient to pay such premium in full, the Long Position resulting from the acceptance of such transactions by the Corporation shall be subject to a lien ~~and~~ security interest and hypothec in favour of the Corporation and the Corporation shall have the right to close out or to exercise such Long Position and to apply the proceeds in satisfaction of the Clearing Member's obligations to the Corporation.

- (4)(2) If a Clearing Member is late in making ~~all payments~~any payment at Settlement Time, the Corporation may, in its sole discretion, elect to deem that Clearing Member a Non-Conforming Member. ~~If that Clearing Member has not yet made all payments one hour after Settlement Time, the Corporation shall deem that Clearing Member a Non-Conforming Member, if it has not yet been deemed to be such,~~ and the Board may suspend that Non-Conforming Member. The Board may impose such fines, penalties or other sanctions as it deems fit in respect of a Non-Conforming Member who is late in making payment of its premium.

Amended 4/91, 6/91, 9/98, 02/06

Section B-110 General Rights and Obligations of Clearing Members

- (1) Subject to the provisions of the Rules, a Clearing Member holding a Long Position in a call Option has the right, beginning at the time such Option is issued pursuant to this Rule B-1 and expiring at the Expiration Time of such Option, to purchase from the Corporation at the aggregate Exercise Price the number of Units of Trading of the Underlying Interest represented by such Option, all in accordance with the ~~rules of the Corporation~~Rules and, if applicable, the by-laws and rules of the Exchange where the option was traded.
- (2) A Clearing Member holding a Short Position in a call Option is obligated, upon the assignment to the Clearing Member of an Exercise Notice in respect of such Option, to deliver the number of Units of Trading of the Underlying Interest represented by such Option against payment of the aggregate Exercise Price, all in accordance with the ~~rules of the Corporation~~Rules and, if applicable, the by-laws and rules of the Exchange where the option was traded.
- (3) Subject to the provisions of these Rules, a Clearing Member holding a Long Position in a put Option has the right, beginning at the time such Option is issued pursuant to this Rule B-1 and expiring at the Expiration Time of such Option, to sell to the Corporation at the aggregate Exercise Price the number of Units of Trading of the Underlying Interest represented by such Option, all in accordance with the ~~rules of the Corporation~~Rules and, if applicable, the by-laws and rules of the Exchange where the option was traded.
- (4) A Clearing Member holding a Short Position in a put Option is obligated, upon the assignment to the Clearing Member of an Exercise Notice in respect of such Option, to pay the aggregate Exercise Price against delivery of the number of Units of Trading of the Underlying Interest represented by such Option, all in accordance with the ~~rules of the Corporation~~Rules and, if applicable, the by-laws and rules of the Exchange where the option was traded.

Amended 6/96, 02/06, 10/06

Section B-111 Terms of Options

- (1) The Expiration Date and Exercise Price of Options of each Series of Options shall be determined by the Exchange on which it is traded in agreement with the Corporation at the time such Series of Options is first opened for trading on an Exchange. No Series of Options shall be opened for trading without the consent of the Corporation.
- (2) The Unit of Trading of each Series of Options shall be designated by the Corporation and the exchange on which the Option is traded prior to the time such Series of Options is first opened for trading.
- (3) The Unit of Trading and Exercise Price initially established for a Series of Options are subject to adjustment in accordance with Section A-902.
- (4) The applicable provisions of these Rules including, without limitation, security interests in Options granted to the Corporation and the liquidation rights of the Corporation provided for therein, shall constitute part of the terms of each Option issued by the Corporation.

Amended 4/91; 03/02, 04/03, 02/06

Section B-112 Long Positions

- (1) The Long Position of a Clearing Member in a Series of Options in a particular account will be created upon the Corporation's acceptance of such Clearing Member's Opening Purchase Transaction in such account in respect of one or more Options of such Series of Options. The amount of such Long Position shall be the number of Options so issued and such Long Position shall remain in force from day to day thereafter unless and until changed in accordance with the following:
 - (a) The Long Position shall be increased by the number of Options of such Series of Options which are the subject of Opening Purchase Transactions in such account and are thereafter accepted by the Corporation;
 - (b) The Long 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;
 - (c) The Long Position shall be reduced by the number of Options of such Series of Options which are the subject of Closing Writing Transactions in such account and which are thereafter accepted by the Corporation;
 - (d) The Long Position shall be eliminated at the Expiration Time for such Series of Options;
 - (e) The Long 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;
 - (f) The Long 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;
 - (g) The number of Options in the Long Position may be adjusted from time to time in accordance with these Rules; and

- (h) The Long Position may be closed out or transferred by the Corporation in accordance with these Rules including, without limitation, upon the occurrence of any default by the Clearing Member or upon the Clearing Member's suspension, expulsion, termination of membership, or insolvency.
- (2) Subject to these Rules any American Option held in a Long Position may be exercised at any time between the time it is accepted by the Corporation and its Expiration Time and any European Option held in a Long Position may be exercised only on its Expiration Date.

Amended 4/91, 9/98, 02/06

Section B-113 Short Positions

- (1) The Short Position of a Clearing Member in a Series of Options in a particular account will be created upon the Corporation's acceptance of such Clearing Member's Opening Writing Transaction in such account in respect of one or more Options of such Series of Options. The amount of such Short Position shall be the number of such Options involved in such transaction, and the Short Position shall remain in force from day to day thereafter unless and until changed in accordance with the following:
 - (a) The Short Position shall be increased by the number of Options of such Series of Options which are the subject of Opening Writing Transactions in such account and are thereafter accepted by the Corporation;
 - (b) The Short Position shall be reduced by the number of Options of such Series of Options which are the subject of Exercise Notices thereafter assigned to the Clearing Member in such account in accordance with these Rules for application against such Short Position;
 - (c) The Short Position shall be reduced by the number of Options of such Series of Options which are the subject of Closing Purchase Transactions in such account and which are thereafter accepted by the Corporation;
 - (d) The Short Position shall be eliminated at the Expiration Time for such Series of Options;
 - (e) The Short 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;
 - (f) The Short 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;
 - (g) The number of Options in the Short Position may be adjusted from time to time in accordance with these Rules; and
 - (h) The Short Position may be closed out or transferred by the Corporation in accordance with these Rules including, without limitation, upon the occurrence of any default by the Clearing Member or upon the Clearing Member's suspension, expulsion, termination of membership, or insolvency.

- (2) The Corporation shall have the right to assign, in accordance with these Rules and its procedures, its obligations in respect of any Option upon the exercise of such Option to any Clearing Member having a Short Position in the same Series of Options in any account.

