



NOTICE TO MEMBERS

No. 2010-062

July 7, 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 OTHER ANCILLARY AMENDMENTS TO EXISTING RULES OF CDCC AND AMENDED AND RESTATED OPERATIONS MANUAL

Summary

On April 9, 2010, 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.

On April 16, 2010, the CDCC published a request for comments in connection with the proposed addition of Rule D-6 and changes to Parts A, B, C and D of the CDCC Rules.

On June 29, 2010, the Board of Directors of the CDCC approved an amended and restated version of the proposed addition of Rule D-6, of the changes to Parts A, B, C and D of the CDCC and of the Operations Manual of the CDCC.

You will find enclosed the amended and restated analysis document of the proposed rule amendments, the amended and restated proposed Rule amendments as well as the amended and restated Operations Manual.

The changes made since the request for comments of April 16, 2010 may be provided on request.

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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 the rules of CDCC. The amendments will be transmitted to the Autorité in accordance with the self-certification process as established in the *Derivatives Act* (R.S.Q., chapter I-14.01).

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

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

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Corporate Secretary
Autorité des marchés financiers
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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 AND AMENDED AND RESTATED OPERATIONS MANUAL

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, and the right of substitution. Ancillary changes will also be made to other sections of the CDCC Rules to treat fails and partial deliveries and for overall consistency.

In addition to clearing fixed income transactions, CDCC will also be making certain changes to the CDCC Rules in order to ensure that it meets the Bank of Canada’s requirements if designated under the *Payment Clearing & Settlement Act* (Canada) as a “designated clearing and settlement system”. One of these changes is to use the Bank of Canada’s large value transfer system (“LVTS”) in order to process Canadian dollar payments to and from clearing members.

The Operations Manual of CDCC is an integral part of the operating rules of the Corporation. It comprises the procedural aspects of the relationship between CDCC and its Clearing Members, and incorporates the Risk Manual and the Default Manual as an appendix thereof. The Operations Manual has not yet been submitted for self-certification under the Derivatives Act (Quebec) (“QDA”). With the extension of CDCC’s activity to the clearing of fixed income transactions and the use of LVTS, CDCC reviewed and updated all existing sections of the Operations Manual, with the view to self-certifying an amended and restated version of the Operations Manual together with the changes to the Rules of CDCC in accordance with the QDA.

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 serves 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 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.

Section D-603 Essential Terms of Fixed Income Transactions

This section specifies 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 in respect of fixed income transactions will be calculated, aggregated and netted against each other (and further netted against other payments owing in respect of other product types under Rule A-801) and are effected by banking transfers at the LVTs level. Such other net amounts relating to fixed income transactions are: (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.

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-101 Scope of Application](#)

[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-208 Force Majeure or Emergency](#)

[Section A-210 Distribution of Information, Confidentiality & Use of CDCC Materials](#)

[Section A-212 Deposits and Withdrawals](#)

[Section A-213 Accounts with Financial Institutions](#)

[Section A-215 Liability](#)

[Section A-218 Corporation as Agent re Settlement Accounts \(new\)](#)

[Section A-219 Waiver of Immunity \(new\)](#)

[Section A-220 Paramountcy \(new\)](#)

[Section A-221 Governing Law \(new\)](#)

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

[Section A-303 Early Warning](#)

[Section A-305 Filing Procedures](#)

[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-613 Approved Depositories](#)

[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-803 Application of Settlement Credit (deleted)
Section A-803 Physical Settlement (new)
Section A-804 Application of Cash Margin Excess (deleted)
Section A-804 Failed and Partial Deliveries (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 B-416 Force Majeure or Emergency
Section C-103 Agreement Regarding Accounts
Section C-105 Futures Sub-Account Consolidated Activity Report
Section C-106 Obligations of the Corporation
Section C-109 Payment of Credit Balances
Section C-503 Submission of Tender Notice
Section C-510 Obligation to Deliver
Section C-511 Obligation to Take Delivery
Section C-512 Failure to Deliver (deleted)
Section C-513 Failure to Accept Delivery and Make Payment (deleted)
Section C-514 Penalties and Restrictions (deleted)
Section C-515 Notification of Failure to Make Delivery (renumbered C-512)
Section C-516 Security Funds (deleted)
Section C-517 Deposit of Security Funds (deleted)
Section C-518 Effecting Delivery/Payment (deleted)
Section C-519 Other Powers of the Corporation (renumbered C-513)
Section C-520 Suspension and Other Disciplinary Action (renumbered C-514)
Section C-521 Force Majeure or Emergency (renumbered C-515)
Section C-1004 Delivery Through the Corporation
Section C-1103 Submission of Tender Notices
Section C-1104 Delivery Through the [Clearing] (deleted) Corporation
Section C-1303 Submission of Tender Notices
Section C-1304 Delivery Through the [Clearing] (deleted) Corporation
Section C-1403 Submission of Tender Notices
Section C-1404 Delivery Through the [Clearing] (deleted) Corporation
Section C-1603 Submission of Tender Notices
Section C-1604 Delivery Through the [Clearing] (deleted) Corporation
Rule C-17 30-Day Overnight Repo Rate Futures
Section C-1803 Submission of Tender Notices
Section C-1804 Delivery Through the [Clearing] (deleted) Corporation
Section C-1904 Delivery Through the [Clearing] (deleted) Corporation
Section C-2006 Force Majeure or Emergency
Section D-103 Agreement Regarding Accounts
Section D-311 Force Majeure or Emergency

CDCC is also proposing to amend various sections with conforming changes, as described in more detail in Annex 2 hereto.

1.3 CDCC is also proposing an amended and restated version of its Operations Manual comprising sections and schedules that can be summarized as follows (the proposed Amended and Restated Operations Manual is provided in Annex 5 hereto):

Section 1 – PREAMBLE AND DEFINITIONS

The preamble sets forth the purpose of the Operations Manual, that the Rules (excluding the Operations Manual) prevail over the Operations Manual and the Rules (including the Operations Manual) prevail over the Membership Agreement and summarizes what is covered in this document.

Definitions have been added to clarify the meaning of certain terminology that is used in the Operations Manual and not already defined elsewhere in the Rules.

Section 2 – TIME FRAMES

This section sets forth all the various timeframes applicable to or in connection with the clearing of positions.

Section 3 – REPORTS

This section provides information with respect to reports produced by CDCC. It explains how the codes should be interpreted and lists all reports by their code, name and description.

Section 4 – TRADE PROCESSING

This section provides details with respect to submission of trades to CDCC for clearing and how CDCC maintains positions in the different accounts of each Clearing Member.

Section 5 – OPEN POSITIONS

This section covers how positions, once accepted for clearing by CDCC, affect the Open Position of the Clearing Member and how each Clearing Member must verify its information and may make certain adjustments in certain cases to its positions.

Section 6 – EXERCISES, TENDERS, ASSIGNMENTS AND DELIVERIES

This section sets forth procedural aspects of submitting and assigning Exercise Notices and Tender Notices in the context of expiries of Options and deliveries of Futures. It also sets forth the netting and delivery process with respect to Fixed Income Transactions.

Section 7 – SETTLEMENT

This section sets forth the procedures with respect to payments between CDCC and the Clearing Members, and details with respect to fines imposed by CDCC on late payments.

Section 8 – ADDITIONAL MARGIN PROCESSING

This section sets forth procedures with respect to additional margin transfers, deposits and withdrawals, between CDCC and its Clearing Members.

Section 9 – CLEARING FEES

This section sets forth how applicable fees are charged for clearing services and additional services and reported to Clearing Members.

Schedule A – THE RISK MANUAL

This schedule sets forth the risk management methodology used by CDCC, covering membership eligibility criteria, margining mechanisms, clearing fund contributions, collateral management, default process, contract adjustment process and methodology with respect to admissibility of forms of margin deposits; and the Default Manual as an appendix thereto.

Schedule B – DEPOSITORY AGREEMENT TEMPLATES

This schedule reproduces various forms of depository agreements acceptable to CDCC.

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 ("IDA") (now known as *Investment Industry Regulatory Organization of Canada*) ("IIROC") 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.

- The rationale for issuing an amended and restated Operations Manual is to incorporate the clearing procedures specific to the new fixed income clearing service offered by CDCC and changes relating to the use of LVTS, as well as conforming the entire manual with the Rules of CDCC.

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

The objectives of adopting new Rule D-6 and other ancillary changes 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.

The proposed amendments and restatement of the Operations Manual and its publication in accordance with the self-certification process under the QDA are intended to provide a coherent regulatory framework applicable to the clearing services offered by CDCC which is transparent to the financial industry.

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 sent to the Autorité des marchés financiers ("AMF") in accordance with the self-certification process, and to the Ontario Securities Commission for information purposes. The proposed amendments will also be published for a thirty (30) day comment period.

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 5 – Proposed amended and restated Operations Manual

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

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 and to those Clearing Members who are required to make deposits to the Clearing Fund with respect to Fixed Income Clearing.

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 paragraph 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 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 Subsection 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 or on behalf of its Affiliates, 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” – means, in respect of a Repo Position, the overnight index swap (“OIS”) rate as published by Bloomberg for a term that is the same as the Term of such Repo Position (and if an OIS rate is not available for the applicable Term, such Floating Price Rate will be determined by interpolating the OIS rate between the two terms published by Bloomberg that are closest to the applicable Term), as determined by the Corporation in accordance with its customary practices for purposes of calculating mark-to-market payments and margin payments..

“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 Subsection 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 Subsection 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 Subsection 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 Subsection 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 Subsection D-606(2).

“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.

“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 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.

“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

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 Subsection 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 party receiving such Purchased Securities, Equivalent Securities and money upon transfer or payment, and no security interest or hypothec is created in the Purchased Securities and Equivalent Securities and money transferred or paid. 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). Any Cash Buy or Sell Trade may be submitted for clearing to the Corporation through the CDS trade matching facility. 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 or the CDS trade matching facility, as applicable.
- (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. The Corporation will not accept a Repurchase Transaction with a Repurchase Date later than the maturity date of the applicable Purchased Securities.
- (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) The Corporation shall reject the Repo or Cash Buy or Sell Trade 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. 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 Subsection 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 Subsection 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 applicable 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 applicable 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 applicable 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 (which Net Delivery Obligation shall be subject to further netting pursuant to Section A-801(2)(c) and the other provisions of Rule A-8); 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 other than as permitted under Section A-801(2)(b) and Rule A-8.

(4) At the applicable 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 Subsection 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 paragraph 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 paragraph 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, paragraph A-801(2)(a) and the other provisions of Rule A-8.

(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.

(4) The delivery of Margin under this Section D-607 shall be subject to the netting provisions of Subsection A-801(2)(d) and to Rule A-7 and the other provisions of Rule A-8.

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.

Annex 2
Description of amendments to other sections of CDCC Rules

Section A-101 Scope of Application

This section is being amended by deleting references to specific Parts of the Rules which was too restrictive.

Section A-102 Definitions

Some definitions are being added (“Acceptable Security”, “CDS”, “Central Securities Depository”, “CUSIP/ISIN”, “Detailed Futures Consolidated Activity Report”, “Failed Delivery”, “Futures Sub-Account Consolidated Activity Report”, “Netting Cut-Off Time”, “Postponed Payment Obligation”, “Provider of Securities”, “Receiver of Securities”, “Rolling Delivery Obligation”, “Settlement Accounts”), and others are being amended (“Acceptable Instrument Types”, “Acceptable Underlying Interests”, “Acceptable Marketplace”, “Application for Membership”, “Clearing Fund”, “Contract Specifications”, “Exercise Settlement Date”, “Joint Regulatory Financial Questionnaire and Report”, “Margin Deposit”, “Option”, “Ordinary Clearing Member”, “Rules”, “SRO Clearing Member”, “Settlement Time”, “Transactions”, “Uncovered Residual Risk”), consistent with new Rule D-6. The terms “Futures Consolidated Activity Report” and “OTC DI Margin Requirement Report” and their definitions are being deleted. The definitions of “Client” and “Firm Account” have been amended, and a definition of “Affiliates” added, to clarify that Transactions cleared by a Fixed Income Clearing Member on behalf of its own Affiliates will be recorded to that Fixed Income Clearing Member’s Firm Account, rather than to a Client Account. A definition of “Multi-Purpose Account” was added to conform with CDCC’s current practice and the definition of “Firm Account” was amended to include a “Multi-Purpose Account”. The definitions of “CDCC Materials” and “Approved Processes” were added in light of a new intellectual property protection provision added as section A-210(3). The definition “Risk Manual” was added to clarify the components of the Operations Manual. The definition of “Emergency” was amended in light of changes to the “Force Majeure or Emergency” provisions in various sections of the Rules.

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 Clearing 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 Clearing Member shall be automatically deemed non-conforming one hour after Settlement Time if it has not satisfied any settlement obligation owed by such time. The amended section provides that CDCC

has sole discretion in deciding when a Clearing Member shall be deemed non-conforming whenever it 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-208 Force Majeure or Emergency

Subsection A-208(1) which was a limitation of liability clause was deleted as limitation of liability is covered by Section A-215. Subsection A-208(2) is being amended to clarify that the Corporation may take appropriate action in the event of an Emergency or a force majeure.

Section A-210 Distribution of Information, Confidentiality & Use of CDCC Materials

This section is being amended to clarify the obligations of a Clearing Member with respect to confidential information of CDCC and to specify the terms of the license under which a Clearing Member may use the Corporation's intellectual property, which is defined as the "CDCC Materials".

Section A-211 Notice of Proposed Amendments to Rules

This section is being amended to clarify that the Corporation shall provide Clearing Members with notice of changes to the Rules as required by law.

Section A-212 Deposits and Withdrawals

This section is being amended to specify that Clearing Members must comply with applicable notice requirements as set out in the Operations Manual when submitting a withdrawal request.

Section A-213 Accounts with Financial Institutions

As payments are not being processed with a private banker but through LVTS, this section is being amended to remove the authorization by each Clearing Member for CDCC to withdraw funds from its bank account.

Section A-215 Liability

This section is being amended to clarify that the Corporation is not required to perform any obligation under the Rules in the event of a force majeure or an Emergency and to integrate drafting changes to the limitation of liability provisions including expanding the definition of indirect or consequential damages.

Section A-218 Corporation as Agent re Settlement Accounts (new)

This section is added to allow CDCC to act as agent for the Clearing Member with respect to effecting electronic data instructions in regard to Settlement Accounts.

Section A-219 Waiver of Immunity (new)

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-220 Paramountcy (new)

This new section is being added to specify that in the event of a conflict between the Rules and the Operations Manual, the Rules will govern to the extent of the inconsistency.

Section A-221 Governing Law (new)

This section is added to specify that the Rules are governed by the laws of the province of Quebec and that each Clearing Member attorns to the jurisdiction of the Quebec Courts.

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 two hundred million Canadian dollars for primary dealers and other clearing members for clearing both Firm and Client Fixed Income Transactions. References to the “Investment Dealers Association of Canada” have been changed to “Investment Industry Regulatory Organization of Canada”.

Section A-303 Early Warning

Reference to the “Investment Dealers Association of Canada” has been changed to “Investment Industry Regulatory Organization of Canada”.

Section A-305 Filing Procedures

Cosmetic change.

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. Other cosmetic changes are being made.

Section A-402 Creation of Liquidating Settlement Account

This section is being amended to clarify that the Liquidating Settlement Account is not in the name of the suspended Clearing Member. Other cosmetic changes are being made.

Section A-403 Pending Transactions

Cosmetic changes.

