

NOTICE TO MEMBERS

No. 2020 - 046

April 2, 2020

Covid-19 Discretionary Initial Margin Requirements

Further to notices numbered M37-20 and M39-20 dated March 27 and 30th, 2020, CDCC hereby provides notification that under the provisions of Rule A-702, a Discretionary Initial Margin requirement will be requested by CDCC to the Clearing Members and will come into effect on the 10:30 am margin run on Friday, April 3rd, 2020. This measure addresses recently observed market volatility and will remain in effect for an indefinite period.

This change in Margin requirement will be applied directly at the product level for Options, Futures and Fixed Income Transactions. Accordingly, the daily Risk Parameters for Options and Futures contracts will be increased by a 1.15 multiplier. Initial Margin for Fixed Income Transactions will also be increased by a 1.15 multiplier relative to their current value.

Please note that this change will directly be taken into account under CDCC's current risk management and operational processes. Hence, other than a direct increase of the Base Initial Margin at the product level, no other impact to Clearing Members is foreseen.

Details on the Discretionary Initial Margin requirement

Options and Futures

The change in Margin requirement corresponding to a temporary multiplier of 1.15 will be applied relative to the current daily Risk Parameters for Options and Futures as described in our Risk Manual.

The following Risk parameters will be impacted in the Margin Interval Files:

- MI for options;
- MI for Futures;
- MI for Share Futures;
- BAX Intra-Commodity and Butterfly Spread Charges;
- Inter-Month strategies; and
- Inter-Month Spread Charge for other Futures

Please note that these revised Risk Parameters will be taken into account under the same current margin process and timelines, including the daily Margin Intervals Files update and publication (https://www.cdcc.ca/miFiles_en), the margin runs timelines and the end-of-the SPAN Risk array file publication (https://www.cdcc.ca/spanFiles_en).

Margin requirements for Options and Futures (including the Discretionary Initial Margin requirement) are displayed in the MS06 report.



Fixed Income Transactions

The change in Margin requirement will be applied relative to the current risk methodology and based on CDCC's Base Initial Margin model for Fixed Income Transactions as described in our Risk Manual. This means that CDCC will apply a temporary Margin Multiplier of 1.15 to the current Initial Margin for Fixed Income Transactions for all the VaR Risk Groups (Canada, Quebec, Ontario, British-Colombia and Canada-RRBs).

Margin requirements for Fixed Income Transactions (including the Discretionary Initial Margin requirement) are displayed in the MS06 report.

Impact on other margin deposits

The increase of the Base Initial Margin will continue to be integrated in all our current risk management processes such as the margin add-ons requirement and the Clearing Fund requirement as described in the CDCC Risk Manual.

For any further information, please contact the Risk Management Department at (514) 871-3505.

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