Amended 4/91, 02/06

Section B-114 Agreements of Writing Clearing Member in an Opening Writing Transaction

The Clearing Member responsible for an Opening Writing Transaction agrees with the Corporation that:

- (a) upon the Corporation's acceptance of such transaction, the Short Position of the Clearing Member in the account in which the transaction is effected shall be created or increased, and subsequently maintained, in accordance with Section B-113;
- (b) so long as such Short Position is thereafter maintained, the Clearing Member responsible shall make all required initial and maintenance margin payments in accordance with these Rules; and
- (c) in the event that an Exercise Notice is assigned to such Clearing Member, it shall perform, on behalf of the Corporation, the Option in accordance with its terms and with these Rules.

Amended 4/91, 02/06

Section B-115 Closing Writing Transactions

A Clearing Member responsible for a Closing Writing Transaction agrees that, upon the Corporation's acceptance of such transaction, the Corporation shall reduce or eliminate the Clearing Member's Long Position and, when subsection (2)(a) of Section B-108 is applicable, it shall create a Short Position in the account through which the transaction was effected by the number of Options involved.

Amended 4/91, 02/06

Section B-116 Closing Purchase Transactions

A Clearing Member responsible for a Closing Purchase Transaction agrees that, upon the Corporation's acceptance of such transaction, the Corporation shall reduce or eliminate the Clearing Member's Short Position and, when subsection (2)(a) of Section B-108 is applicable, it shall create a Long Position in the account through which the transaction was effected by the number of Options involved.

Amended 4/91, 02/06

Section B-117 Settlement When Delivery of Underlying Interest is Restricted

- (1) Notwithstanding anything contained in these Rules, the Board shall be empowered to impose such restrictions on the exercise of one or more Series of American Options as the Board in its judgment deems necessary or advisable in the interest of maintaining a fair and orderly market in Options or in the Underlying Interest or otherwise deems advisable in the public interest or for the protection of investors.
- (2) During the effectiveness of any such restriction, no Clearing Member shall effect an exercise for any account in contravention of such restriction. Notwithstanding the foregoing, no such restriction on exercise shall remain in effect with respect to any Series of Options on the Expiration Date for such Series of Options or, in the case of American Options, during the ten days prior to the Expiration Date of such Series of American Options. During such ten day period, or thereafter, the Board may restrict the delivery upon exercise of the Underlying Interest not owned/held by the Clearing Member holding a Short Position in a call Option to whom an Exercise Notice is assigned, in which event the Corporation shall, at the beginning of each Business Day during which such restriction is in effect, fix a settlement value, if any, for such series of call Options; and any

Clearing Member holding a Short Position in call Options of that series who is assigned an Exercise Notice shall, to the extent that the Clearing Member does not own/hold the Underlying Interest required to be delivered, be obligated to pay, and the Clearing Member holding a Long Position in a call Option whose Exercise Notice has been assigned shall give a receipt in full for, a cash amount equivalent to the settlement value so determined for the day the Exercise Notice is assigned. Further, during the ten day period or thereafter, the Board may restrict the delivery upon exercise of the Underlying Interest not owned/held by the Clearing Member holding a Long Position in a put Option who has exercised such put Option, in which event the Corporation shall, at the beginning of each Business Day during which such restriction is in effect, fix a settlement value, if any, for such series of put Options and any Clearing Member holding a Short Position in put Options of that series who exercises such Options shall, to the extent that he does not own the Underlying Interest required to be delivered, be obligated to accept, and the Clearing Member holding a Short Position in the put Option to whom an Exercise Notice is assigned shall pay a cash amount equal to the settlement value so determined for the day the Exercise Notice is assigned.

Amended 4/91, 6/96, 02/06

Section B-118 Certificateless Trading

Certificates for Options will not be issued by the Corporation to evidence the issuance of Options.

Amended 02/06

RULE B-4 DELIVERY AND PAYMENT WITH RESPECT TO OPTIONS EXERCISED

Section B-401 Definitions

Notwithstanding another meaning assigned to these terms in any other Rule, for the purposes of Rule B-4, the following terms shall have the following meanings respectively:

"Security Funds" means any additional deposit(s) by a Clearing Member required by the Corporation to be placed with the Corporation to ensure performance of a Clearing Member's obligations; and

"Time of Delivery" means the time specified in Section B-404 by which a Clearing Member must make delivery of, or accept delivery and make payment in respect of, an Underlying Interest without being considered to have failed in its obligations under these Rules.

"Delivering Clearing Member" means the assigned Clearing Member, in the case of an exercise of a call Option, or the exercising Clearing Member, in the case of an exercise of a put Option.

"Receiving Clearing Member" means the exercising Clearing Member, in the case of an exercise of a call Option, or the assigned Clearing Member, in the case of an exercise of a put Option.

New Rule 5/96

Section B-402 Delivery Advice

- (1) The Corporation will issue a report ("Options Exercised and Assigned Report") on the following Business Day to each Clearing Member who submitted an Exercise Notice and to each Clearing Member to whom an Exercise Notice has been assigned. Such report shall identify the Clearing Member, the account in respect of which the Exercise Notice was tendered or to which the Exercise Notice is assigned, the number of contracts, by series, exercised or assigned and the value.
- (2) The Corporation will issue a daily report ("Unsettled Delivery Report") on the following Business Day to each Clearing Member who submitted an Exercise Notice and to each Clearing Member to whom an Exercised has been assigned. Such report shall identify all items which have not yet been delivered.

Amended 5/90, 4/91, 6/91, 5/96

Section B-403 Delivery and Payment

Unless otherwise specified by the Corporation, delivery of the Underlying Interest and payment therefor shall be made as directed by the Corporation in accordance with the Rules and the Operations Manual of the Corporation then in effect.