Section A-408 No Waivers (new)

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 Transactions Clearing Base Deposit in the amount or equivalent value of one million Canadian dollars, and a reference to Section A-701(4) with respect to purposes for which the Clearing Fund shall be used.

Section A-603 Amount of Deposit

This section is being amended to add the Fixed Income Transactions Clearing Base Deposit.

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-613 Approved Depositories

Subsection (4) thereof is being amended by deleting the reference to the “Quebec Savings Bank Act (Canada)” and replacing the “Trust Companies Act (Quebec)” by “An Act Respecting Trust Companies and Savings Companies (Quebec)”.

Section A-701 Margin Maintenance and Purpose

This section is being amended to clarify how CDCC determines whether additional Margin is required and to re-inforce and clarify the security interest granted in favour of CDCC by a Clearing Member and CDCC’s right to pledge property deposited. 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 clarify that prior notice of withdrawal must be given to CDCC in accordance with the Operations Manual and 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. It is also amended to reference other sections of the Rules.

Section A-801 Daily Settlement Summary

This section is being amended by clarifying how CDCC applies netting among settlement obligations of the Clearing Members across all product types. As of the Netting Cut Off Time on each Business Day, CDCC will net all payment or settlement obligations owing to a Clearing Member against payment or settlement obligations owing by such Clearing Member to CDCC in the following categories: (i) payments settled through a central securities depository; (ii) all payments other than payment settled through a Central Securities Depository, i.e. LVTS payments; (iii) settlement obligations for the same CUSIP/ISIN number, and (iv) Margin obligations.

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 Clearing Member settled his corresponding obligation in favour of CDCC first.

Section A-803 Application of Settlement Credit (deleted)

This provision has been deleted as payment obligations are not netted against margin requirements.

Section A-803 Physical Settlement (new)

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 A-804 Application of Cash Margin Excess (deleted)

This provision has been deleted. CDCC will no longer be able to apply excess margin on deposit against any mark-to-market payments due by the Clearing Member as the Bank of Canada requires a 48 hour written notice requirement under the LVTS system. Each Clearing Member will be required to transfer funds from its own accounts to CDCC in satisfaction of any mark-to-market payments due to CDCC.

Section A-804 Failed and Partial Deliveries (new)

This section deals with treatment of fails and partial deliveries of securities by Clearing Members that have an obligation to deliver securities. The reciprocal payment obligation of CDCC would be reduced accordingly and the obligation to deliver the missing quantity of securities would be rolled into the next business day's delivery obligation of the failing Clearing 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 Clearing Member that failed to deliver.

Section B-103 Agreement Regarding Accounts

Cosmetic changes for consistency purposes with Section C-103 and clarifying security interest related language, with some other clean-up changes being made.

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), with some other clean-up changes being made.

Section B-107 Issuance of Options

Cosmetic changes in accordance with change made to Section B-106, with some other clean-up changes being made.

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 (such language previously was part of Section B-109), with some other clean-up changes being made.

Section B-109 Payment to the Corporation

Various deletions and changes are being made in accordance with change made to Section B-106, and deletion of language providing for automatic non-conforming status of a Clearing Member one hour after any payment was due and remains unpaid.

Section B-110 General Rights and Obligations of Clearing Members

Cosmetic changes, replacing various references to “rules of the Corporation” by “Rules” which is a defined term.

Section B-403 Delivery and Payment

Cosmetic change consistent with changes made to Section B-110.

Section B-404 Obligation to Deliver

Cosmetic change clarifying a reference.

Section B-405 Obligation of Receiving Clearing Member

Cosmetic change clarifying a reference.

Section B-416 Force Majeure or Emergency

This section is being amended to clarify that the Corporation may take appropriate action in the event of an Emergency or a force majeure.

Section C-103 Agreement Regarding Accounts

Cosmetic changes for consistency purposes with Section B-103 and clarifying security interest related language, with other clean-up changes being made.

Section C-105 Futures Sub-Account Consolidated Activity Report

Additional language to the effect that CDCC will promptly notify Clearing Members involved if it rejects a trade (such language previously was part of Section C-109), with some other clean-up changes being made.

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

Various deletions and changes are being made in accordance with change made to Section C-106, and deletion of language providing for automatic non-conforming status of a Clearing Member one hour after any payment was due and remains unpaid.

Section C-503 Submission of Tender Notice

Cosmetic change to clarify that CDCC will submit Tender Notices on behalf of Clearing Members.

Section C-510 Obligation to Deliver

Cosmetic changes to clarify that delivery of the Underlying Interest is subject to the netting provisions under Rule A-8.

Section C-511 Obligation to Take Delivery

Cosmetic changes to clarify that delivery of the Underlying Interest is subject to the netting provisions under Rule A-8.

Section C-512 Failure to Deliver (deleted)

Section C-513 Failure to Accept Delivery and Make Payment (deleted)

Section C-514 Penalties and restrictions (deleted)

Section C-515 Notification of Failure to Make Delivery (renumbered C-512)

Section C-516 Security Funds (deleted)

Section C-517 Deposit of Security Funds (deleted)

Section C-518 Effecting Delivery/Payment (deleted)

Section C-519 Other Powers of the Corporation (renumbered C-513)

Section C-520 Suspension and Other Disciplinary Action (renumbered C-514)

Section C-521 Force Majeure or Emergency (renumbered C-516)

This section is being amended to clarify that the Corporation may take appropriate action in the event of an Emergency or a force majeure.

Section C-1004 Delivery Through the Corporation

This section is being amended by adding electronic mail as a method of providing written notification.

Section C-1103 Submission of Tender Notices

This section is being amended by deleting language to the effect that Clearing Members must confirm delivery once completed.

Section C-1104 Delivery Through the [Clearing] (deleted) Corporation

This section is being amended by deleting the word “Clearing” in the title, clarifying language with respect to notification by Clearing Members of failure to timely deliver or pay, as applicable, and adding electronic mail as a method of providing written notification.

Section C-1303 Submission of Tender Notices

This section is being amended by deleting language to the effect that Clearing Members must confirm delivery once completed.

Section C-1304 Delivery Through the [Clearing] (deleted) Corporation

This section is being amended by deleting the word “Clearing” in the title, clarifying language with respect to notification by Clearing Members of failure to timely deliver or pay, as applicable, and adding electronic mail as a method of providing written notification.

Section C-1403 Submission of Tender Notices

This section is being amended by deleting language to the effect that Clearing Members must confirm delivery once completed.

Section C-1404 Delivery Through the [Clearing] (deleted) Corporation

This section is being amended by deleting the word “Clearing” in the title, clarifying language with respect to notification by Clearing Members of failure to timely deliver or pay, as applicable, and adding electronic mail as a method of providing written notification.

Section C-1603 Submission of Tender Notices

This section is being amended by deleting language to the effect that Clearing Members must confirm delivery once completed.

Section C-1604 Delivery Through the [Clearing] (deleted) Corporation

This section is being amended by deleting the word “Clearing” in the title, clarifying language with respect to notification by Clearing Members of failure to timely deliver or pay, and adding electronic mail as a method of providing written notification.

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 C-1803 Submission of Tender Notices

This section is being amended by deleting language to the effect that Clearing Members must confirm delivery once completed.

Section C-1804 Delivery Through the [Clearing] (deleted) Corporation

This section is being amended by deleting the word “Clearing” in the title, clarifying language with respect to notification by Clearing Members of failure to timely deliver or pay, as applicable, and adding electronic mail as a method of providing written notification.

Section C-1904 Delivery Through the [Clearing] (deleted) Corporation

This section is being amended by deleting the word “Clearing” in the title and adding electronic mail as a method of providing written notification.

Section C-2006 Force Majeure or Emergency

This section is being amended to clarify that the Corporation may take appropriate action in the event of an Emergency or a force majeure.

Section D-103 Agreement Regarding Accounts

Cosmetic changes for consistency purposes with Section B-103 and C-103 and clarifying security interest related language, with other clean-up changes being made.

Section D-311 Force Majeure or Emergency

This section is being amended to clarify that the Corporation may take appropriate action in the event of an Emergency or a force majeure.

Note that other cosmetic changes were made to various sections (not listed above) of the Rules for consistency purposes, as follows:

- Sections A-608 (1), A-709 (2), A-709 (4)(a), A-709 (6), B-113 (2), B-307 (i), (j) and (k), B-405 (d), C-1306 (5), C-1406 (5), C-1606 (5), C-1806 (5), D-109 (1) were amended to clarify language with respect to operational matters,
- references to “deemed acceptable by the Corporation” have been replaced by “determined by the Corporation as acceptable”,
- references to “discretion” or “absolute discretion” have been replaced by “sole discretion”,
- various references to “Sections” have been replaced by “Subsections” where appropriate,
- various references to “subsection”, “Rule”, “Section” or “clause” were replaced by “subparagraph” where appropriate,
- references to “Futures Consolidated Activity Report” have been replaced by “Detailed Futures Consolidated Activity Report” and/or by “Futures Sub-Account Consolidated Activity Report”,
- references to “Business Day following” have been replaced by “Business Day immediately following”,
- references to certain sections have been corrected or changed as a consequence of this review,
- certain terms have been capitalized when they are defined in the Rules,
- other typographic errors have been corrected.

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.

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

“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.

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

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

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

“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.

“CDCC Materials” – any material, data and information developed, created or compiled by the Corporation and provided by the Corporation to the Clearing Members in any form, and including software, trade-marks, logos, domain names, documentation, Approved Processes, technical information, systems, hardware and networks made available by the Corporation to the Clearing Members for the use of the clearing systems and electronic transmission systems provided by the Corporation to the Clearing Members.

“CDS” – CDS Clearing and Depository Services Inc., acting as Central Securities Depository in Canada or acting in any other capacity, or any other successor Central Securities 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~~Fund 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, provided that an Affiliate of an Ordinary Clearing Member that is a Fixed Income Clearing Member shall not be considered a “Client” of such Fixed Income Clearing Member under these Rules.

“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~~ prescribed by the relevant Exchange on which the with respect to a particular 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 security identifier assigned by CDS to any Acceptable Security.

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

“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.

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

“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~~includes 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,~~ CDS, Central Securities Depository; 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, CDS, a Central Securities Depository 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~~materially affecting the Corporation’s operations.

“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.~~ [prescribed by the relevant Exchange within Contract Specifications of a particular Option.](#)

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

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

["Failed Delivery" - has the meaning set out in Section A-804\(1\).](#)

“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 or Affiliates](#) of the Clearing Members pursuant to Sections B-102, B-103, C-102, C-103, D-102 and D-~~103.~~ [103 and Multi-Purpose Accounts.](#)

“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.

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

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

“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~~Fund Deposits, Rule A-7 Margin Requirements, and Rule B-4 Delivery and Payment with Respect to Options Exercised, Rule C-5 Delivery of Underlying Interest of Futures and Rule D-3 Physical Delivery of Underlying Interest on Over-the-Counter 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.

“Multi-Purpose Account” – the meaning assigned to this term in the Operations Manual.

“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.

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

“Non-Conforming Member” – the meaning assigned to this term by ~~Rule~~Section 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 and any schedule to the Operations Manual including the Risk Manual, as amended from time to time.

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

“Postponed Payment Obligation” – with respect to the Corporation, the amount by which its net payment obligation in favour of a Provider of Securities has been reduced as a result of the Provider of Securities’ failure to deliver Acceptable Securities on the Business Day they were due and the payment by the Corporation of such reduction has been postponed until full delivery by the Provider of Securities in accordance with Section A-804(1); and with respect to a Clearing Member who is a Receiver of Securities, 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 Clearing Member of such reduction has been postponed until full delivery by the Corporation in accordance with Section A-804(2).

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

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

“Provider of Securities” - has the meaning set out in Section A-804(1).

“Receiver of Securities” - has the meaning set out in Section A-804(2).

“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.

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

“Rolling Delivery Obligation” – with respect to a Clearing Member who is a Provider of Securities, the quantity of a given Acceptable Security that it has failed to deliver to the Corporation under a net delivery obligation under Section A-801(2)(c) 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 Clearing Member, in accordance with, and until such time as set out under, Section A-804(1); and with respect to the Corporation and a Clearing Member who is a Receiver of Securities, the quantity of a given Acceptable Security that the Corporation has failed to deliver to such Clearing Member under a net delivery obligation under Section A-801(2)(c) on the Business Day it was due (as a direct consequence of a Provider of Securities’ 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 Clearing Members, in accordance with, and until such time as set out under, Section A-804(2).

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

“SRO Clearing Member” - 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 Accounts” – has the meaning set out in Section A-218.

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

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

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

“Settlement Time” - means, with respect to a Transaction and a particular Business Day, the time on such Business Day as established by the Corporation in the Operations Manual and if no Business Day is specified, the time on the Business Day immediately following a trade day, a calculation date or a Coupon Payment Date, as applicable, as established by the Corporation in the Operations Manual, by which time Settlement of Gains and Losses, premium payments ~~and~~, all ~~margin~~ 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~~ 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;

- ~~(e)~~ (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 or these Rules;
 - ~~(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, delivery or acceptance of 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

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 seven (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, 10/09

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~~ Force majeure or 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 a force majeure or 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, Confidentiality and Use of CDCC Materials

(1) Clearing Member Information

- (a) 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, CDS, a Central Securities Depository, the Corporation's auditors and any regulatory authority having jurisdiction over the Corporation and such other persons 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.
- (b) 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.

- (c) 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.
- (d) 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.
- (e) Each Clearing Member, by virtue of its membership in the Corporation, shall be deemed to have authorized the Corporation to release any information regarding the Clearing Member that is in a statistical summary or other format, provided the information does not specifically identify a particular Clearing Member.
- (f) 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.

(2) Corporation Confidential Information

- (a) A Clearing Member will not disclose any Confidential Information to any person and will not copy, reproduce or store in a retrieval system or data base any Confidential Information except for such copies and storage as may be required by the Clearing Member for its own internal use when employing the Corporation's Clearing System.
- (b) The Confidential Information will remain the exclusive property of the Corporation or the relevant third party.
- (c) A Clearing Member will take reasonable security measures and use reasonable care to protect the secrecy of, and to avoid the disclosure to or use by third parties of, Confidential Information.
- (d) Upon ceasing to be a Clearing Member or at any time upon the request of the Corporation, the Clearing Member will delete any Confidential Information from all retrieval systems and data bases or destroy same as directed by the Corporation and provide the Corporation with an officer's certificate attesting to such deletion or destruction.

For the purposes of this section, "Confidential Information" means all information relating to the Corporation, including all CDCC Material and any other information relating to its Clearing System such as trading data or procedures furnished by or on behalf of the Corporation to a Clearing Member, regardless of the manner in which it is furnished (whether oral or in writing or in any other form or media), but does not include:

- (a) the Rules;

- (b) information that is already published or otherwise is or becomes readily available to the public, other than by a breach of the Rules;
- (c) information that is rightfully received by the Clearing Member from a third party not in breach of any obligation of confidentiality to the Corporation;
- (d) information that is proven to be known by the Clearing Member on a non-confidential basis prior to disclosure by the Corporation; or
- (e) information that is proven to be developed by the Clearing Member independent of any disclosure by the Corporation.