Amended 4/91, 5/96; 03/02

Section B-404 Obligation to Deliver

The Delivering Clearing Member shall deliver the Underlying Interest specified in a report ("Unsettled Delivery Report") in Good Deliverable Form against payment of the Exercise Settlement Amount on or before 1:45 p.m. on the date set forth in the Report as the Exercise Settlement Date, provided that in addition to applicable provisions of the Rules:

- (a) the Corporation may impose such penalties as it deems appropriate for the failure to make timely delivery of the Underlying Interest;
- (b) the Board may extend or postpone the time for delivery or payment whenever, in its opinion, such action is required in the public interest or to meet unusual conditions;
- (c) in the event the Delivering Clearing Member is obligated, pursuant to the provisions of Section B-116, to pay on the Exercise Settlement Date the settlement value in respect of the Underlying Interest, then in lieu of any other right or obligation hereunder or under the Option the Delivering Clearing Member shall be obligated to pay, and the Receiving Clearing Member to receive, the settlement value fixed in accordance with Section B-116;
- (d) the Corporation may designate a different Exercise Settlement Date for property that is deliverable as a result of an adjustment of the exercised Option pursuant to these Rules; and
- (e) if delivery of the Underlying Interest by the Delivering Clearing Member is not effected by the time provided in this Section B-404, the Receiving Clearing Member shall inform the Corporation of such failure no later than 2:00 p.m. on the Exercise Settlement Date, but failure to do so shall not prevent the application of any provision of the Rules to the Delivering Clearing Member. The Receiving Clearing Member shall notify the Corporation of the default by telephone, with written notification sent by facsimile transmission, to be provided as soon as possible.

Amended 5/90, 4/91, 6/91, 5/96

Section B-405 Obligation of Receiving Clearing Member

The Receiving Clearing Member shall receive the Underlying Interest specified in a report ("Options Unsettled Delivery Report") and make payment of the Exercise Settlement Amount on or before 1:45 p.m. on the date set forth in the report as the Exercise Settlement Date, provided that:

- (a) the Corporation may impose such penalties as it deems appropriate for the failure to make timely payment for the Underlying Interest;
- (b) the Board may extend or postpone the time for delivery or payment whenever, in its opinion, such action is required in the public interest or to meet unusual conditions;
- (c) in the event the Delivering Clearing Member is obligated, pursuant to the provisions of Section B-116, to pay on the Exercise Settlement Date the settlement value in respect of the Underlying Interest, then in lieu of any other right or obligation hereunder or under the Option the Delivering Clearing Member shall be obligated to pay, and the Receiving Clearing Member to receive, the settlement value fixed in accordance with Section B-117;
- (d) the Receiving Clearing Member shall comply with such acknowledgement procedures as may be established in the operating policies and procedures of the Corporation;
- (e) the Corporation may designate a different Exercise Settlement Date for property that is deliverable as a result of an adjustment of the exercised Option pursuant to these Rules; and

- (f) if payment for the Underlying Interest by the Receiving Clearing Member is not effected by the time provided in this Section B-405, the Delivering Clearing Member shall inform the Corporation of such failure no later than 2:00 p.m. on the Exercise Settlement Date, but failure to do so shall not prevent the application of any provision of the Rules to the Receiving Clearing Member. The Delivering Clearing Member shall notify the Corporation of the default by telephone, with written notification sent by facsimile transmission, to be provided as soon as possible.

Amended 5/90, 4/91, 05/96, 02/06

Section B-406 Delivery Prior to Exercise Settlement Date

The acceptance of a delivery prior to the Exercise Settlement Date shall be at the option of the Receiving Clearing Member.

Amended 5/96

Section B-407 Failure to Deliver

If the Delivering Clearing Member required to make delivery under Section B-404 fails to complete such delivery by the Exercise Settlement Date, the Delivering Clearing Member will become a Non-Conforming Member and may be subject to disciplinary action pursuant to Rule A-5. The Corporation may take or cause, authorize or require to be taken whatever steps it may deem necessary to effect delivery or otherwise settle with the Receiving Clearing Member. Without limiting the generality of the foregoing, the Corporation may acquire and deliver the Underlying Interest on the open market, enter into an agreement with the Receiving Clearing Member and the Delivering Clearing Member relating to the failed delivery, and/or take such other action as the Corporation may, in its sole discretion, deem appropriate or necessary in order to ensure that Clearing Members' obligations are fulfilled and any such action shall constitute an obligation of the Delivering Clearing Member. In the event that the purchase of the undelivered Underlying Interest at the best available market for the account of the Receiving Clearing Member exceeds the Exercise Settlement Amount, the Delivering Non-Conforming Member shall be liable for and shall promptly pay to the Corporation or the Receiving Clearing Member as the case may be, the amount of such difference.

Amended 5/96, 9/98

Section B-408 Failure to Receive and Make Payment

If the Receiving Clearing Member required to receive under Section B-405 fails to receive, or fails to pay the Exercise Settlement Amount for, all the Underlying Interest delivered to it in Good Deliverable Form in fulfillment of an exercised Option, and such failure shall continue beyond 1:45 p.m. on the Exercise Settlement Date, the Receiving Clearing Member will become a Non-Conforming Member and may be subject to disciplinary action pursuant to Rule A-5. The Corporation may take or cause, authorize or require to be taken whatever steps it may deems necessary to effect payment to, or otherwise settle with, the Delivering Clearing Member. Without limiting the generality of the foregoing, the Corporation or the Delivering Clearing Member may, upon notice to the Non-Conforming Receiving Clearing Member and, if such action is taken by the Delivering Clearing Member, to the Corporation, sell out in the best available market, for the account and liability of the Non-Conforming Receiving Clearing Member, all or any part of the undelivered Underlying Interest, and/or take such other action as the Corporation may, in its sole discretion, deem appropriate or necessary in order to ensure that the Clearing Members' obligations are fulfilled and any such action shall constitute an obligation of the Receiving Clearing Member. Notice of any deficiency arising from such sell-out shall be submitted immediately to the Corporation and the Non-Conforming Receiving Clearing Member. The Non-Conforming Receiving Clearing Member shall

pay promptly, and in any event prior to 10:00 a.m. on the Business Day immediately following the day on which the sell-out is executed, to the Delivering Clearing Member the difference, if any, between the Exercise Settlement Amount and the price at which such Underlying Interest was sold out

Amended 5/96, 9/98

Section B-409 Penalties and Restrictions

- (1) In addition to measures available to the Corporation against Non-Conforming Members under the Application for Membership the Board shall set by resolution, from time to time, the penalties payable in the event that a Clearing Member fails to make delivery or fails to accept delivery and make payment when required to do so in accordance with the Rules and By-laws; provided, however, that the penalty for any single such failure shall not exceed \$250,000. The amount of these penalties shall be in addition to any other sanctions that may be imposed by the Corporation under Rule A-4 or Rule A-5. If a Clearing Member fails to make delivery or accept delivery and make payment, as required under the Rules and By-laws, such penalty shall be assessed against it commencing as of the Time of Delivery and continuing until the Non-Conforming Member's obligations to the Corporation are fulfilled or the Non-Conforming Member is suspended pursuant to Rule A-4, whichever is the sooner.
- (2) Where at the Time of Delivery a Delivering Clearing Member fails to make delivery or a Receiving Clearing Member fails to accept delivery and make payment, the Non-Conforming Member's clearing activities shall immediately be restricted to Closing Purchase Transactions and Closing Sell Transactions, unless the Corporation determines that it is not necessary to impose such restriction, in whole or in part. This restriction shall continue until the Non-Conforming Member deposits Security Funds with the Corporation in accordance with Sections B-411 and B-412, or, if such funds are not deposited, until otherwise determined by the Chairperson of the Board and any two of its directors. Nothing in this Section B-409(2) shall prevent the Corporation from immediately suspending a Non-Conforming Member under Rule A-4.