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

(3) Use of CDCC Materials

- (a) The Corporation grants each Clearing Member a limited, non-exclusive, revocable and non-transferable license to use CDCC Materials only for uses directly related to the Clearing Member's use of the Corporation's Clearing System. The Clearing Member will not use CDCC Materials or any information obtained or derived from CDCC Materials except in accordance with this license. The Clearing Member acknowledges and agrees that all ownership right in the CDCC Materials belongs to the Corporation or its suppliers.
 - (b) If a Clearing Member (with CDCC's permission) discloses CDCC Materials or any information obtained or derived from CDCC Materials to a client receiving services from a Clearing Member, the Corporation may require the Clearing Member to obtain an undertaking from such client to comply with Section A-210 in its use of CDCC Materials or any information obtained or derived from CDCC Materials.
 - (c) Except as provided in sub-sections A-210(3)(a) and (b), a Clearing Member will not: (i) copy or modify the CDCC Materials; (ii) sell, sublicense or otherwise transfer the CDCC Materials to any third party; (iii) reverse engineer or create derivative works based on the CDCC Materials; or (iv) use, disclose or communicate CDCC Materials or any information obtained or derived from CDCC Materials to or for the benefit of any third party or any Affiliate of the Clearing Member by any means whatsoever whether as a back-office service provider, outsourcer, or wholesaler to any third party or Affiliate of the Clearing Member or for the benefit of any joint venture or partnership to which the Clearing Member is a party.
- (4) For the purposes of this section, the term "Clearing System" shall have the meaning ascribed to it in sub-section A-215(3).

Section A-211 Notice of Proposed Amendments to Rules

Where, in the sole discretion of the Board, it is practicable to do so, and, as required by law, 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)~~ (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 and must comply with the applicable notice requirements as set out in the Operations Manual.

- (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~~ 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 the CDCC Materials and 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 Corporation shall not be required to perform any obligation under the Rules or make available its Clearing System if, as a result of force majeure or Emergency, it becomes impossible or impracticable to perform such obligation or make available its Clearing System, and where the Corporation could not, after using reasonable efforts (which would not require the Corporation to incur a loss other than immaterial, incidental expenses), overcome such impossibility or impracticability.
- (5) The Corporation shall not be liable to a Clearing Member for any direct or indirect or consequential loss, damage, loss of anticipated profit, 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's Clearing System or 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. 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.

- (56) The Corporation shall not be liable to a Clearing Member for any indirect or consequential loss, damage, loss of anticipated profit, 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 ~~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~~ the failure by the Corporation to pay a Settlement Amount owing in respect of a transaction, regardless of whether such ~~act or omission~~ failure constitutes negligence.
- (67) 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

Section A-218 Corporation as Agent Re Settlement Accounts

Each Clearing Member will establish a separate bank account for settling Transactions in each currency in which the Clearing Member trades (the "Settlement Accounts"). Each Clearing Member hereby appoints the Corporation to act as its agent, and the Corporation hereby accepts such appointment upon the terms and conditions hereof, solely for the purpose of effecting, on behalf of such Clearing Member, electronic payment instructions from the Settlement Accounts for the purpose of paying all amounts owing by the Clearing Member to CDCC. Nothing herein shall abrogate a Clearing Member's obligations hereunder to maintain sufficient funds in the Settlement Accounts for the purposes of ensuring complete and timely settlement of the Clearing Member's obligations hereunder.

Section A-219 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.

Section A-220 Paramountcy

In the event of any conflict between the Operations Manual (including any Schedule to the Operations Manual) and these Rules (without reference to the Operations Manual), the terms and conditions of the Rules (without reference to the Operations Manual) will govern to the extent of such inconsistency.

Section A-221 Governing Law

The Rules shall be governed by and construed in accordance with the laws of the province of Quebec and the federal laws of Canada applicable therein. Each Clearing Member, by virtue of its membership in the Corporation, attorns to the jurisdiction of the courts of Quebec.

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~~which 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~~which 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 subsection 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 Transaction, have minimum capital of \$200,000,000
 - (c) for the purpose of this subsection 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.

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

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),² 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.

Amended 12/89, 4/91, 6/91, 9/93, 9/94, 9/96; 9/98

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~~[its](#) 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-1 ~~Amay~~ A 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~~subsections

A-403(~~32~~)(c), A-404(2) and Section 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~~subsection 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~~subsection 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~~subsection A-404(4) not to close out any such Transactions or pursuant to ~~Section~~subsection 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-5 DISCIPLINARY PROCEEDINGS

Section A-501 Sanctions

- (1) The Corporation may in addition to or in lieu of other measures, impose a fine or a penalty, not to exceed \$250,000, on, and assess any reasonable costs, including legal fees, incurred by the Corporation against any Non-Conforming Member for any violation of any provision of the Application for Membership, or for any neglect or refusal by such Non-Conforming Member to comply with any applicable order or direction of the Corporation, or for any error, delay or other conduct embarrassing to the operations of the Corporation or for failure to provide adequate personnel or facilities for its transactions with the Corporation.
- (2) The Corporation shall be entitled to recover from any Non-Conforming Member, or any Related Clearing Member, the amount of any fines or penalties or sanctions assessed against it, plus the Corporation's reasonable costs and expenses, including legal expenses, incurred in connection with the matter giving rise to the fine or penalty or sanction-.

Amended 12/89, 9/95, 5/96, 9/96, 4/98

Section A-502 Procedures

- (1) Except as provided for in ~~Section~~Subsection A-502(4), the nature and quantum of any fine or penalty or sanction shall be determined and imposed by the Board. Before any sanction and/or fine and/or penalty is imposed by the Board, the Corporation shall furnish the Non-Conforming Member, and any Related Clearing Member, with a concise written statement of the charges. The written statement of charges shall contain any provision of the Application for Membership which is alleged to have been violated; the facts alleged and intended to be relied upon by the Corporation and the penalty or remedy recommended by the Corporation for each violation.
- (2) In the event that a Non-Conforming Member commits a breach contemplated under any provision of the Application for Membership, that Member is subject to the penalties provided for in respect of such provisions. Said penalties shall not be imposed against such Non-Conforming Member, or a Related Clearing Member, until a hearing is held pursuant to ~~subsection~~Subsection A-502(3).
- (3) The Non-Conforming Member shall have 10 days after the delivery of a statement under ~~Section~~Subsection 502 (1) to file a written answer thereto. The answer shall admit or deny each allegation contained in the statement of charges and may also contain any defence which the Non-Conforming Member wishes to submit. The Board shall schedule a hearing as soon as reasonably practicable. The Non-Conforming Member shall be given not less than 10 days' advance notice of the place and time of such hearing. The notice of hearing shall contain a statement of the date, time and place of the hearing; a reference to the authority under which the hearing is being held; and the facts alleged and intended to be relied upon by the Corporation and the conclusions drawn by the Corporation based on the alleged facts. At the hearing, the Non-Conforming Member and any Related Clearing Member, shall be afforded the opportunity to be heard and may be represented by counsel. A Non-Conforming Member, and any Related Clearing Member, shall be deemed to have waived its right to contest the imposition of any sanctions and/or fines and/or penalties if it fails to file a defence and shall be deemed to have accepted any allegations and/or fines and/or penalties contained in the statement of charges which are not denied. As soon as practicable after the conclusion of the hearing, the Board shall furnish the Non-Conforming Member and any Related Clearing Member with a written statement of its decision, which shall be final, conclusive and binding on the Non-Conforming Member and any Related Clearing Member.

- (4) Any action required to be taken under this Rule A-5 by the Board may be delegated to a committee (the "Disciplinary Committee"), which shall consist of not less than three directors and may include such officers as the Board may delegate. In the event an action is taken by the Disciplinary Committee, the Board shall be advised and such action may be reviewed by the Board, either upon its own motion made at or before its next regular meeting or upon a motion filed by any person directly affected within seven days after the Disciplinary Committee has rendered its final decision. The Board may, in its sole discretion, afford the Non-Conforming Member and any Related Clearing Member, a further opportunity to be heard or to present evidence. As stipulated in the By-laws of the Corporation, a majority of the members of the Discipline Committee shall be Resident Canadians.
- (5) Any time limit set forth in this Section may be extended by the Board, the Disciplinary Committee, or by any officer acting pursuant to authorization of the Board.
- (6) Nothing contained herein shall be construed as derogating or attempting to derogate from the right of any Non-Conforming Member and any Related Clearing Member, who has been the subject of disciplinary action pursuant hereto to avail himself of any right of appeal which is provided to such Non-Conforming Member by applicable law.

Amended 3/87 , 12/89, 9/95, 5/96, 9/96, 9/98

Section A-503 Discipline by Exchanges

Nothing in this Rule A-5 shall affect the right of any Exchange to discipline its members pursuant to the provisions of the by-laws, rules, directions or orders of such Exchange for a violation of the by-laws, rules, orders or directions of such Exchange, or its application for membership.

Amended 9/98

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 Subsection 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.~~
set out in Section A-608) of Government Securities acceptable to the Corporation and with less than 1 year to maturity.

<u>(d) Fixed Income Transactions</u>	-	<u>\$1,000,000 Money or equivalent value</u>
<u>Clearing Base Deposit</u>		<u>(as set out in Section A-608) of Government Securities acceptable to the Corporation and with less than 1 year to maturity.</u>

Amended 9/95, 5/96, 9/~~96~~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.

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~~Subsection 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 as~~ determined ~~in~~by the Corporation from time to time in accordance with 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~~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 Subsection 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, ~~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~~ *An Act Respecting Trust Companies and Savings Companies* (Quebec) which has minimum paid up capital and surplus of ~~\$25,000,000~~, 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 Subsection 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 and OTC DI;

- (e) any protective or hedging transaction effected for the account of the Corporation pursuant to Rule A-4 in respect of the Non-Conforming 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 the Non-Conforming Clearing Member's positions in 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 including, without limitation, property deposited as Margin and Margin Deposit and all Long Positions, Short Positions, Securities and Underlying Interests 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, 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 Subsection A-701(2) and Section 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 Subsection 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~~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 Subsection 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 provided that the Clearing Member shall provide the Corporation with sufficient prior notice of such withdrawal request as set out in the Operations Manual.

(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~~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 Subsection 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~~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 9/92:92 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~~92, 9/98; 11/00

Section A-709 Forms of Margin

Required Margin may be deposited with the Corporation subject to Section A-212, 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 Subsection 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 as~~ determined ~~in~~by the Corporation from time to time in accordance with 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 as~~ determined by the Corporation from time to time in accordance with 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 as determined in accordance with its operating policies then in effect its sole discretion. 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 as of the applicable Netting Cut Off Time,

- (a) the Corporation shall have the right to net all payments owing to a Clearing Member on such Business Day, other than payments owing to a Clearing Member which are settled through a Central Securities Depository, against all payments owing by a Clearing Member on such Business Day, other than payments owing to a Clearing Member which are settled through a Central Securities Depository, such that one net amount shall be payable to or from such Clearing Member.
- (b) the Corporation shall have the right to net all payments owing to a Clearing Member on such Business Day which are settled through a Central Securities Depository, against all payments owing by a Clearing Member on such Business Day which are settled through that same Central Securities Depository, such that one net amount shall be payable to or from such Clearing Member for settlement at such Central Securities Depository.
- (c) 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, including without limitation, any Rolling Delivery Obligation in respect of such Acceptable Security, against all settlement obligations for such Acceptable Security owing by a Clearing Member on such Business Day, including without limitation, any

Rolling Delivery Obligation in respect of such Acceptable Security, such that one net amount of such Acceptable Security is owing to or from such Clearing Member.

- (d) subject to Subsection 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 Section 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~~98, 03/02, 02/06

Section A-803 ~~Application of~~Physical Settlement ~~Credit~~

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.

Section A-804 Failed and Partial Deliveries

~~—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.~~

(1) If a Clearing Member (a "Provider of Securities") does not deliver Acceptable Securities (other than a stock or other equity security which is an Underlying Interest of an Option) as it is required to do under these Rules, or only partially delivers such Acceptable Securities required to be delivered by it pursuant to these Rules (in either case, a "Failed Delivery"), the reciprocal payment obligation of the Corporation in favour of that Clearing Member shall be reduced accordingly. The type and quantity of such Acceptable Securities that has not been delivered shall constitute a Rolling Delivery Obligation of the failing Clearing Member for purposes of calculating the next Business Day's net delivery obligation under Section A-801(2)(c), and the net delivery obligation of each subsequent Business Day, until the type and quantity of such Acceptable Securities due are delivered in full, at which time the Corporation's Postponed Payment Obligation shall become due and payable. Notwithstanding the foregoing, a failed or partial delivery will not be rolled beyond the maturity date of the relevant Acceptable Security.

~~Amended 02/06~~

(2) As a direct consequence of a Clearing Member failing to deliver or partially delivering such 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 *pro rata*, in accordance with the Operations Manual, among Clearing Members ("Receivers of Securities") who are entitled to receive delivery of such Acceptable Securities on the relevant Business Day from the Corporation. The reciprocal net payment obligation of such Receiver of Securities in favour of the Corporation shall be reduced accordingly and the type and quantity of such 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 Receiver of Securities' Postponed Payment Obligation shall become due and payable.

~~Section A-804—Application of Cash Margin Excess~~

(3) Notwithstanding any other provision of this Section A-804, the Corporation in its sole discretion has the right to terminate the daily roll mechanic set out under Subsection A-804(1) and Subsection A-804(2) to effect a buy-in transaction under Subsection A-804(4) or to exercise any other remedies under the Rules.

~~—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.~~

(4) Upon the exercise of its right to terminate the daily roll mechanic set out under Subsection A-804(1) and A-804(2), the Corporation may, in its sole discretion, satisfy its delivery obligations to Receivers of Securities with respect to such Acceptable Securities, notwithstanding any Failed Delivery by any Provider of Securities, 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 Provider of Securities who was responsible for a Failed Delivery of such Acceptable Securities.

~~Amended 02/06~~

(5) If the Corporation is unable to satisfy its delivery obligations to Receivers of Securities of such Acceptable Securities under Subsection A-804(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 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 Clearing Members or the general public, the Corporation will fail to satisfy its delivery obligations to Receivers of Securities of Acceptable Securities, in which case, the corresponding net payment obligation of Receivers of Securities shall be reduced accordingly. Any direct costs (which, for greater certainty, do not include any indirect or consequential loss or damage) incurred by such Receivers of Securities as a result of the Failed Delivery by the Corporation shall be promptly assessed and notified to the Corporation who will charge them to the Provider of Securities responsible for such Failed Delivery. The Corporation will reimburse such direct costs to such Receivers of Securities to the extent the Corporation is able to collect such direct costs from such Providers of Securities.

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 first priority 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 first priority 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 first priority 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~~paragraph (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~~paragraph (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~~paragraph (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~~On each Business Day immediately following 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~~an Exchange Transaction, the Clearing Member shall pay to the Corporation at or prior to the Settlement Time, ~~of~~on such Business Day, all amounts due to the Corporation from the purchasing Clearing Member in the account in which ~~the~~such Exchange Transaction is effected. ~~Notwithstanding the fact that~~If 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 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~~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~~21, 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~~[paragraph](#) (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~~[paragraph](#) (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-3 TENDER AND ASSIGNMENT OF EXERCISE NOTICES

Section B-301 Exercise of Options

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

a) American Options:

- (i) on the Expiration Date in accordance with Rule B-307 hereof; or
- (ii) on a Business Day other than the Expiration Date a Clearing Member desiring to exercise an Option may tender an Exercise Notice to the Corporation until the Close of Business on such Business Day.

b) European Options:

- (i) on the Expiration Date in accordance with Rule B-307 hereof.

Only the Clearing Member who holds the relevant open position may tender an Exercise Notice on that position.

Amended 4/91, 3/99

Section B-302 Tender of Exercise Notices

- (1) Every Exercise Notice must refer to a full Option and no Option is exercisable in part.
- (2) Every tender of an Exercise Notice in accordance with ~~Section~~subsection B-301(a) shall be irrevocable except that where an Exercise Notice is tendered in error, it may be cancelled by the Clearing Member until the Close of Business on the Business Day when the erroneous tender was made.
- (3) Every tender of an Exercise Notice in accordance with ~~Section~~subsection B-301 (b) shall be irrevocable.
- (4) Exercise Notices may be tendered in respect of Opening Purchase Transactions which have not yet been accepted by the Corporation, and shall be assigned by the Corporation at the same time and in the same manner as Exercise Notices filed on the same Business Day in respect of issued Options, provided that any such Exercise Notice shall be deemed null and void and of no force or effect if the Opening Purchase Transaction in respect of which it was tendered is not accepted by the Corporation on the earlier of the Expiration Date or the Business Day immediately following the date on which such Exercise Notice was filed.

Amended 6/89, 4/91, 3/99

Section B-303 Restrictions on the Tender of Exercise Notices

Whenever the Corporation or an Exchange on which a member of the Corporation is member, acting pursuant to its rules, imposes a restriction on the exercise of one or more series of American Options on the grounds that such restriction is deemed advisable in the interests of maintaining a fair and orderly market in Options or in the Underlying Interest or is otherwise in the interest of the market in

general or for the protection of investors, Options of such Series of Options shall not be exercisable by any Clearing Member except in accordance with the terms of such restriction. Notwithstanding the foregoing, no such restriction on exercise shall remain in effect with respect with any series of Options on the Expiration Date for such series of Option or, in the case of American Options, during the ten days immediately prior to the Expiration Date of such series of Options.

Amended 4/91, 10/06

Section B-304 Acceptance of Exercise Notices

An Exercise Notice properly tendered to the Corporation in accordance with ~~Section~~[Paragraph](#) B-301(a)(ii) or deemed to have been properly tendered in accordance with Section B-307 shall normally and routinely be accepted by the Corporation on the day of tender, except when the Corporation determines that to do so may not be in the interest of the Corporation, the public, or to the integrity of the market. The Corporation shall not be under any obligation to verify that an Exercise Notice received from a Clearing Member is or is deemed to be properly tendered.

Amended 9/98

Section B-305 Random Assignment of Exercise Notices

- (1) Exercise Notices accepted by the Corporation shall be assigned, in accordance with the Corporation's procedures of random selection, to accounts with open Short Positions in the Series of Options involved. The Corporation shall treat the accounts of all Clearing Members equally, provided, however, that an Exercise Notice for more than 10 Options will be randomly assigned to accounts in blocks not exceeding 10 Options, except on the Expiration Date when an Exercise Notice may be randomly assigned in total.
- (2) Subject to Section B-309(2) Assignment of Exercise Notices shall be made at or before 8 a.m. on the Business Day next following the day on which the Exercise Notice was tendered in accordance with Section B-301(a)(ii) or was deemed to have been tendered in accordance with Section B-307.
- (3) If an Exercise Notice is tendered in accordance with ~~Section~~[Paragraph](#) B-301(a)(ii), the assignment of such Exercise Notice shall be effective as of the day on which the Exercise Notice was tendered. If an Exercise Notice is tendered in accordance with ~~Section~~[Paragraph](#) B-301(a)(i), the assignment of such Exercise Notice shall be effective as of the Business Day preceding the Expiration Day.
- (4) An Exercise Notice shall not be assigned to any Clearing Member which has been suspended for default or insolvency. An Exercise Notice assigned to a Clearing Member which is subsequently so suspended shall be withdrawn and thereupon assigned to another Clearing Member in accordance with this section.

Amended 4/91, 6/91

Section B-306 Reporting of Exercises and Assignments

A Clearing Member submitting an Exercise Notice and a Clearing Member to whom an Exercise Notice is assigned shall be notified of the receipt and assignment of such Exercise Notice in:

- (a) reports ("Options Exercised and Assigned Report" and "Options Unsettled Delivery Report") issued on the following Business Day; or,

- (b) a report (“Expiry Report”) issued for expiring Series of Options only on Expiration Date.

Amended 5/90, 9/90, 4/91, 6/91; 9/98

Section B-307 Expiration Date Exercise Procedure

The following rules shall apply to the exercise of an Option on its Expiration Date:

- (a) At or before 8 a.m. on each Expiration Date, the Corporation shall make available to each Clearing Member an Expiry Response Screen listing, by account, each expiring Option in each of the Clearing Member's accounts with the Corporation. The Expiry Response Screen shall reflect the closing price (as herein defined) of the Underlying Interest for each Series of Options listed therein and shall include such further information as the Corporation may deem appropriate.
- (b)
 - (i) Each Clearing Member shall be required to access the Expiry Response Screen by electronic means. Each Clearing Member may notify the Corporation of the number of Options of each series, if any, to be exercised for each account. If no Options of a particular series are to be exercised for a particular account, the Clearing Member must notify the Corporation to this effect.
 - (ii) Each Clearing Member shall make a Confirmation Transmission in the form prescribed no later than 11:00 a.m. on the Expiration Date. Instructions to exercise Options transmitted to the Corporation shall be irrevocable and may not thereafter be modified.
- (c) It shall be the duty of each Clearing Member to review the Expiry Response Screen against the Clearing Member's own position records and to verify the accuracy of the closing prices reflected on such Expiry Response Screen. If a Clearing Member discovers any error or omission on an Expiry Response Screen, the Clearing Member shall immediately notify the Corporation thereof and co-operate with the Corporation in reconciling any discrepancies. If a Clearing Member's position records reflect expiring Options not listed in its Expiry Response Screen, and the Clearing Member and the Corporation are unable to reconcile their respective position records, the Clearing Member may exercise any Option not listed in its Expiry Response Screen (to the extent that such Options are subsequently determined to have existed in the Clearing Member's accounts) by input to the Expiry Response Screen, together with appropriate exercise instructions, or by tendering Exercise Notices with respect to such Options in accordance with subparagraph (d).
- (d) If, after the Clearing Member has made a Confirmation Transmission but prior to the Expiration Time, a Clearing Member desires to exercise Options expiring on such Expiration Date in addition to those which the Clearing Member has previously instructed the Corporation to exercise, the Clearing Member may do so by tendering a written Exercise Notice to the Corporation, prior to the Expiration Time, using such facilities as the Corporation may designate from time to time.
- (e) Each Clearing Member shall be deemed to have properly and irrevocably tendered to the Corporation, immediately prior to the Expiration Time on such Expiration Date, an Exercise Notice with respect to

- (i) each Option listed on the Clearing Member's Expiry Response Screen which the Clearing Member has instructed the Corporation to exercise in accordance with subparagraphs (b), (c) or (d), and
- (ii) every Option of each series listed in the Clearing Member's Expiry Response Screen which is of a Class of Options subject to automatic exercise and which has an exercise price below (in the case of a call) or above (in the case of a put) the closing price of the Underlying Interest by such amounts as may be specified by the Corporation from time to time, unless the Clearing Member shall duly instruct the Corporation in accordance with subparagraph (b) to exercise none or fewer than all of the Options of such series carried in such account. If the Clearing Member desires that such Option not be exercised, it shall be the responsibility of the Clearing Member to give appropriate instructions to the Corporation in accordance with subparagraph (b).

INTERPRETATION AND POLICIES:

The Predetermined Limits relevant to ~~Rule~~[subparagraphy B-307 \(e\) \(ii\)](#) are as follows:

Equity, Silver, Bond and Index Participation Unit Options	- \$0.01 or more in-the-money for Client Accounts \$0.01 or more in-the-money for Firm and On-Floor Professional Trader Accounts
Index, Gold, and Futures Options	- No limits. All in-the-money Long Positions will be automatically exercised.

- (f) Every Clearing Member shall ensure that an Authorized Representative is available by telephone to the Corporation between the hours stipulated by the Corporation on each Expiration Date.
- (g) The Corporation shall have no liability to any Clearing Member in respect of any claims, costs, losses, damages or expenses resulting from the exercise or non-exercise of any Option due to any error or omission (whether relating to the inclusion of Options, the determination of closing prices, the making of computations or otherwise) on any Expiry Response Screen whether or not the Clearing Member reviewed such Expiry Response Screen. Any Clearing Member who fails to comply with subparagraphs (b) (i) and (ii) and paragraph (f) shall indemnify and hold the Corporation harmless from any costs, losses, expenses or claims which may arise, directly or indirectly, from the Clearing Member's failure to comply with these provisions.
- (h) On any Expiration Date, the Corporation may in its discretion extend any or all of the times prescribed in paragraphs (a) to (f) provided that in no event, except pursuant to Section A-208 of these Rules, shall
 - (i) the deadline for the Confirmation Transmission to the Corporation be extended beyond the Expiration Time,
 - (ii) the time of the availability of any Expiry Response Screen be extended to a time less than two hours before the Expiration Time,

- (i) The untimely transmission of the Confirmation Transmission by a Clearing Member shall be deemed a violation of the ~~procedures of the Corporation~~Rules and shall cause the Clearing Member to be deemed a Non-Conforming Member subject to disciplinary action pursuant to Rule A-4 and Rule A-5, unless the Clearing Member was prevented by unusual or unforeseen conditions or events (including, but not limited to fire, strike, power failure, extraordinary weather conditions, accident, computer malfunction, acts of public authorities and business or banking moratoriums) from returning such report to the Corporation on a timely basis.
- (j) The tendering of an Exercise Notice by a Clearing Member pursuant to subparagraph (d) after the time established for the Confirmation Transmission shall be deemed a violation of the ~~procedures of the Corporation~~Rules and shall cause the Clearing Member to be deemed a Non-Conforming Member, subject to disciplinary action pursuant to Rule A—4 and Rule A-5 unless the Exercise Notice was tendered for the account of a client of the Clearing Member, and
 - (i) the Clearing Member was prevented from giving the exercise instruction contained therein to the Corporation on a timely basis by unusual or unforeseen condition or events of the type described in subparagraph (i) affecting the Clearing Member's ability to communicate such instructions to the Corporation or to receive or process such instructions from clients, or
 - (ii) in the case of exercise instructions given for the account of clients other than On-Floor Professional Traders or other broker-dealers submitting exercise instructions for their own accounts, the Clearing Member was satisfied that the client was unable, due to exceptional circumstances, to communicate such instructions on a timely basis.
- (k) Notwithstanding that a Confirmation Transmission shall be deemed to have been made or an Exercise Notice shall be deemed to have been tendered, in violation of the ~~procedures of the Corporation~~Rules pursuant to subparagraph (i) or (j), all exercise instructions properly given therein shall be valid and effective provided that such Confirmation Transmission shall be made or such Exercise Notice is tendered prior to the Expiration Time. If a Clearing Member makes a Confirmation Transmission after the time required for making such transmission, or files an Exercise Notice pursuant to subparagraph (d) after making the Confirmation Transmission, the Clearing Member shall be obligated to advise the Corporation in writing of the specific reasons therefore within two Business Days thereafter.
- (l) The term "closing price", as used with respect to any Underlying Interest in this Section B-307, means the price of the Underlying Interest at or about the close of trading on the Business Day preceding the Expiration Date as reported to the Corporation by the Primary Exchange. If no trading took place on the Primary Exchange on such Business Day, then the price for such Security at or about the close of trading as reported to the Corporation by the other Participating Exchange will be used.

Notwithstanding the foregoing, if an Underlying Interest was not traded on the Business Day immediately preceding any Expiration Date or circumstances indicate that there may be other uncertainty regarding the Underlying Interest, the Corporation may determine not to fix a closing price for that Underlying Interest. In the event of such a determination, Expiry Response Screens will not include a daily closing price for that Underlying Interest, and Clearing Members may exercise Options for the Underlying Interest only by giving affirmative exercise instructions in accordance with ~~subparagraphs~~subparagraph (b) or (e).

Amended 5/88, 6/89, 5/90, 4/91, 6/91, 1/92, 9/93, 3/94; 5/98, 9/98, 8/04, 02/06, 10/06, 06/08, 03/10

Section B-308 Assignment of Exercise Notices to Clients

- (1) Assignment to an account other than that indicated on a report ("Options Exercised and Assigned Report") is not permitted.
- (2) Each Clearing Member shall establish fixed procedures for the allocation of Exercise Notices assigned to it in respect of a Short Position in the Clearing Member's Client Account. The allocation shall be on a "first in, first out" basis, on a basis of random selection, or another allocation method that is fair and equitable to the Clearing Member's clients and consistent with the by-laws and rules of each Exchange on which the Option is traded, if applicable. Such allocation procedures and any changes thereto shall be reported to the Corporation on request.
- (3) No Clearing Member shall permit, unless there is no alternative, the allocation of an exercise against a Short Position that was opened on the day of such allocation.

Amended 5/90, 9/90, 6/91, 9/98

Section B-309 Reassignment

- (1) With the exception of an Expiration Date, Clearing Members have until 1.5 hours prior to the Close of Business on the Business Day following the date on which an assignment of an Exercise Notice is effective pursuant to subsection (3) of Section B-305 to notify the Corporation of any condition which may make such assignment invalid.
- (2) The Corporation may reassign Exercise Notices when it considers it necessary or advisable to do so until one-half hour prior to the Close of Business on the Business Day following the date on which such Exercise Notice was first assigned.

Amended 4/91, 3/99

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 ~~operating policies~~Rules and ~~procedures~~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 (1)~~,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~~ by 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-~~404 (1)~~, [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 [absolute 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 deem 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 [absolute 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~~subsection 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 ~~absolute~~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

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 or Emergency

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~~force majeure or an 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

RULE B-6 STOCK OPTIONS

This Rule B-6 is applicable to American and European Style Options where the Underlying Interest is a class of shares (a "Stock"). Such Options are referred to in this Rule B-6 as "Stock Options".

Amended 1/91; 03/02, 04/03

Section B-601 Definitions

Notwithstanding Section A-102 for the purposes of Stock Options the following terms shall have the meanings specified:

“Canadian Exchanges” –The Toronto Stock Exchange and the TSX Venture Exchange;

“Market Capitalization” – the capitalization of the Underlying Interest as calculated by the following formula: the number of outstanding common shares, as determined by the Primary Exchange, multiplied by the closing price on the Primary Exchange;

“North American Volume” – for the purposes of Option eligibility and deficiency this will include trading volume from the Montréal Exchange (MX), The Toronto Stock Exchange (TSX), the TSX Venture Exchange (TSXVN), the New York Stock Exchange (NYSE), the American Stock Exchange (AMEX), and the National Association of Securities Dealers Automated Quotations (NASDAQ).

“Primary Exchange” - The main exchange on which a given stock is listed. The stock may be listed on other exchanges as well; however there can only be one Primary Exchange.

"Underlying Interest"-Stocks meeting the criteria described in this Rule.

"Unit of Trading"-100 shares of the Underlying Interest, unless otherwise designated.

Amended 4/91; 9/98, 04/03, 04/08

Section B-602 Approval of Underlying Interest

- (1) The Stocks underlying the Options issued by the Corporation shall be approved by the Board based on criteria described in Section B-603 of the Rules.
- (2) No more than one Class of Options shall be approved for any one corporation unless the Board considers it necessary or advisable, as a temporary measure, that there be additional Classes of Options.