New Rule 5/96, 9/98

Section B-410 Notification of Failure to Make Delivery/Make Payment

The Corporation shall report a Non-Conforming Member, and all circumstances surrounding the transaction that the Corporation deems relevant or appropriate, to each of the Exchanges, any appropriate self regulatory agency or regulatory agency, other Clearing Members, and to any other person or organization considered appropriate or necessary by the Corporation. Such notice may include, but is not restricted to, the following information: the identities of the Delivering Clearing Member and the Receiving Clearing Member, the notional value of the transaction, the issue to be delivered, the settlement amount and any other information considered appropriate or relevant by the Corporation.

New Rule 5/96, 9/98

Section B-411 Form of Security Funds

Security Funds shall be in the same form as deposits accepted by the Corporation pursuant to Section A-608.

New Rule 5/96, amended 02/06

Section B-412 Deposit of Security Funds

- (1) Where a Delivering Clearing Member has defaulted on the delivery of an Underlying Interest, it shall become a Non-Conforming Member and it must deliver to the Corporation, within one hour after the Time of Delivery, Security Funds in an amount equal to not less than 105% of the market value of the

Underlying Interest to be delivered. Upon such delivery, the calculation of penalties and implementation of restrictions, as provided for in Section B-409, shall end. The deposit of the Security Funds with the Corporation as herein provided does not discharge any obligation of such Clearing Member to the Corporation including the payment of any penalties or the payment of costs incurred by the Corporation in connection with the Clearing Member's default, and does not preclude the suspension of such Clearing Member under Rule A-4 or the assessment of additional sanctions under Rule A-5.

- (2) Where a Receiving Clearing Member has failed to accept the delivery of an Underlying Interest and make payment therefor, it shall become a Non-Conforming Member and it must deliver to the Corporation, within one hour after the Time of Delivery, Security Funds equal to the settlement value, or, in the sole discretion of the Corporation, in an amount equal to the difference between the liquidating value of the Underlying Interest and the settlement value, or such other amount as the Corporation may determine. Upon such delivery, the calculation of penalties and implementation of restrictions, as provided for in Section B-409, shall end. The deposit of the Security Funds with the Corporation, after the required delivery time, does not discharge any obligation of such Clearing Member to the Corporation including the payment of any penalties or payment of costs incurred by the Corporation in connection with the Clearing Member's default, and does not preclude the suspension of such Clearing Member under Section A-1A04 or the assessment of additional sanctions under Rule A-4 and Rule A-5.
- (3) The Security Funds deposited by a Non-Conforming Member shall be used, together with the Non-Conforming Member's Margin or Clearing Fund deposits, any excess Margin and Clearing Fund deposits placed by that Clearing Member with the Corporation, and any other Clearing Members' funds held by the Corporation for such purposes, by the Corporation to effect delivery of or make payment in respect of the Underlying Interest, or otherwise meet the Corporation's obligations in respect of the transaction.

New Rule 5/96, 9/98

Section B-413 Effecting Delivery/Payment

- (1) Where a Delivering Clearing Member has failed to make a delivery or a Receiving Clearing Member has failed to accept a delivery and make payment therefor, the Corporation shall use any funds available to it for such purposes, in such manner as it shall, in its sole discretion, consider appropriate, to effect delivery of or make payment in respect of the Underlying Interest, or otherwise settle such failed transaction. The Corporation will endeavour to effect delivery or make payment as soon as practicable, given the nature of the Underlying Interest and all of the circumstances of the particular transaction.
- (2) Where the Corporation has effected delivery of or made payment for the Underlying Interest, or otherwise settled the transaction, and the cost of so doing exceeds the Security Funds (if any) deposited under Section B-412, and the Non-Conforming Member's Margin or Clearing Fund deposits, the Non-Conforming Member shall be liable to and shall promptly pay the Corporation the amount of the excess, in addition to any penalties and other sanctions that may be assessed, and the Corporation's reasonable expenses, including legal fees.
- (3) Where the Corporation has effected delivery of or made payment for the Underlying Interest, or otherwise settled the transaction, and the cost of so doing is less than the Security Funds (if any) deposited under Section B-412, any excess, less all assessed penalties and reasonable expenses, including legal fees, incurred by the Corporation, will be promptly returned to the Clearing Member, once the Corporation is satisfied that all obligations of the Clearing Member have been met.

New Rule 5/96, amended 9/98

CANADIAN DERIVATIVES CLEARING CORPORATION

PART C - FUTURES

RULE C-1 CLEARING OF EXCHANGE TRANSACTIONS RESPECTING FUTURES

The provisions of this Part C shall apply only to Exchange Transactions which are trades in Futures issued by the Corporation, pursuant to these rules and to those Clearing Members who are required to make deposits to the Clearing Fund.

Amended 9/90, 02/06

Section C-101 Responsibility of Members for Exchange Transactions

Every Clearing Member shall be responsible for the clearance of its own Exchange Transactions and of the Exchange Transactions of each Exchange member or non-member 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 C-102 Maintenance of Accounts

- (1) Every Ordinary Clearing Member shall establish and maintain with the Corporation the following accounts:
 - (a) One or more Firm Accounts which shall be confined to the Exchange Transactions in Futures of such Clearing Member;
 - (b) A separate On-Floor Professional Trader Account for each On-Floor Professional Trader employed or sponsored by such Clearing Member; and
 - (c) In addition to the foregoing accounts, every Ordinary Clearing Member conducting business with the public in Futures shall also establish and maintain one or more Client Account(s), which shall be confined to the Exchange Transactions of such Clearing Members' clients.