Amended 4/91; 4/98; 9/98

Section B-603 Criteria for Eligibility of Stock Options

- (1) In considering whether any Stock should be approved as the Underlying Interest of a Stock Option, the Board, in those circumstances where Section B-605 does not apply, shall ensure that prior to being approved as an Underlying Interest the Stock meets all of the following criteria:
 - (a) the Stock is listed on a Canadian Exchange;
 - (b) the Market Capitalization of the Stock is within the top quartile (25%) of Securities listed on all Canadian Exchanges as of the last trading day of the previous quarter. The specific dollar threshold will be published by the Corporation;

- (c) the monthly North American Volume of the Stock is within the top quartile (25%) of Securities listed on all Canadian Exchanges as of the last trading day of the previous quarter. The specific threshold will be published by the Corporation.

Amended 4/91, 6/91; 9/98, 04/08

Section B-604 Deficiency Criteria for Stock Options

- (1) Except as provided for in ~~Section~~subsection B-604 (2), no new Series of a Class of Stock Options which is already listed may be opened for trading if any one of the following conditions occur with respect to the Underlying Interest:
 - (a) the Stock is no longer listed on a Canadian Exchange;
 - (b) the Market Capitalization of the Stock is below the top third (33%) of Securities listed on all Canadian Exchanges as of the last trading day of the previous quarter. The specific dollar threshold will be published by the Corporation;
 - (c) the monthly North American Volume of the Stock is below the top third (33%) of Securities listed on all Canadian Exchanges as of the last trading day of the previous quarter. The specific threshold will be published by the Corporation.
- (2) In exceptional circumstances and in the interest of maintaining a fair and orderly market or for the protection of investors, the Corporation may agree to clear additional Series of Options with respect to any Underlying Interest which is deficient under one or more of the criteria set forth in subsection (1) of this Section B-604.

Amended 3/89, 4/91, 6/91; 9/98, 04/08

Section B-605 Procedure for Assessing the Effect of Stock List Changes on Stock Options Eligibility

(1) Acquisition of a Listed Company by a Newly-Established Company

If a newly-established company has acquired a listed company, the trading record and history of the predecessor company may be used to test the options eligibility of the stock of the new company as provided for in Section B-603.

(2) Name Changes

Corporate name changes have no effect on listed issues options eligibility. All statistics and history of the predecessor company continue to apply to the Underlying Interest under the new corporate name.

(3) Substitutional Listings

When a Stock list change which is the result of a merger or acquisition involving the issuance or acquisition of listed shares has occurred, all listed issues connected with the change are reviewed. No decision to change the option status of a listed issue will occur until after the offer or transaction is completed. The general process which applies is as follows:

- (a) (i) it is confirmed by the Corporation that each of the predecessor companies is listed on a Canadian Exchange; or

- (ii) on receipt of the notice of corporate change or following the closing date of a share purchase offer, it is confirmed by the Corporation that at least one predecessor company has Options currently listed on a Participating Exchange, and these Options are not at or past the date where no new series may be listed if they are classified as delistable by the Corporation, nor is the Underlying Interest for these Options classified as deficient according to Section B-604 of the Rules of the Corporation.
- (b) It is confirmed by the Corporation that, prior to the merger or acquisition involving the issuance or acquisition of listed shares, the sum of the Market Capitalization of the predecessor companies exceeds the criteria set out in ~~Section~~[paragraph](#) B-604(1)(b) of the Rules.
- (c) It is confirmed by the Corporation that the resultant company is listed on a Canadian Exchange.
- (d) It is confirmed by the Corporation that the resultant company exceeds the criteria set out in ~~Section~~[paragraph](#) B-604(1)(b) of the Rules.

(4) New Shares

If new shares are created for the purpose of completing a merger or acquisition involving the issuance or acquisition of listed shares, the relationship between the old and new shares will determine if the new shares will be treated either as a substitutional, original or supplementary listing by the Corporation. Generally if the new issue is the only common issue of the company, then the new issue will be treated as a substitutional issue. Otherwise the issue will be treated as an original or supplementary issue by the Corporation.

Amended 9/98

Section B-606 Good Deliverable Form of Stocks

A certificate representing a Stock shall be deemed to be in good deliverable form for the purposes hereof only if the delivery of such certificate would constitute good delivery under the by-laws and rules of all of the Exchanges.

Amended 1/89; 9/98; 03/02, 04/03

Section B-607 Delivery of Stocks After "Ex-Dividend" Date

- (1) When an Exercise Notice is properly tendered to the Corporation prior to the "ex-dividend" date (as fixed by an Exchange on which the Underlying Interest is listed) for a distribution that causes an adjustment to be made pursuant to the Rules, the delivering Clearing Member shall make delivery as required by such adjustment unless the delivering Clearing Member, the receiving Clearing Member and the Corporation otherwise agree.
- (2) When an Exercise Notice is properly tendered to the Corporation prior to the "ex-dividend" date for a distribution that does not cause an adjustment to be made pursuant to the Rules, and delivery of the Underlying Interest is made too late to enable the receiving Clearing Member to transfer the Underlying Interest into its name and to receive such distribution, the delivering Clearing Member shall, at the time of delivery, issue its cheque to the receiving Clearing Member for the amount of the distribution, which cheque shall be payable on the payment date of such distribution.

- (3) When an Underlying Interest is listed on more than one Exchange and differing "ex-dividend" dates are fixed by the Exchanges, the earliest date will be considered the "ex-dividend" date for purposes of this Section B-607.

Amended 4/88 and 6/88, 4/91, 9/91; 03/02, 04/03

RULE B-10 EUROPEAN STYLE INDEX OPTIONS

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

New Rule 6/87, Amended 4/91

Section B-1001 Definitions

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

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

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

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

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

"Exercise Settlement Date" - the Business Day following the Expiration Date.

"Expiration Date" - the third Friday of the month.

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

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

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

"Underlying Interest" - the Index which is the subject of the Option.

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

"Unit of Trading" - 100 units.

Amended 4/91, 6/96

Section B-1002 Exercise Prices (Deleted 6/92)

Section B-1003 Trade Reporting of Options Transactions

Notwithstanding ~~Section~~ [subsection](#) B-201 (46) each Clearing Member shall have until 1.5 hours prior to the Close of Business on the Business Day following the day on which the trade took place to notify the Corporation, in the form prescribed, of any error. Unless such notification is received by the established

cut-off hour, the exchange transactions accepted by the Corporation and as contained in the report shall be final and binding upon the Clearing Members reported as parties to such transaction.

Amended 4/91; 3/99

Section B-1004 Expiration Date Exercise Procedure

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

Amended 4/88, 5/90, 4/91

Section B-1005 General Rights and Obligations of Clearing Members

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

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

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

Section B-1006 Adjustments

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

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

Section B-1007 Unavailability or Inaccuracy of Aggregate Current Value

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

Amended 4/91

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

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

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

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

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

Amended 5/96

RULE B-11 OPTIONS ON GOVERNMENT OF CANADA BOND FUTURES

This Rule B-11 is applicable only to American Style Options where the Underlying Interest is Government of Canada Bond Futures traded on The Montreal Exchange. Such Options are referred to in the Rule B-11 as "Bond Futures Options".

New Rule 12/89, Amended 6/91, 9/96

Section B-1101 Definitions

Notwithstanding Section A-102 for the purpose of Bond Futures Options, the following terms shall have the meaning specified:

"Exercise Price" - the specified price per Unit of Trading at which a position in the Underlying Interest may be assumed upon the exercise of an Option.

"Expiration Date" - the Last Day of Trading.

"Expiration Month" - The calendar month immediately preceding the Option contract month included in the name of the Series of Options.

"Last Day of Trading" - The third Friday of the Expiration Month provided that such Friday is a Business Day and precedes by at least two Business Days the first day on which a Tender Notice may be submitted for the Underlying Interest. Otherwise the Last Day of Trading shall be the Business Day prior to such Friday which precedes by two Business Days the first day on which a Tender Notice may be submitted for the Underlying Interest.

"Option" - a contract which gives the purchasing Clearing Member the right to assume a Long Position (a call) or assume a Short Position (a put) in the Underlying Interest at a specified Exercise Price during a specified time period and which obligates the writing Clearing Member, upon assignment, to assume a Short Position (a call) or assume a Long Position (a put) in the Underlying Interest.

"Underlying Interest" - One (1) \$100,000 face value Government of Canada Bond Futures contract of the specified Futures contract month.

"Unit of Trading" - 1 contract representing the Underlying Interest.

Amended 9/96

Section B-1102 Expiration Date Exercise Procedure

- (1) Section B-307 will apply to Futures Options but the times which relate to each activity are changed to read as follows:

B-307 (a)	At or before 8 a.m. and until the Close of Business;
B-307 (b) (ii)	the Close of Business;
B-307 (f)	between the hours stipulated by the Corporation on each Expiration Date.

- (2) The "Closing Price" for Futures Options referred to in ~~Section~~[subsection](#) B-307 (1) shall mean the price of the Underlying Interest at or about the close of trading on the Expiration Date.

Section B-1103 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 Rule B-1 and expiring at the Expiration Time of such Option, to assume, on tender of an Exercise Notice, a Long Position in the Underlying Interest at the Exercise Price of the Option, all in accordance with the by-laws and rules of The Montreal Exchange and these Rules.
- (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 assume a Short Position in the Underlying Interest at the Exercise Price of the Option, all in accordance with the by-laws and rules of The Montreal Exchange and these Rules.
- (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 Rule B-1 and expiring at the Expiration Time of such Option, to assume, on tender of an Exercise Notice, a Short Position in the Underlying Interest at the Exercise Price of the Option all in accordance with the by-laws and rules of The Montreal Exchange and these Rules.
- (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 assume a Long Position in the Underlying Interest at the Exercise Price of the Option all in accordance with the by-laws and rules of The Montreal Exchange and these Rules.

Section B-110 does not apply to Futures Options

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

Section B-1104 Clearing Fund Deposits

Clearing Members admitted to clear Futures Options shall maintain deposits in both the Options Clearing Fund and the Futures Clearing Fund of the amounts from time to time required by the Rules.

Amended 6/91

Section B-1105 Exercise Settlement Date

For the purposes of this Rule B-11 and notwithstanding anything else contained in these Rules, the Exercise Settlement Date shall be the Expiration Date.

Amended 6/91

Section B-1106 Trade Reporting

- (1) Section B-201 will apply to Futures Options. However in addition to a Consolidated Activity Report available on the day after trade, each trade will also be detailed on a Futures Daily Transaction Report available after the close of trading on the trade date.
- (2) Notwithstanding Section B-201 (~~56~~) each Clearing Member shall have until one hour and fifteen

minutes after the Close of Business on the Expiration Date for an expiring Series of Futures Options to notify the Corporation, in the form prescribed, of any error.

New 6/91; amended 3/99

Section B-1107 Random Exercise of Exercise Notices

Section B-305 shall apply to Futures Options but subsection (3) for Futures Options shall read as follows:

If an Exercise Notice is tendered in accordance with either ~~Section~~paragraph B-301 (a)(i) or B-301 (a)(ii) the assignment of such Exercise Notice shall be effective as of the day on which the Exercise Notice was tendered.

New 6/91

Section B-1108 Reporting of Exercises and Assignments

Section B-306 shall apply to Futures Options except that no Options Unsettled Delivery Report shall be issued as all exercised Futures Options result in a Futures position.

New 6/91

Section B-1109 Delivery with Respect to Options Exercised

Rule B-4 Delivery and Payment with Respect to Options Exercised shall not apply to Futures Options.

New 6/91

RULE B-12 GOLD OPTIONS

The sections of this Rule B-12 are applicable only to European Style Options where the Underlying Interest is gold bullion. Such Options are referred to in this Rule B-12 as "Gold Options".

Section B-1201 Definitions

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

"Call Exercise Settlement Amount" - an amount equal to 10 times the difference when the Exercise Price is deducted from the Current Value.

"Current Value" - the London, England, PM spot price Gold fixing for one ounce of the Underlying Interest on the last day of trading.

"Exercise Price" - the price per ounce of the Underlying Interest specified in the Option.

"Exercise Settlement Date" - the Business Day following the Expiration Date.

"Put Exercise Settlement Amount" - an amount equal to 10 times the difference when the Current Value is deducted from the Exercise Price.

"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.

"Underlying Interest" - Fine gold bullion of minimum .995 fineness acceptable for good London, England, delivery.

"Unit of Trading" - 10 troy ounces.

Amended 9/96

Section B-1202 Exercise Prices (Deleted 6/92)

Section B-1203 Trade Reporting of Options Transactions

Notwithstanding the provisions of Section B-201 (46), each Clearing Member shall have until 1.5 hours prior to the Close of Business on the Business Day following the day on which the trade took place to notify the Corporation, in the form prescribed, of any error. Unless such notification is received by the established cut-off hour, the exchange transactions accepted by the Corporation and as contained in the report shall be final and binding upon the Clearing Members reported as parties to such transaction.

Amended 3/99

Section B-1204 Exercised Contracts

As the settlement of exercises is in cash, which is included with the daily settlement, Sections A-407, B-407 and B-408 will not apply to European Style Gold Options.

Amended 9/96

Section B-1205 Expiration Date Exercise Procedure

European Style Gold Options will be listed with American Style Options on the Expiry Report issued on each Expiration Date and all in-the-money Long Positions will be automatically exercised in accordance with Section B-307.

Section B-1206 General Rights and Obligations of Clearing Members

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

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

Amended 12/95, 02/06

Section B-1207 Unavailability or Inaccuracy of Current Value

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

Section B-1208 Delivery and Payment with Respect to Options Exercised

Notwithstanding the provisions of Section B-403 to B-408, inclusive, for the purposes of Gold Options:

- (a) exercised and assigned Gold Options shall be settled at Settlement Time on the Exercise Settlement Date;
- (b) no margin shall be required and no margin credit shall be given in respect of such contracts on such date; and

Amended 9/96, 02/06

Section B-1209 Currency

All trading and settlement of exercises of Gold Options takes place in United States funds. All margin requirements will be calculated in United States funds and converted to Canadian Funds. All clearing fees and margin in relation to Gold Options will be payable in Canadian Funds.

RULE B-13 OPTIONS ON CANADIAN BANKERS' ACCEPTANCE FUTURES

This Rule B-13 is applicable only to American Style Options where the Underlying Interest is Canadian Bankers' Acceptance Futures traded on The Montreal Exchange. Such Options are referred to in this Rule B-13 as "Canadian Bankers' Acceptance Futures Options".

Section B-1301 Definitions

Notwithstanding Section A-102, for the purposes of Canadian Bankers' Acceptance Futures Options, the following terms are as defined:

"Exercise Price" - the specified price per Unit of Trading at which a position in the Underlying Interest may be assumed upon the exercise of an Option.

"Expiration Date" - the Last Day of Trading.

"Last Day of Trading" - options trading shall terminate at the same date and time as the underlying futures contract, i.e. at 10:00 a.m. on the second London (U.K.) business day preceding the third Wednesday of the contract month. However, options with an expiry that does not coincide with the expiry of the underlying futures contract shall cease trading at the date and time referred to in the options contract.

"Option" - a contract which gives the purchasing Clearing Member the right to assume a Long Position (in the case of a call) or assume a Short Position (in the case of a put) in the Underlying Interest at a specified Exercise Price during a specified time period and which obligates the Clearing Member holding a Short Position in the Option, upon assignment, to assume a Short Position (in the case of a call) or assume a Long Position (in the case of a put) in the Underlying Interest.

"Underlying Interest" - One Canadian Bankers' Acceptance Futures contract of the specified Futures contract month.

"Unit of Trading" - 1 contract representing the Underlying Interest.