Amended 9/98

Section C-103 Agreement Regarding Accounts

Every Clearing Member shall agree that:

- (1) In respect of a Firm Account:
 - (a) the Corporation shall have a security interest and hypothec on all Long Positions and Short Positions, Securities, Underlying Interest, Margin, Margin Deposit and other ~~funds~~ property in such account as security for all of the Clearing Member's obligations to the Corporation;
 - (b) the Corporation shall have the right to net all ~~selling transactions~~ Opening Selling Transaction and Closing Selling Transactions against all buying transactions effected in such account in accordance with the Rules; and
 - (c) the Corporation may close out the Long Positions and Short Positions in the account and apply the proceeds thereof, at any time without prior notice to the Clearing Member;

- (2) Each On-Floor Professional Trader Account shall be confined to the Exchange Transactions of the On-Floor Professional Trader for which it is established. In addition, a Clearing Member who is registered with an Exchange as an On-Floor Professional Trader may maintain a separate On-Floor Professional Trader Account which shall be confined to such Clearing Member's Exchange Transactions in its capacity as an On-Floor Professional Trader;
- (3) Each On-Floor Professional Trader shall enter into an account agreement with the Clearing Member which shall provide that the On-Floor Professional Trader agrees with the Clearing Member and the Corporation that in respect of each On-Floor Professional Trader Account:
 - (a) the Corporation shall have a security interest and hypothec on all Long Positions in the relevant On-Floor Professional Trader Accounts and Short Positions, Securities, Underlying Interest, Margin, Margin Deposit and other ~~funds~~property in such account with the Clearing Member as security for the Clearing Member's obligations to the Corporation in respect of all Exchange Transactions maintained in such account and Tender Notices assigned to such account;
 - (b) the Corporation shall have the right to net all ~~selling transactions~~Opening Selling Transactions and Closing Selling Transactions against all buying transactions effected in such account in accordance with these Rules; and
 - (c) the Corporation may offset the Long Positions and Short Positions in the account and apply the proceeds thereof, at any time without prior notice to the On-Floor Professional Trader or the Clearing Member;
- (4) In respect of Client Account:
 - (a) the Corporation shall have a security interest and hypothec on all Long Positions and Short Positions, Securities, Underlying Interest, Margin, Margin Deposit and other ~~funds~~property in such account with the Clearing Member as security for the Clearing Member's obligations to the Corporation in respect of all Exchange Transactions maintained in such account and Tender Notices assigned to such account;
 - (b) the Corporation shall have the right to net all ~~selling transactions~~Opening Selling Transaction and Closing Selling Transactions against all buying transactions effected in such account in accordance with these Rules; and
 - (c) the Corporation may offset the Long Positions and Short Positions in the account and apply the proceeds thereof, at any time without prior notice to the Clearing Member.

Amended 5/90, 6/96, 9/98, 02/06

- (5) Each Clearing Member is responsible for all obligations owed to the Corporation in respect of every account opened by or in respect of such Clearing Member.
- (6) Where more than one account is opened by or in respect of a Clearing Member, the Corporation has the right to combine or consolidate the balances on any or all of such Clearing Member's accounts, and to set off any amount or amounts standing from time to time to the credit of any one of such Clearing Member's accounts in or towards payment or satisfaction of all or any of such Clearing Member's obligations to the Corporation on any one or more of such accounts.
- (7) Amounts standing to the credit of a Clearing Member's accounts may be applied by the Corporation towards the payment of any sum whatsoever due by Clearing Member of the Corporation whether or not arising under the Rules.

Section C-104 Novation

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

All 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.

New Rule 02/06

Section C-105 Futures Consolidated Activity Report

- (1) The acceptance of every Exchange Transaction by the Corporation shall be subject to the condition that the Exchange on which such Exchange Transaction occurred shall have provided the Corporation with the following trade information respecting such Exchange Transaction:
- (a) the identity of the buying Clearing Member and the selling Clearing Member and the accounts in which the transaction is effected;
 - (b) the Series of Futures;
 - (c) the price of the Future;
 - (d) the number of Futures;
 - (e) in the case of a transaction in a Client Account, whether it is an opening or closing transaction; and
 - (f) such other information as may be required by the Corporation.

In the event any transaction is rejected as herein provided, the Corporation shall promptly notify the Clearing Member and all other Clearing Members involved.

- (2) Following the receipt by the Corporation of the information referred to in subsection (1) with respect to each Exchange Transaction effected by a Clearing Member in a day, the Corporation shall produce a Futures Consolidated Activity Report with respect to each account of a Clearing Member containing the following information:
- (a) the incoming Long Positions and Short Positions;
 - (b) the prior day's trades;
 - (c) the position changes;
 - (d) the closing Long Positions and Short Positions; and
 - (e) the net dollar gain or net dollar loss for the day.

Amended 5/90, 9/98, 02/06

Section C-106 Obligations of the Corporation

An Exchange Transaction shall, subject to Sections C-~~105 and C-109~~105, be deemed to have been accepted by the Corporation ~~one hour following the Settlement Time for~~at the time the trade information in respect of such Exchange Transaction is received by the Corporation from the Exchange. Upon the acceptance of an Exchange Transaction by the Corporation, the rights of the Clearing Members to such transaction shall be solely against the Corporation and the Corporation shall be obliged solely to the Clearing Members in accordance with the provisions of the Rules. Upon acceptance, the Corporation shall be obligated as follows:

- (a) in an Opening Buy Transaction, the Corporation shall be obligated to increase the purchasing Clearing Member's Long Position of such series in the account in which the Exchange Transaction was effected by the number of Futures purchased in such Exchange Transaction;
- (b) in an Opening Sell Transaction, the Corporation shall be obligated to increase the selling Clearing Member's Short Position of such series in the account in which the Exchange Transaction was effected by the number of Futures sold in such Exchange Transaction;

- (c) in a Closing Buy Transaction, the Corporation shall be obligated to reduce the purchasing Clearing Member's Short Position of such series in the account in which the Exchange Transaction was effected by the number of Futures purchased in such transaction;
- (d) in a Closing Sell Transaction, the Corporation shall be obligated to reduce the selling Clearing Member's Long Position of such series in the account in which the Exchange Transaction was effected by the number of Futures sold in such transaction.

Amended 6/96, 9/98

Section C-106 Limitation of Liability

Amended 6/96, 9/98, abrogated 02/06

Section C-107 Netting of Open Long Positions and Short Positions

- (1) When any Clearing Member is long or short any Futures and desires to close out such position, he shall sell, in the case of a Long Position, and buy, in the case of a Short Position, the same quantity of the same series of Futures.
- (2) A Long Position and a Short Position in the same series of Futures in a particular Firm Account or particular On-Floor Professional Trader Account shall be automatically netted in such account by the Corporation.
- (3) An open Long Position or an open Short Position in a Client Account shall be reduced by an Exchange Transaction only if the Corporation is informed specifically that it is a closing transaction.

Amended 9/98

Section C-108 General Rights and Obligations of Clearing Members

- (1) Subject to the provisions of the Rules, a Clearing Member holding a Short Position has the obligation, commencing at the time of acceptance of the Future by the Corporation pursuant to this Rule C-I, to deliver or pay as directed by the Corporation as the aggregate Settlement Amount the amount or value of the Underlying Interest represented by such Future, all in accordance with the by-laws and rules of the Exchanges and these Rules.
- (2) A Clearing Member holding a long Futures position is obligated, upon the assignment to the Clearing Member of a Tender Notice in respect of such Future, to pay the aggregate Settlement Amount against delivery of the amount or value of the Underlying Interest represented by such Future, all in accordance with the by-laws and rules of the Exchanges and these Rules.

Amended 6/96

Section C-109 Amounts Owed in Futures Accounts

Amended 5/90, abrogated 02/06

Section C-109 Payment of Credit Balances

- (1) ~~The~~ On each Business Day immediately following the acceptance of ~~every Exchange Transaction and the assumption by the Corporation of the obligations as provided in Section C-106 shall be subject to the condition that the Corporation shall have received payment,~~ an Exchange Transaction, the Clearing Member shall pay to the Corporation at or prior to the Settlement Time on such Business

Day, of all amounts ~~owed due~~ to the Corporation ~~by from~~ the purchasing Clearing Member in the account in which ~~the such~~ Exchange Transaction is effected. ~~In the event if~~ the Corporation ~~fails to receive has not received~~ such payment by the Settlement Time, ~~the Corporation may in its sole discretion reject all unpaid opening and closing transactions in such account; however,~~ the Corporation shall have the right to apply any funds available in a Clearing Member's ~~Firm Account accounts~~ or to liquidate the ~~Long Positions and Short Positions~~ positions in such ~~Firm Account accounts~~ and apply the proceeds thereof to the payment of the ~~amount owed as shown in any other account of such Clearing Member.~~

~~(2) In the event any transaction is rejected as herein provided, the Corporation shall promptly notify the Clearing Member and all other Clearing Members involved.~~ ~~(3) In the event the Corporation shall in its sole discretion accept any Exchange Transaction in an account for which full payment of any amount owing has not been made, the Corporation may apply any~~ amounts due by such Clearing Member. ~~If the~~ funds of the Clearing Member ~~that are in the possession of or at the disposal of the Corporation to the payment of such debit balance; however, the Corporation shall not apply funds in a Client Account for the payment of an amount owing on transactions in any account other than the Client Account, and further, the Corporation shall not apply any funds in an On-Floor Professional Trader Account for the payment of any amount owing on transactions in any account other than that On-Floor Professional Trader Account.~~ (if any) applied by the Corporation to the payment of the premium of such Exchange Transaction are insufficient to pay such premium in full, the Long Position resulting from the acceptance of such transactions by the Corporation shall be subject to a lien, security interest and hypothec in favour of the Corporation and the Corporation shall have the right to close out or to exercise such Long Position and to apply the proceeds in satisfaction of the Clearing Member's obligations to the Corporation.

~~(4)~~ (2) If a Clearing Member is late in making ~~all payments~~ any payment at Settlement Time, the Corporation may, in its sole discretion, elect to deem that Clearing Member a Non-Conforming Member. ~~If that Clearing Member has not yet made all payments one hour after Settlement Time, the Corporation shall deem that Clearing Member a Non-Conforming Member, if it has not yet been deemed to be such,~~ and the Board may suspend that Non-Conforming Member. The Board may impose such fines, penalties or other sanctions as it deems fit in respect of a Non-Conforming Member who is late in making payment of its premium.

Amended 9/98, 02/06

Section C-110 Long Positions

The Long Position of a Clearing Member in a Series of Futures in a particular account will be created upon the Corporation's acceptance of an Opening Buy Transaction of one or more Futures of such series in such account. The amount of such Long Position shall be the number of Futures so purchased and accepted, and such Long Position shall remain in force from day to day thereafter unless and until changed in accordance with the following:

- (a) the Long Position shall be increased by the number of Futures of such series bought in such account and accepted by the Corporation.
- (b) the Long Position shall be reduced by the number of Futures of such series which are the subject of Tender Notices assigned to the Clearing Member for such account;
- (c) the Long Position shall be reduced by the number of Futures of such series which are the subject of Closing Sell Transactions in such account which are accepted by the Corporation;
- (d) the Long Position shall be increased by the number of Long Positions of such Series of Futures 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.

- (e) the Long Position shall be reduced by the number of Long Positions of such Series of Futures 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; and
- (f) the Long Position may be closed out or transferred by the Corporation in accordance with these Rules, including but not limited to the occurrence of any default by the Clearing Member or upon the Clearing Member's suspension, expulsion, termination of membership, or insolvency.

Amended 02/06

Section C-111 Short Positions

The Short Position of a Clearing Member in a Series of Futures in a particular account will be created upon the Corporation's acceptance of such Clearing Member's Opening Sell Transaction in such account in respect of one or more Futures of such series. The amount of such Short Position shall be the number of such Futures involved in such transaction, and the Short Position shall remain in force from day to day thereafter unless and until changed in accordance with the following:

- (a) the Short Position shall be increased by the number of Futures of such series which are the subject of Opening Sell Transactions in such account and accepted by the Corporation;
- (b) the Short Position shall be reduced by the number of Futures of such series for which the Clearing Member files a Tender Notice with the Corporation;
- (c) the Short Position shall be reduced by the number of Futures of such series which are the subject of Closing Buy Transactions in such account which are accepted by the Corporation;
- (d) the Short Position shall be increased by the number of Futures of such series 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;
- (e) the Short Position shall be reduced by the number of Futures of such series 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; and
- (f) the Short Position may be closed out or transferred by the Corporation in accordance with these rules including, without limitation, upon the occurrence of any default by the Clearing Member or upon the Clearing Member's suspension, expulsion, termination of membership, or insolvency.

Amended 02/06

Section C-112 Agreements of a Selling Clearing Member in an Opening Sell Transaction

The selling Clearing Member in an Opening Sell Transaction agrees with the Corporation that:

- (a) upon the Corporation's acceptance of such transaction, the Short Position of the Clearing Member in the account in which the transaction is effected shall be created or increased, and subsequently maintained, in accordance with Section C-111.