Amended 6/96, 10/04

Section B-1302 Expiration Date Exercise Procedure

- (1) Section B-307 will apply to Canadian Bankers' Acceptance Futures Options but the times which relate to each activity are changed to read as follows:

B-307 (a)	At or before 8:a.m. and until the Close of Business;
B-307 (b)(ii)	the Close of Business;
B-307 (f)	between the hours stipulated by the Corporation on each Expiration Date

- (2) The "~~Closing Price~~closing price" for Canadian Bankers' Acceptance Futures Options referred to in ~~Section~~subsection B-307 (1) shall mean the final settlement price of the Underlying Interest at or about the close of trading on the Expiration Date.

Amended 6/96; 3/99

Section B-1303 General Rights and Obligations of Clearing Members

- (1) Subject to the provisions of these 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 Rule B-1 and expiring at the Expiration Time of such Option, to assume, on tender of an Exercise Notice, a Long Position in the Underlying Interest at the Exercise Price of the Option, all in accordance with the by-laws and rules of The Montreal Exchange and these Rules.
- (2) A Clearing Member holding a Short Position in a call Option is obligated, upon the assignment to him of an Exercise Notice in respect of such Option, to assume a Short Position in the Underlying Interest at the Exercise Price of the Option, all in accordance with the by-laws and rules of The Montreal Exchange and these Rules.
- (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 Rule B-1 and expiring at the Expiration Time of such Option, to assume, on tender of an Exercise Notice, a Short Position in the Underlying Interest at the Exercise Price of the Option all in accordance with the by-laws and rules of The Montreal Exchange and these Rules.
- (4) A Clearing Member holding a Short Position in a put Option is obliged, upon the assignment to him of an Exercise Notice in respect of such Option, to assume a Long Position in the Underlying Interest at the Exercise Price of the Option all in accordance with the by-laws and rules of The Montreal Exchange and these Rules.

Section B-110 does not apply to Canadian Bankers' Acceptance Futures Options.

Amended 6/96, 02/06

Section B-1304 Clearing Fund Deposits

Clearing Members admitted to clear Canadian Bankers' Acceptance Futures Options shall maintain deposits in both the Options Clearing Fund and the Futures Clearing Fund of the amounts from time to time required by the Rules.

Section B-1305 Trade Reporting

- (1) Section B-201 will apply to Canadian Bankers' Acceptance Futures Options. However in addition to a Consolidated Activity Report available on the day after trade, each trade will also be detailed on a Futures Daily Transaction Report available after the close of trading on the trade date.
- (2) Notwithstanding Section B-201 (~~56~~) each Clearing Member shall have until the Close of Business on the Expiration Date for an expiring Series of Canadian Bankers' Acceptance Futures Options to notify the Corporation, in the form prescribed, of any error.

Amended 3/99

Section B-1306 Random Assignment of Exercise Notices

Section B-305 shall apply to Canadian Bankers' Acceptance Futures Options but subsection (3) for Canadian Bankers' Acceptance Futures Options shall read as follows:

If an Exercise Notice is tendered in accordance with either ~~Section~~paragraph B-301 (a)(i) or B-301

(a)(ii) the assignment of such Exercise Notice shall be effective as of the day on which the Exercise Notice was tendered.

Section B-1307 Reporting of Exercises and Assignments

Section B-306 shall apply to Canadian Bankers' Acceptance Futures Options except that no Options Unsettled Delivery Report shall be issued as all exercised Canadian Bankers' Acceptance Futures Options result in a Futures position.

New Rule 01/94

RULE B-15 SPONSORED OPTIONS

This Rule B-15 is applicable only to the European or American Style Sponsored Options. The Underlying Interest for a Sponsored Option can be an Index or a Stock.

Section B-1501 Definitions

Notwithstanding Section A-102 for the purposes of Sponsored Options the following terms shall have the meanings specified:

"Aggregate Exercise Date Value" – in the case of a Sponsored Option where the Underlying Interest is an Index, is the closing or opening level of the Index (as specified by its contract specifications) on the Exercise Date multiplied by \$1.00 and multiplied by the number of Units of Trading; and, in the case of Sponsored Options where the Underlying Interest is a Stock, is the closing or opening price of the Stock on the Exercise Date multiplied by the number of Units of Trading;

"Aggregate Exercise Price" - the Exercise Price of a Sponsored Option multiplied by the number of Units of Trading of the Underlying Interest covered by the Sponsored Option;

"Call Exercise Settlement Amount" – The cash difference when the Aggregate Exercise Price is deducted from the Aggregate Exercise Date Value and multiplied by the Foreign Exchange Rate;

"Delivery" – physical delivery made in accordance with the delivery procedure of the Canadian Depository for Securities Limited (CDS) or any other Depository authorised by the Corporation on the Exercise Settlement Date, or on a day as otherwise determined by the Corporation.

"Exercise Date" – with respect to any particular Sponsored Option, the date on which the said Option is exercised pursuant to Section B-1506;

"Exercise Settlement Date" – the date specified by Bourse de Montréal Inc.;

"Expiration Date" – the date specified by Bourse de Montréal Inc.;

"Foreign Exchange Rate" – the designated closing CAN\$/foreign currency exchange spot rate as determined and reported by Bourse de Montréal Inc.;

"Put Exercise Settlement Amount" – The cash difference when the Aggregate Exercise Date Value is deducted from the Aggregate Exercise Price and multiplied by the Foreign Exchange Rate;

"Recognized Exchange" – a recognized exchange according to the definition in Rule One of Bourse de Montréal Inc.;

"Sponsor" – an entity approved by Bourse de Montréal Inc. for the purpose of sponsoring Sponsored Options.

"Sponsored Option" – an Option for which a Sponsor is the sole authorised writer;

"Trading Volume" – for the purposes of determining the eligibility or non eligibility of an underlying interest to a Sponsored Option, the trading volume will include volume from all the Recognized Exchanges on which the Underlying Interest is traded;

"Underlying Interest" - Stocks and Indices meeting the criteria described in this Rule;

Section B-1502 Eligibility Conditions of a Sponsor

In order for an institution to act as a Sponsor it must satisfy the conditions established by Bourse de Montréal Inc. for a Sponsor of Sponsored Options and any other criteria established by the Corporation from time to time.

Section B-1503 Approval of Underlying Interest

- (1) The Stocks underlying the Sponsored Options issued by the Corporation shall be approved by the Board based on criteria described in Section B-1504 of the Rules.
- (2) Except for Sponsored Options, only one Class of Options shall be approved for any one corporation.

Section B-1504 Eligibility Conditions for Underlying Interests of Sponsored Options

In considering whether any Stock should be approved as the Underlying Interest of a Sponsored Option, the Corporation, in those circumstances where section B-1505 does not apply, shall ensure that prior to being approved as an Underlying Interest the Stock meets all of the following criteria:

- (1) For Sponsored Options where the Underlying Interest is a Stock issued by a Canadian corporation, the Stock meets the Options eligibility criteria described in Section B-603.
- (2) For Sponsored Options where the Underlying Interest is a Stock issued by a non-Canadian entity, the Stock:
 - (i) trades on a Recognized Exchange, and;
 - (ii) there are derivatives listed on a Recognized Exchange on that Underlying Interest.
- (3) For Sponsored Options where the Underlying Interest is an Index, the Index or the Index contract must be approved by Bourse de Montréal Inc.

Section B-1505 Procedure for Assessing the Effect of Stock List Changes on Sponsored Options Eligibility

Section B-605 will apply to Sponsored Options where the Underlying Interest is a stock issued by a Canadian entity.

Section B-1506 Exercise of Sponsored Options

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

- (i) on the Expiration Date all options will be exercised on a case by case basis in accordance with the contract specifications.
- (ii) in the case of American-style options, on a Business Day other than the Expiration Date a Clearing Member desiring to exercise an Option may tender an Exercise Notice to the Corporation until the Close of Business on such Business Day.

Section B-1507 Trade Reporting of Options Transactions

Notwithstanding ~~Section~~Subsection B-201 (6) for Sponsored Options each Clearing Member shall have until 1.5 hours prior to the Close of Business on the Business Day following the day on which a transaction took place to notify the Corporation, in the form prescribed, of any error in the report provided to it under ~~Section~~Subsection B-201 (1). Unless such notification is received by the established deadline, transactions accepted by the Corporation and as contained in the report shall be final and binding upon the Clearing Members reported as parties to such transactions.

Section B-1508 Adjustments

- (1) Section A-902 as applicable to Derivative Instruments will apply to Sponsored Options where the Underlying Interest is an equity related product.
- (2) No adjustments will ordinarily be made in the terms of Sponsored Options where the Underlying Interest is an Index in the event that Underlying Securities are added to or deleted from an Index or when the relative weight of one or more Underlying Securities in an Index is changed. However, if the Corporation determines in its sole discretion that any such addition, deletion or change could cause significant discontinuity in the level of the Index, the Corporation may adjust the terms of the affected Sponsored Options by taking such actions as the Corporation in its sole discretion deems fair to the Clearing Member holding Long and Short Positions in the contracts. Determination with respect to adjustments pursuant to this section shall be made by the Adjustments Committee provided for in ~~Section~~Subsection A-902 (2).

Amended 03/02

Section B-1509 Unavailability or Inaccuracy of Aggregate Exercise Date Value

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

A) Section B-1510 through B-1511 inclusive apply to Sponsored Options Settled through Cash Settlement

Section B-1510 General Rights and Obligations of Clearing Members

Notwithstanding Section B-110, for the purposes of cash settled Sponsored Options:

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

Amended 02/06

Section B-1511 Payment with Respect to Cash Settled Sponsored Options Exercised

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

Amended 02/06

B) Section B-1512 through B-1513 inclusive apply to Sponsored Options Settled through Physical Delivery

Section B-1512 Good Deliverable Form of Stocks

A Stock held at CDS or any other depository approved by the Corporation shall be deemed to be in good deliverable form for the purposes hereof only if the delivery of such Stock would constitute good delivery under the Rules and Policies of Bourse de Montréal Inc.

Section B-1513 Delivery of Stocks After "Ex" Date

- (1) When an Exercise Notice is properly tendered to the Corporation prior to the "ex-dividend" date (as fixed by an Exchange on which the Underlying Interest is listed) for a distribution that causes an adjustment to be made pursuant to the Rules, the delivering Clearing Member shall make delivery as required by such adjustment unless the delivering Clearing Member, the receiving Clearing Member and the Corporation otherwise agree.
- (2) When an Exercise Notice is properly tendered to the Corporation prior to the "ex-dividend" date for a distribution that does not cause an adjustment to be made pursuant to the Rules, and delivery of the Underlying Interest is made too late to enable the receiving Clearing Member to transfer the Underlying Interest into its name and to receive such distribution, the delivering Clearing Member shall, at the time of delivery, issue its cheque to the

receiving Clearing Member for the amount of the distribution, which cheque shall be payable on the payment date of such distribution.

- (3) When an Underlying Interest is listed on more than one Exchange and differing "ex-dividend" dates are fixed by the Exchanges, the earliest date will be considered the "ex-dividend" date for purposes of this Section B-1513.

New Rule 02/01

RULE B-16 CURRENCY OPTIONS

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

Section B-1601 Definitions

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

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

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

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

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

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

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

"Exercise Settlement Date" - the Business Day following the Expiration Date.

"Expiration Date" - the third Friday of the month.

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

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

Section B-1602 Trade Reporting of Options Transactions

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

Section B-1603 Expiration Date Exercise Procedure

- (1) European Style Currency Options will be listed with American Style Options on the Expiry Report issued on the Saturday following Expiration Date and all in-the-money Long Positions will be automatically exercised in accordance with Section B-307.

- (2) The term "closing price" as used in Section B-307(l) in reference to the currency underlying any European Style Currency Option shall mean the Bank of Canada noon rate expressed in Canadian cents on the Expiration Date as reported to the Corporation by the relevant Exchange.

Section B-1604 General Rights and Obligations of Clearing Members

Notwithstanding Section B-~~109~~,110, for the purposes of Currency Options:

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

Adopted 09/05

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 first priority 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 first priority 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 first priority security interest and hypothec to the extent set forth in these Rules 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 Sub-Account 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~~Subsection (1) with respect to each Exchange Transaction effected by a Clearing Member in a day, the Corporation shall produce a Futures Sub-Account 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-~~1~~1, 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-2 TRADE REPORTING

Section C-201 Trade Reporting

- (1) On the morning of the following Business Day, the Corporation shall issue to each Clearing Member who engaged in one or more Exchange Transactions in Futures or who clears for another Exchange Member who engaged in one or more Exchange Transactions in Futures, as reported to the Corporation by an Exchange, a report ("Futures [Sub-Account](#) Consolidated Activity Report"), covering each Exchange Transaction in Futures made on such Exchange during such previous Business Day and cleared through a Clearing Member. The report shall show for each transaction:
 - (a) the identity of the purchasing Clearing Member and the selling Clearing Member and the account in which the transaction was effected;
 - (b) the Class and Series of these Futures;
 - (c) the price of the Future;
 - (d) the number of Futures;
 - (e) whether it is a buy or sell transaction;
 - (f) in the case of a transaction in a Client Account, whether it is an opening or closing transaction; and
 - (g) such other information as may be required by the Corporation.
- (2) The Corporation shall add to the Futures [Sub-Account](#) Consolidated Activity Report with respect to each account of a Clearing Member the following:
 - (a) the incoming positions;
 - (b) the prior day's trades;
 - (c) the position changes;
 - (d) the closing positions; and
 - (e) the net dollar gain or net dollar loss for the day.
- (3) It shall be the responsibility of each Clearing Member to ensure that the Futures [Sub-Account](#) Consolidated Activity Report is correct. If errors exist it shall be the further responsibility of each Clearing Member where possible to reconcile such errors with the Clearing Member on the opposite side of the Exchange Transaction. If the difference cannot be reconciled, the trade must be reported to the Corporation as a rejected trade by both Clearing Members participating in it.
- (4) Each Clearing Member shall have until 1.5 hours prior to the Close of Business on the Business Day following the day on which the trade took place to notify the Corporation, in the form prescribed, of any error. Unless such notification is received by the established cut-off hour, and unless the correction of such error is not rejected by the Corporation which is entitled to do so if it deems appropriate in its sole discretion, the Exchange Transactions accepted by the Corporation and as contained in the Futures [Sub-Account](#) Consolidated Activity Report shall be final and binding upon the Clearing Members reported as parties to such transactions.
- (5) Each Clearing Member shall be responsible to the Corporation in respect of each Exchange Transaction in Futures reported to the Corporation by an Exchange in which such Clearing Member is identified as a purchasing Clearing Member or selling Clearing Member whether or not such Exchange report was correct unless the Corporation is notified of any errors in compliance with this Section C-201.

- (6) Each Clearing Member shall be responsible for the prompt reporting to the Corporation of any subsequent information, relating to the trade data listed in Subsection C-201 (1), which becomes known and which will change the positions of that Clearing Member as recorded by the Corporation.

Amended 5/90, 9/92; 3/99, 9/98

RULE C-5 DELIVERY OF UNDERLYING INTEREST OF FUTURES

Section C-501 Definitions

Notwithstanding Section A-102 for the purposes of Delivery of Underlying Interest of Futures 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 Sections C-1004, C-1104, C-1304, C-1404, C-1604, C-1804 and C-1904 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.

Amended 9/95, 6/96, 5/08

Section C-502 Delivery Through the Corporation

Unless otherwise specified by the Corporation, delivery of the Underlying Interest and payment therefor shall be made through the Corporation pursuant to the forms and procedures prescribed by it, having regard to the Contract Specifications and the by-laws and rules of the Exchange on which it is traded.