- (b) so long as such Short Position is thereafter maintained, the selling Clearing Member shall make all required margin payments in accordance with these ~~rules~~Rules; and
- (c) in the event that such Clearing Member submits a Tender Notice in respect of such Short Position, the Clearing Member will meet its obligations as specified in Section C-108.

Amended 02/06

Section C-113 Agreements of a Buying Clearing Member in an Opening Buy Transaction

The buying Clearing Member in an Opening Buy Transaction agrees with the Corporation that:

- (a) upon the Corporation's acceptance of such transaction, the Long Position of the Clearing Member in the account in which the transaction is effected shall be created or increased and subsequently maintained in accordance with Section C-110;
- (b) so long as such Long Position is thereafter maintained, the buying Clearing Member shall make all required margin payments in accordance with these rules; and
- (c) in the event that any Tender Notice is assigned to such Clearing Member, it shall meet its obligations as specified in Section C-108.

Amended 02/06

Section C-114 Closing Transactions

- (1) A Clearing Member shall not effect a closing transaction in respect of a Long Position in a series of Futures in an account unless, at the time of such transaction, such Clearing Member has a Long Position in such account for at least the number of Futures of that series involved in such transaction.
- (2) A Clearing Member shall not effect a closing transaction in respect of a Short Position in a Series of Futures in an account unless, at the time of such transaction, such Clearing Member has a Short Position in such account for at least the number of Futures of that series involved in such transaction.
- (3) The Clearing Member in a closing transaction agrees that, upon the Corporation's acceptance of such transaction, the Corporation shall reduce the Clearing Member's Long or Short Position, as the case may be, in the account through which the transaction was effected by the number of Futures involved.

Amended 02/06

RULE C-17 30-DAY OVERNIGHT REPO RATE FUTURES

(SYMBOL - ONX)

The sections of this Rule C-17 are applicable only to Futures settling on a future date where the Underlying Interest is the 30-day ~~overnight repo rate~~ Overnight Repo Rate.

Section C-1701 Definitions

Notwithstanding Section A-102, for the purposes of the 30-day ~~overnight repo rate~~ Overnight Repo Rate Futures contract, the following terms are as defined:

- "Final Settlement Price" - The Final Settlement Price shall be determined by the Exchange on which the Futures trade by subtracting from 100 the monthly arithmetic average of the daily ~~overnight repo rate~~ Overnight Repo Rate for the contract month rounded to the nearest tenth of a basis point. The decimal fraction ending in a five (5) or higher shall be rounded up.
- "Multiplier" - the value of the tick used to calculate the size of the contract as specified by the Exchange on which the Futures trade.
- "Overnight Repo Rate " - means the Canadian Overnight Repo Rate published by the Bank of Canada being the weighted average rate of overnight general (non-specific) collateral repo trades on a specified date as reported to the Bank of Canada.
- "Overnight Repo Rate Index" - 100 minus the monthly average ~~overnight repo rate~~ Overnight Repo Rate for the contract month.
- "Underlying Interest" - ~~overnight repo rate~~ Overnight Repo Rate calculated on a 30-day basis and quoted in ~~term~~ terms of an Overnight Repo Rate Index.

Section C-1702 Settlement in Cash Through the Corporation

Notwithstanding Section C-501, for the purposes of the 30-day ~~overnight repo rate~~ Overnight Repo Rate Futures, the following applies.

Unless otherwise specified by the Corporation, settlement of positions held following the close of trading on the last day of trading in a Series of Futures shall be on the first Business Day following the last day of trading. Settlement shall be made by an exchange of cash between the Corporation and each of the short and long Clearing Members. The amount to be paid or received in final settlement of each position opened on or prior to the last day of trading shall be the difference between

- (i) the Final Settlement Price and
- (ii) the Settlement Price of the contract on the last day of trading

multiplied by the Multiplier of the contract.

Section C-1703 Tender Notices

As there is no provision to tender delivery of cash settlement Futures, Sections C-502 through C-509 inclusive shall not apply to 30-day ~~overnight repo rate~~ Overnight Repo Rate Futures.

Section C-1704 Adjustments

No adjustments will ordinarily be made in the terms of the 30-day ~~overnight repo rate~~Overnight Repo Rate Futures in the event that the Overnight Repo Rate Index is changed. However, if the Corporation shall determine in its sole discretion that any such change causes significant discontinuity in the level of the Overnight Repo Rate Index, the Corporation may adjust the terms of the affected ~~overnight repo rate~~Overnight Repo Rate Futures by taking such action as the Corporation in its sole discretion deems fair to Clearing Members holding Long and Short Positions.

In the event that a governmental agency or body issues an order, ruling, directive or law pertaining to repo transactions and the Corporation determines that a discontinuity in the level of the Overnight Repo Rate Index is caused by such a Government order, it shall take such action as it deems necessary and fair under the circumstances.

Section C-1705 Unavailability or Inaccuracy of Current Value

- (1) If the Corporation shall determine that the Final Settlement Price for any series of 30-day ~~overnight repo rate~~Overnight Repo Rate Futures is unreported or otherwise unavailable for purposes of calculating the gains and losses, then, in addition to any other actions that the Corporation may be entitled to take under the By-laws and Rules, the Corporation may do any or all of the following:
 - (a) suspend the Settlement of Gains and Losses. At such time as the Corporation determines that the required Final Settlement Price is available, the Corporation shall fix a new date for Settlement of the Gains and Losses.
 - (b) fix the Final Settlement Price in accordance with the best information available as to the correct Final Settlement Price.
- (2) The Final Settlement Price as reported by the Exchange on which the Futures trade shall be conclusively deemed to be accurate except that where the Corporation determines in its sole discretion that there is a material inaccuracy in the reported Final Settlement 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 Final Settlement Price to be used for settlement purposes.

As the 30-day ~~overnight repo rate~~Overnight Repo Rate Futures are cash settled, Sections C-510 and C-512 inclusive are not applicable.

New Rule 05/09/02

CANADIAN DERIVATIVES CLEARING CORPORATION

PART D- OVER-THE-COUNTER DERIVATIVE INSTRUMENTS (“OTC DI”)

RULE D-1 CLEARING OF OVER-THE-COUNTER DERIVATIVE INSTRUMENTS (“OTC DI”)

The provisions of this Part D shall apply only to OTC DI which are cleared by the Corporation, pursuant to these rules and to those Clearing Members who are required to make deposits to an OTC DI Clearing Fund.

New Rule 02/06

Section D-101 Responsibility of Members for OTC DI

Every Clearing Member shall be responsible for the clearance of its own OTC DI transactions and of the OTC DI 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.

New Rule 02/06

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 Accounts which shall be confined to OTC DI transactions of such Clearing Member;
 - (b) In addition to the foregoing accounts, every Clearing Member conducting business with the public in OTC DI shall also establish and maintain one or more Client Account(s), which shall be confined to the OTC DI transactions of such Clearing Members' clients.

New Rule 02/06

Section D-103 Agreement Regarding Accounts

Every Clearing Member shall agree that:

- (1) In respect of ~~a Firm Account~~ Firm Accounts in the name of such Clearing Member, the Corporation shall have a security interest and hypothec on all Long Positions and Short Positions, Securities, Underlying Interest, Margin, Margin Deposit and other ~~funds~~ property in such ~~account~~ accounts as security for all of the Clearing Member's obligations to the Corporation;
- (2) In respect of a Client Account: the Corporation shall have a security interest ~~or~~ and hypothec on all Long Positions and Short Positions, Securities, Underlying Interest, Margin, Margin Deposit and other ~~funds~~ property in such account with the Clearing Member as security for the Clearing Member's obligations to the Corporation in respect of all OTC DI maintained in such account. Notwithstanding the above, the Corporation shall not have a security interest and hypothec on the Long Positions in Options in a Client Account.
- (3) The Corporation may 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.

- (4) Each Clearing Member is responsible for all obligations owed to the Corporation in respect of every account opened by or in respect of such Clearing Member.
- (5) Subject to Section A-704(2), where more than one account is opened by or in respect of a Clearing Member, the Corporation has the right to combine or consolidate the balances on any or all of such Clearing Member's accounts, and to set off any amount or amounts standing from time to time to the credit of any one of such Clearing Member's accounts in or towards payment or satisfaction of all or any of such Clearing Member's obligations to the Corporation on any one or more of such accounts.
- (6) Amounts standing to the credit of a Clearing Member's accounts may be applied by the Corporation towards the payment of any sum whatsoever due by a Clearing Member to the Corporation whether or not arising under the Rules.

New Rule 02/06, amended 10/06

Section D-104 Acceptance Criteria

Acceptance Criteria reflect the acceptance parameters for an OTC DI transaction to be cleared by the Corporation. These Acceptance Criteria will be updated and communicated through a notice to Members from time to time by the Corporation and will include, amongst other things, the following:

- 1) With respect to the transaction:
 - a) that the Underlying Interest of the OTC DI is one of the Acceptable Underlying Interests;
 - b) that the OTC DI 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 OTC DI transaction respects the thresholds as defined by the Corporation;
 - e) that the counterparties involved in the original OTC DI 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.
- 3) Exemptions: A Clearing Member 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 clause (1) (a) above, with respect to OTC DI 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 OTC DI 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. 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 OTC DI that are options on Underlying Interest that respect one or many of the criteria of paragraph (1) of section B-604.

New Rule 02/06, amended 10/06

Section D-105 Novation

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

All OTC DI 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.

New Rule 02/06

Section D-106 Obligations of the Corporation

Acceptance by the Corporation of an OTC DI 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 OTC DI 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.

Section D-107 Obligations of the Clearing Member

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

New Rule 10/06

Section D-108 Transaction Reporting

- 1) The acceptance of every OTC DI transaction by the Corporation as provided in Section D-104 shall be subject to the condition that the Acceptable Marketplace on which such OTC DI transaction occurred, or the parties involved in such transaction, have provided the Corporation with the following information:
 - a) The identity of 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-406 or D-506 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 (1) of this Section D-108.
- 4) For the purpose of OTC DI transactions that are Options, the Corporation is not the issuer of those Options.

New Rule 10/06

Section D-109 Position Management

- 1) A Long Position or a Short Position in OTC DI transactions will be created upon the Corporation's acceptance of such OTC DI transaction and the management of such positions will remain consistent with the operating policies and procedures of the Corporation then in effect.
- 2) For OTC DI 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 Long Position or Short 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 Long Position or Short Position shall be eliminated at the Expiration Time for such Series of Options;
 - c) The Long Position or Short 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 Long Position or Short 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 Long Position or Short Position may be adjusted from time to time in accordance with Rule A-9.

New Rule 02/06, amended 10/06

D-110 Limitation of Liability

For OTC DI transactions where there is a Guaranteeing Delivery Agent, the Corporation shall not be responsible for the performance of the obligations related to the OTC DI 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.

Amended 10/06

D-111 General Rights and Obligations of Clearing Members for OTC DI

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

For the purposes of OTC DI transactions which are Options, Section B-110 shall apply to OTC DI transactions by making the necessary adaptation to give effect to the original intention of the aforementioned sections. In making the necessary adaptations it should be considered that Options which are OTC DI transactions are not issued by the Corporation.

New Rule 02/06, amended 10/06

Section B-414 Other Powers of the Corporation

Notwithstanding the foregoing, the Corporation shall have the power to require a Non-Conforming Member to deposit such other funds or Security as the Corporation may, in its sole discretion, determine is necessary or advisable given the nature and value of the Underlying Interest and all of the circumstances of the failed transaction. A Non-Conforming Member shall cooperate fully with the Corporation in respect of the failed transaction and shall promptly provide the Corporation with such information relating thereto and to the Non-Conforming Member, as the Corporation may request.

New Rule 5/96, amended 9/98

Section B-415 Suspension and Other Disciplinary Action

Notwithstanding any penalties or restrictions imposed on the Non-Conforming Member pursuant to Section B-409, the Corporation may suspend or impose the sanctions provided for in Section A-1A04 and Rules A-4 and A-5 on a Non-Conforming Member.

New Rule 5/96, amended 9/98

Section B-416 Force Majeure

If delivery, settlement or acceptance or any precondition or requirement is prevented by “Force Majeure” such as but not limited to strike, fire, accident, act of government, act of God or other emergency, the affected Clearing Member shall immediately notify the Exchange involved and the Corporation. The Exchange involved and the Corporation shall take such action as they deem necessary under the circumstances and their decision shall be binding upon all parties to the contract. Without limiting the generality of the foregoing, they may modify the Settlement Time and/or the settlement date; designate alternate or new delivery and settlement points or alternate or new procedures in the event of conditions interfering with the normal operations of approved facilities or delivery and settlement process; and/or fix a Settlement Price.

New Rule 5/96, amended 9/98, 02/06