Amended 6/96

Section C-503 Submission of Tender Notice

- (1) A Clearing Member acting on behalf of the seller of a Future may, subject to the Contract Specifications and the by-laws and rules of the Exchange on which it is traded, make delivery of the Underlying Interest which is the subject of the Future. A Clearing Member desiring to make delivery shall submit to the Corporation a Tender Notice in such form and containing such information as the Corporation may prescribe. Every submission of a Tender Notice in accordance herewith shall be irrevocable.
- (2) Every Clearing Member holding a Short Position in a series of Futures at the Close of Business on the last day of trading in such series of Futures shall immediately tender a Tender Notice in respect of such Short Position.
- (3) Where the day of submitting a Tender Notice or the day of delivery is a holiday, the Corporation shall determine the day on which a Tender Notice may be submitted.
- (4) If a Clearing Member fails to deliver a Tender Notice as required by these Rules, ~~such Clearing Member shall be a Non-Conforming Member and~~ the Corporation will submit a Tender Notice on behalf of that ~~Non-Conforming Member and, in addition to any other sanction which may be imposed by the Corporation under Rule A-5, a penalty of \$1,000 shall be assessed against and shall be payable by that Non-Conforming~~ Clearing Member.

Amended 9/95, 6/96, 9/98, 3/99

Section C-504 Acceptance of Tender Notice

A Tender Notice properly submitted to the Corporation in accordance with Section C-~~502~~503 shall be accepted by the Corporation for assignment at the end of such Business Day.

Amended 9/95, 6/96

Section C-505 Assignment of Tender Notice

- (1) Tender Notices accepted by the Corporation shall be assigned, at the end of each Business Day on which the Contract Specifications permits Tender Notices to be tendered, in accordance with the Corporation's procedures of random selection, to Clearing Members with open Long Positions as of the close of trading on the day on which the Tender Notice is submitted.
- (2) A Tender Notice shall not be assigned to any Non-Conforming Member which has been suspended for default or insolvency. A Tender Notice assigned to a Clearing Member which is subsequently so suspended shall be withdrawn and thereupon assigned to another Clearing Member in accordance with this Section.

Amended 9/95, 6/96, 9/98

Section C-506 Notification of Tender and Assignment

The Corporation will issue a Futures Tenders and Assignments Report on the following Business Day to each Clearing Member who submitted, or on whose behalf was submitted, a Tender Notice that was assigned and to each assigned Clearing Member. Such Report shall identify the delivering Clearing Member, the assigned Clearing Member, the quantity and description of the Underlying Interest to be delivered, the delivery date, the Settlement Amount and the account.

Amended 5/90, 1/92, 9/95, 6/96

Section C-507 Assignment of Tender Notices to Customers

Each Clearing Member shall establish fixed procedures for the allocation of Tender Notices assigned to it in respect of a Long Position in the Clearing Member's Client Account. The allocation shall be on a basis that is fair and equitable to the Clearing Member's clients and consistent with the by-laws and rules of the Exchange on which the Future is traded. Such allocation procedures and any changes thereto shall be reported to the Corporation on request.

Amended 6/96

Section C-508 Restriction on Allocation

No Clearing Member shall permit, unless there is no alternative, the allocation of a Tender Notice in respect of a Long Position that was opened on the day of such allocation.

Section C-509 Evidence of Intent to Deliver

Prior to the last day of trading, each Clearing Member shall require evidence for each account on its books that all positions in Futures which will not be offset on the last day of trading will be completed by delivery. If a customer of a Clearing Member is willing or unable to provide such evidence, the Clearing Member must liquidate the position on or before the last day of trading.

Amended 9/95, 6/96

Section C-510 Obligation to Deliver

The Clearing Member making delivery of an Underlying Interest pursuant to a Future (the "delivering Clearing Member") shall deliver the Underlying Interest which is the subject of the Tender Notice, ~~or such documents as may be necessary to convey title and possession of such Underlying Interest,~~ in Good Deliverable Form ~~and duly endorsed, to the assigned Clearing Member (as defined below)~~ against receipt of payment. ~~The Clearing Member who has been assigned to take delivery shall notify the Corporation of non-delivery of the~~

~~Underlying Interest, in the form prescribed by the Corporation, within the time prescribed in respect of the particular Underlying Interest which was to have been delivered.~~ Delivery of the Underlying Interest will be subject to netting as described in Rule A-801 and shall be made at such times as is provided in the by-laws, rules and policies of the Exchanges and these Rules.

Amended 9/95, 6/96

Section C-511 Obligation to Take Delivery

A Clearing Member who has been assigned to take delivery of an Underlying Interest pursuant to a Future (the "assigned Clearing Member") shall accept delivery of the Underlying Interest which is the subject of the Future, ~~or such documents as may be necessary to convey title and possession of such Underlying Interest, in Good Deliverable Form and duly endorsed, from the delivering Clearing Member. The Clearing Member delivering the Underlying Interest shall notify the Corporation of non-acceptance.~~ Payment of delivery, in the form prescribed by the Corporation, within the time prescribed in respect of the particular Underlying Interest that was to have been accepted of the Underlying Interest will be subject to netting as described in Rule A-801 and shall be made at such times as is provided in the by-laws, rules and policies of the Exchanges and these Rules.

Amended 9/95, 6/96

~~**Section C-512 Failure to Deliver**~~

~~———— If the Clearing Member required to make delivery under Section C-510 fails to complete such delivery by the time required for delivery in the by-laws, rules and policies of the Exchanges and these Rules, the delivering Clearing Member will become a Non-Conforming Member. The Corporation may take or cause, authorize or require to be taken whatever steps it may deem necessary to effect delivery to or otherwise settle with, the assigned Clearing Member. Without limiting the generality of the foregoing, the Corporation may acquire and deliver the Underlying Interest to the assigned Clearing Member, reimburse or pay to the assigned Clearing Member any additional financial costs incurred as a result of the assigned Clearing Member acquiring the Underlying Interest on the open market, enter into an agreement with the assigned Clearing Member and the delivering Non-Conforming Member relating to the failed delivery, and/or take such other action as the Corporation may, in its absolute discretion, deem appropriate or necessary in order to ensure that a Non-Conforming Member's obligations are fulfilled. In the event the cost of effecting delivery to, or otherwise settling with, the assigned Clearing Member exceeds the settlement price at which the delivery was to be made, the Non-Conforming Member shall be liable for and shall promptly pay to the Corporation or the assigned Clearing Member as the case may be, the amount of such difference.~~

Amended 9/95, 6/96, 9/98

~~**Section C-513 Failure to Accept Delivery and Make Payment**~~

~~———— If the Clearing Member who is assigned a Tender Notice shall fail to accept delivery and make payment of the Settlement Amount to the delivering Clearing Member, or shall refuse to receive the Underlying Interest, or shall fail to pay the Settlement Amount for all the Underlying Interest or the documents of conveyance in respect thereof delivered to it in Good Deliverable Form in fulfillment of a Tender Notice, and such refusal or failure shall continue beyond the time required for delivery in the by-laws, rules and policies of the Exchanges and these Rules, the assigned Clearing Member shall become a Non-Conforming Member. The Corporation may take or cause, authorize or require to be taken whatever steps it deems necessary to effect payment to, or otherwise to 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 assigned Non-Conforming Member and, if such action is taken by the delivering Clearing Member, to the Corporation, sell out in the best available market, for the amount and liability of the assigned Non-Conforming Member, all or any part of the undelivered Underlying Interest. The assigned Non-Conforming Member shall be liable for and shall promptly pay to the delivering Clearing Member or the Corporation as the case may be, the difference, if~~

~~any, between the Settlement Amount of the undelivered Underlying Interest and the price at which such Underlying Interest was sold out.~~
~~Amended 9/95, 6/96, 9/98~~

~~Section C-514 Penalties and Restrictions~~

- (1) ~~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 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 the Rules in respect of such a default. 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, whichever is the sooner.~~
- (2) ~~Where at the Time of Delivery a delivering Clearing Member fails to make delivery or an assigned Clearing Member fails to accept delivery and make payment and becomes a Non-Conforming Member the Non-Conforming Member's clearing activities shall immediately be restricted to closing transactions as defined in these Rules, 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 C-516 and C-517, or, if such funds are not deposited, until otherwise determined by the Chairperson of the Board and any two directors. Nothing in this Section C-514(2) shall prevent the Corporation from immediately suspending a Non-Conforming Member.~~

~~New Rule 9/95, amended 9/98~~ **Section C-515 Notification of Failure to Make Delivery/Make Payment** **Section C-512 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, 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 assigned 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 9/95, amended 9/98

~~Section C-516 Security Funds~~

~~For the purposes of all these Rules, "Security Funds" shall be equivalent to the form of deposits accepted by the Corporation pursuant to Section A-608.~~

~~New Rule 9/95, amended 02/06~~

~~Section C-517 Deposit of Security Funds~~

- (1) ~~Where a Non-Conforming Member has defaulted on the delivery of an Underlying Interest, 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 C-514, shall end. The deposit of the Security Funds with the Corporation as herein provided does not discharge any obligation of such Non-Conforming Member to the Corporation including the payment of any penalties or the payment of costs incurred by the Corporation in connection with the Non-Conforming Member's default, and does not preclude the suspension of such Non-Conforming Member, or the assessment of additional sanctions under Rule A-5.~~

- ~~(2) — Where a Non-Conforming Member has failed to accept the delivery of an Underlying Interest and make payment therefor, it must deliver to the Corporation, within one hour after the Time of Delivery, Security Funds equal to the settlement value, or, in the absolute 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 C-514, shall end. The deposit of the Security Funds with the Corporation, after the required delivery time, does not discharge any obligation of such Non-Conforming Member to the Corporation including the payment of any penalties or payment of costs incurred by the Corporation in connection with the Non-Conforming Member's default, and does not preclude the suspension of such Non-Conforming Member or the assessment of additional sanctions under 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 Non-Conforming Member with the Corporation, and any other Non-Conforming 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 9/95, amended 9/98

Section C-518 Effecting Delivery/Payment

- ~~(1) — Where a delivering Non-Conforming Member has failed to make a delivery or an assigned Non-Conforming 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 C-517, 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 C-517, any excess, less all assessed penalties and reasonable expenses, including legal fees, incurred by the Corporation, will be promptly returned to the Non-Conforming Member.—~~

New Rule 9/95, amended 9/98 **Section C-519 513 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 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 9/95, amended 9/98

Section C- ~~520~~514 Suspension and Other Disciplinary Action

Notwithstanding any penalties or restrictions imposed on the Non-Conforming Member pursuant to Section C-~~514~~,512, 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 5/95, amended 9/98

~~EXHIBIT A~~

~~EXHIBIT B~~SECTION C-521 FORCE MAJEURE

Section C-515 Force Majeure or Emergency

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~~force majeure or 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.

Amended 9/95, 6/96, 9/96, 9/98, 02/06

RULE C-7 FUTURES ON STOCK INDICES

The sections of this Rule C-7 are applicable only to Futures settling on a future date where the Underlying Interest is a Stock Index.

Amended 6/99; 11/00

Section C-701 Definitions

Notwithstanding Section A-102 for the purposes of Futures on Stock indices, the following terms are as defined:

- "Exchange" - the Bourse de Montréal Inc.
- "Final Settlement Price" - the price determined by the Exchange on which the Futures trades as being the opening price of the Stock Index on the day following the last day of trading multiplied by the appropriate Multiplier.
- "Futures" - a contract to make settlement in cash on a future date of the difference between the Final Settlement Price and the Trade Price multiplied by the appropriate Multiplier pursuant to standardized terms and conditions set forth in these Rules and the by-laws, rules or policies of the Exchange.
- "Multiplier" - the factor used to calculate the size of the contract as specified by the Exchange.
- "Stock Index" - a securities index specified by the Exchange which is determined by the inclusion and relative representation of the current market prices of a group of securities.
- "Underlying Interest" - the Stock Index which is the subject of the Futures.

Amended 6/87; 6/99; 11/00

Section C-702 Final Settlement in Cash Through the Corporation

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 made 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:

- (a) each position opened prior to the last trading day is the difference between
 - (i) the Final Settlement Price, and
 - (ii) the Settlement price of the contract on the business day before the last trading day,multiplied by the appropriate Multiplier; and

- (b) each position opened on the last trading day is the difference between
- (i) the Final Settlement Price, and
 - (ii) the Trade price of the open contract
- multiplied by the appropriate Multiplier.

Amended 6/87; 6/99; 11/00

Section C-703 Tender Notices

As there is no provision for physical delivery of cash settlement Futures, Rule C-5 shall not apply to Futures on Stock Indices.

Amended 6/99; 11/00

Section C-704 Adjustments

No adjustments will ordinarily be made in the terms of Stock Index Futures in the event that underlying securities are added to or deleted from a Stock Index or when the relative weight of one or more underlying securities in a Stock Index is changed. However, the Corporation may, at the request of the Exchange, adjust the terms of the affected Stock Index Futures.

Amended 6/96; 6/99; 11/00

Section C-705 Unavailability or Inaccuracy of Current Value

- (1) If the Corporation shall determine that the Final Settlement Price for a Stock Index underlying any series of Stock Index 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 times 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 shall be conclusively deemed to be accurate except that where the Corporation determines in its discretion that there is a material inaccuracy in the reported 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.

Amended 6/99; 11/00

Section C-706 Payment and Receipt of Payment of the Trade Price

The settlement value of maturing contract will be included with other settlements on the daily [Detailed](#) Futures [Consolidated Activity Report and Futures Sub-Account](#) Consolidated Activity Report.

Amended 5/90; 6/99; 11/00

RULE C-8 DAILY SPOT INDEX FUTURES (SYMBOLS - TSE, TOI & TXX)

The sections of this Rule C-8 are applicable only to Futures settling on the day after trade where the Underlying Interest is a TSE Index.

Section C-801 Definitions

Notwithstanding Section A-102 for the purposes of Daily Spot Index Futures, the following terms are as defined:

"Future" - a contract to make settlement in cash on the day after trade of the difference between the Spot Settlement Price of the applicable Index and the Trade Price multiplied by the appropriate Multiplier pursuant to standardized terms and conditions set forth in these Rules and the by-laws, rules or regulations of an Exchange.

"Multiplier" - the factor used to calculate the size of the contract. TOI and TSE = \$10.00; TXX = \$500.00.

"Spot Settlement Price" - the Settlement Price at the end of the trading day in a series of Daily Spot Index Futures multiplied by the appropriate Multiplier.

"TSE Index" - a securities index specified by The Toronto Stock Exchange which is determined by the inclusion and relative representation of the current market prices of a group of securities.

"Underlying Interest" - the TSE Index which is the subject of the Future.

Amended 6/87

Section C-802 Settlement in Cash Through the Corporation

Notwithstanding Section C-~~501~~502 for the purposes of Daily Spot Index Futures, the following applies.

Unless otherwise specified by the Corporation settlement of positions held following the close of trading of Daily Spot Index Futures shall be made on the first Business Day following the trade. 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 settlement of each contract is the difference between (i) the Spot Settlement Price and (ii) the Trade Price of the contract multiplied by the appropriate Multiplier.

Amended 6/87

Section C-803 Tender Notices

As there is no provision to tender delivery of cash settlement Futures, Sections C-~~502~~503 through C-~~509~~508 inclusive shall not apply to Daily Spot Index Futures.

Section C-804 Adjustments

No adjustments will ordinarily be made in the terms of Daily Spot Index Futures in the event that underlying securities are added to or deleted from a TSE Index or when the relative weight of one or more underlying securities in a TSE Index is changed. However, if the Corporation shall determine in its sole discretion that any such addition, deletion, or change causes significant discontinuity in the level of a TSE Index, the Corporation may adjust the terms of the affected Daily Spot Index Futures by taking such action as the Corporation in its sole discretion deems fair to Clearing Members holding Long and Short Positions.

Amended 12/95

Section C-805 Unavailability or Inaccuracy of Current Value

- (1) If the Corporation shall determine that the Spot Settlement Price for a TSE Index underlying any series of Daily Spot Index 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 times as the Corporation determines that the required Spot Settlement Price is available, the Corporation shall fix a new date for Settlement of the Gains and Losses); and
 - (b) Fix the Spot Settlement Price in accordance with the best information available as to the correct Spot Settlement Price.
- (2) The Spot Settlement Price as reported by the Exchange shall be conclusively deemed to be accurate except that where the Corporation determines in its discretion that there is a material inaccuracy in the reported Spot 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 Spot Settlement Price to be used for settlement purposes.

Section C-806 Payment and Receipt of Payment of the Trade Price

The Trade Price will be included with other settlements on the daily [Detailed](#) Futures [Consolidated Activity Report and Futures Sub-Account](#) Consolidated Activity Report.

Sections C-510 through C-512 inclusive do not apply to Daily Spot Index Futures.

Amended 5/90

RULE C-9 US DOLLAR FUTURES (SYMBOL - USD)

The sections of this Rule C-9 are applicable only to Futures where the Underlying Interest is U.S. \$50,000 herein referred to as "U.S. Dollar Futures".

Section C-901 Definitions

Notwithstanding Section A-102 for the purposes of U.S. Dollar Futures, the following terms are as defined:

"Underlying Interest" - U.S. \$50,000.

Section C-902 Settlement in Cash Through the Corporation

Notwithstanding Section C-502 for the purposes of U.S. Dollar Futures, the following applies.

Settlement of positions held following the close of trading on the last day of trading of the settlement month shall be made 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 the long Clearing Members. The amount to be paid or received in final settlement of each U.S. Dollar contract is the difference between:

- (i) the Bank of Canada average noon rate on the last day of trading, for one U.S. dollar in Canadian funds expressed to four decimal places and then multiplied by 50,000 and
- (ii) the Settlement Price of the U.S. Dollar Contract on the previous trading day multiplied by 500 or; for positions opened on the last trading day, the Trade Price of the open contract multiplied by 500.

Amended 9/95

Section C-903 Tender Notices

As there is no provision to tender delivery of cash settlement Futures, Sections C-~~503~~502 through C-508 inclusive, and Sections C-510 and C-511 do not apply to the U.S. Dollar Futures.

Amended 9/95

Section C-904 Payment and Receipt of Payment of the Trade Price

The Trade Price will be included with other settlements on the daily Detailed Futures Consolidated Activity Report and Futures Sub-Account Consolidated Activity Report.

Sections C-509, C-512 and C-513 do not apply to U.S. Dollar Futures.

Amended 5/90, 9/95

RULE C-10 TREASURY BILL FUTURES II (SYMBOL -TBT)

The sections of this Rule C-10 are applicable only to Futures where the Underlying Interest is 91-day Government of Canada Treasury Bills quoted in terms of the TFE T-Bill Index, herein referred to as "T-Bill Futures II".

Section C-1001 Definitions

Notwithstanding Section A-102 for the purposes of T-Bill Futures II the following terms are as defined:

"Underlying Interest" means 91-day Government of Canada Treasury Bills, having an aggregate face value at maturity of \$1,000,000, quoted in terms of the TFE T-Bill Index.

Section C-1002 Delivery Standards

- (1) The delivery unit for T-Bill Futures II shall be Government of Canada Treasury Bills with maturities ranging from 89 to 93 days, with a discounted value of \$1 million at delivery.
- (2) The following formula shall be used to calculate the Settlement Amount of the delivery unit:

$$\text{Settlement Amount} = \frac{1}{1 + (\text{T-Bill Yield} \times \frac{\text{Terms to Maturity}}{365})} \times \$1,000,000$$

Where: T-Bill Yield = 100 - TFE T-Bill Index at settlement, multiplied by 0.01

Terms to Maturity = bills bearing maturity of 89 to 93 days from the first Day of Delivery.

The Settlement Amount shall be rounded to 2 decimal places.

- (3) In the event that an auction of 91-day Treasury Bills is not conducted for any week in the month which a delivery day occurs, or, if for any reason the potential supply of Treasury Bills available for delivery against a series of T-Bill Futures II appears to be inadequate, the Corporation shall have the authority to specify as deliverable on a T-Bill Futures II such other Government of Canada securities as it deems substitutable, and may specify any adjustments in the settlement amount that it considers appropriate and equitable.

Amended 5/96

Section C-1003 Submission of Tender Notices

- (1) A Clearing Member who holds an open Short Position in T-Bill Futures II of the series in the current Delivery Month on any of the three Bank of Canada auction days immediately preceding the last Friday of the Delivery Month and who wishes to make delivery may do so by submitting a Tender Notice to the Corporation no later than the time established by the Corporation on such Bank of Canada auction day indicating the maturity of the T-Bill being delivered.

- (2) A Clearing Member who holds an open Short Position in T-Bill Futures II of the series in the current Delivery Month at the time that trading in that series has ceased shall submit a Tender Notice to the Corporation no later than the time established by the Corporation on such last day of trading indicating the maturity of the T-Bill being delivered.
- (3) The Clearing Member to whom a delivery has been assigned must confirm to the Corporation that delivery has been completed.

This Section C-1003 supplements Section C-503.

Amended 5/90, 5/96

Section C-1004 Delivery Through the Corporation

- (1) Day of Delivery - Delivery of Government of Canada Treasury Bills as required by this Rule shall be made by the Clearing Member on the first Business Day following tender, or on a day as otherwise determined by the Corporation.
- (2) Time of Delivery - Each Clearing Member who is to make or take delivery of Treasury Bills shall do so against or by payment of certified funds by no later than 2:45 p.m. on the Day of Delivery.
- (3) If delivery of the Underlying Interest by the delivering Clearing Member, or payment therefor by the assigned Clearing Member, is not effected by the time provided in ~~Section~~Subsections C-1004(2), such Non-Conforming Clearing Member must inform the Corporation of such failure of the Non-Conforming Member no later than 3:00 p.m. on the Day of Delivery. The Non-Conforming Clearing Member shall notify the Corporation of the default of the Non-Conforming Member by telephone, with written notification, sent by facsimile transmission, or electronic mail to be provided as soon as possible.

Amended 5/96, 9/98

RULE C-11 LONG CANADA II FUTURES (SYMBOL - GCB)

The sections of this Rule C-11 are applicable only to Futures where the Underlying Interest is long-term Government of Canada Bonds of minimum 15 years maturity, herein referred to as "Long Canada II Futures".

This Rule C-11 shall not be applicable to Futures where the Underlying Interest is a 30-year Canada Bond.

November 16, 2007

Section C-1101 Definitions

Notwithstanding Section A-102 for the purposes of Long Canada II Futures the following terms are as defined:

"Underlying Interest" means long-term Government of Canada Bonds maturing in no less than 15 years and having an aggregate face value at maturity of \$100,000.

Section C-1102 Delivery Standards

- (1) The delivery unit for Long Canada II Futures shall be Government of Canada Bonds which do not mature and are not callable for at least 15 years from the date of delivery, having a coupon rate of 9% and an aggregate face value at maturity of \$100,000. All bonds in a delivery unit must be of the same issue.
- (2) Substitution - at the option of the Clearing Member holding the Short Position, bonds with coupon rates other than 9% are deliverable, at a discount for bonds with coupons less than 9%, and at a premium for bonds with coupons more than 9%. The amount of premium or discount for each different deliverable issue shall be determined on the basis of yield equivalency with a 9% bond selling at par. The price at which a bond having a particular maturity and coupon rate will yield 9% shall be determined according to bond tables prepared by the Exchange on which the Future trades. The Settlement Amount of such delivery unit shall be \$1,000 multiplied by the product of such price and the Settlement Price of that series of Long Canada II Futures. Interest accrued on the bonds shall be charged to the Clearing Member taking delivery.
- (3) The Exchange on which the Future trades shall publish a list of deliverable issues prior to each Delivery Month. New issues of Government of Canada bonds which satisfy the standards of this section shall be added to the deliverable list as they are issued by the Government of Canada. The Exchange shall have the right to exclude any new issue from deliverable status or to further limit outstanding issues from deliverable status, whether or not they otherwise satisfy the standards of this section.

Section C-1103 Submission of Tender Notices

- (1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from three Business Days prior to the first Business Day of the Delivery Month up to and including the fourth last Business Day of the Delivery Month indicating the maturity of the Government of Canada Bonds being delivered.
- (2) A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable series shall submit a Tender Notice to the Corporation no later than the time established by the Corporation on such last day of trading indicating the maturity of the Government of Canada Bonds being delivered.
- ~~(3) The Clearing Member to whom a delivery has been assigned must confirm to the Corporation that delivery has been completed.~~

This section C-1103 supplements Section C-503.

Amended 9/95, 5/96

Section C-1104 Delivery Through the ~~Clearing~~ Corporation

- (1) Day of Delivery - Delivery of long term Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the third Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation.
- (2) Time of Delivery - each Clearing Member who is to make or take delivery of long term Government of Canada bonds shall do so against or by payment of certified funds by no later than 2:45 p.m. on the Day of Delivery.
- (3) If delivery of the Underlying Interest by the delivering Clearing Member, or payment therefor by the assigned Clearing Member, is not effected by the time provided in Section C-1104(2), such ~~Non-Conforming~~ Clearing Member that fails to deliver or pay, as applicable, must inform the Corporation of such failure ~~of the Non-Conforming Member~~ no later than 3:00 p.m. on the Day of Delivery. ~~The Non-Conforming Clearing Member shall notify the Corporation of the default of the Non-Conforming Member~~ Such notification shall take place by telephone, with written notification, ~~sent by facsimile transmission, or electronic mail~~ to be provided as soon as possible.

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

RULE C-12 CANADIAN BANKER'S ACCEPTANCE FUTURES (SYMBOL BAR & BAX)

The sections of this Rule C-12 are applicable only to Futures settling on a future date where the Underlying Interest is a Canadian Bankers' Acceptance.

New Rule 4/88

Section C-1201 Definitions

Notwithstanding Section A-102 for the purposes of Canadian Bankers' Acceptance Futures, the following terms are as defined:

"Canadian Bankers' Acceptance" - a bill of exchange that has been accepted by a Canadian chartered bank.

"Canadian Bankers' Acceptance Index" - an amount specified from time to time by an Exchange which is determined by subtracting from 100 the annualized yield on the Underlying Interest (based on a 365-day year).

"Canadian Bankers' Acceptance Reference Rate" - a rate expressed as an annual rate of interest determined daily by the Exchange on which the Future trades by taking the arithmetic mean (rounded to the nearest 1/1000th of a percentage point) of the bid rates for Canadian Bankers' Acceptances, which are the subject of the Future, quoted by various Canadian chartered banks and investment dealers selected by the Exchange at random, provided that the two highest quoted bid rates and the two lowest quoted bid rates shall not be taken into account in calculating the arithmetic mean of the quoted rates and provided that the Exchange on which the Future trades, if it considers it appropriate to do so, may determine that such rate shall be calculated in some other fashion.

"Final Settlement Price" - the amount quoted by the Exchange on which the Future trades at the close of trading on the last day on which such Future trades determined by subtracting from 100 the Canadian Bankers' Acceptance Reference Rate for such day, rounded to the nearest 1/1000th of a percentage point.

"Future" - a contract to make settlement in cash on a future date of the difference between the Final Settlement Price and either the Trade Price or the Settlement Price on the previous day multiplied by the appropriate Multiplier pursuant to standardized terms and conditions set forth in these Rules and the by-laws, rules or policies of an Exchange.

"Multiplier" - the value of one basis point which is used to calculate the size of the contract: \$25.00.

"Underlying Interest" -

- BAR - a Canadian Bankers' Acceptance having a principal value at maturity of \$3,000,000 with a one-month maturity and quoted in term of a Canadian Bankers' Acceptance Index.
- BAX - a Canadian Bankers' Acceptance having a principal value at maturity of \$1,000,000 with a three-month maturity and quoted in term of a Canadian Bankers' Acceptance Index.

Amended 12/02

Section C-1202 Settlement in Cash Through the Corporation

Notwithstanding Section C-~~501~~502 for the purposes of Canadian Bankers' Acceptance 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 made 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

- (a) each position opened prior to the last trading day is the difference between
 - (i) the Final Settlement Price and
 - (ii) the Settlement Price of the contract on the previous trading daymultiplied by the Multiplier; and
- (b) each position opened on the last trading day is the difference between
 - (i) the Final Settlement Price and
 - (ii) the Trade Price of the open contractmultiplied by the Multiplier

Section C-1203 Tender Notices

As there is no provision to tender delivery of cash settlement Futures, Sections C-~~502~~503 through C-~~509~~508 inclusive shall not apply to Canadian Bankers' Acceptance Futures.

Section C-1204 Adjustments

No adjustments will ordinarily be made in the terms of Canadian Bankers' Acceptance Futures in the event that the Canadian Bankers' Acceptance 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 Canadian Bankers' Acceptance Index, the corporation may adjust the terms of the affected Canadian Bankers' Acceptance 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 the trading of the Canadian Bankers' Acceptance and the Corporation determines that a discontinuity in the level of the Canadian Bankers' Acceptance Index is caused by such a Government order, it shall take such action as it deems necessary and fair under the circumstances.

Amended 12/95

Section C-1205 Unavailability or Inaccuracy of Current Value

- (1) If the Corporation shall determine that the Final Settlement Price for any series of Canadian Bankers' Acceptance 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 times 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 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.

Section C-1206 Payment and Receipt of Payment of the Trade Price

The Trade price will be included with other settlements on the daily [Detailed](#) Futures [Consolidated Activity Report and Futures Sub-Account](#) Consolidated Activity Report.

~~Section~~[Sections](#) C-510 ~~and~~[to](#) C-512 inclusive do not apply to Canadian Banker's Acceptance Futures.

Amended 5/90

RULE C-13 10-YEAR CANADA BOND FUTURES (SYMBOL - CGB)

The sections of this Rule C-13 are applicable only to Futures where the Underlying Interest is Government of Canada bonds as defined in section C-1302, herein referred to as "10-year Canada Bond Futures".

New Rule 6/89, 6/94

Section C-1301 Definitions

Notwithstanding Section A-102 for the purposes of 10-year Canada Bond Futures the following terms are as defined:

"Assignment File" means the computer file constructed to enable Tenders to be assigned on a first-in-first-out basis pursuant to Section C-1305.

"Underlying Interest" means Government of Canada Bonds which meet the criteria established in Section C-1302 of this Rule.

Amended 9/95

Section C-1302 Delivery Standards

1. For 10-year Canada Bond Futures Expiring in December 1999 or March 2000.
 - (a) The delivery unit for 10-Year Canada Bond Futures shall be Government of Canada Bonds which do not mature and are not callable for at least 8 years and no more than 10 1/2 years from the first calendar day of the Delivery Month, having a coupon rate of 9%, an aggregate face value at maturity of \$100,000, an outstanding face value, net of all potential purchases by the Government of Canada up until the end of the delivery period of the corresponding Delivery Month, of at least \$3.5 billion, are issued and delivered on or before the 15th calendar day preceding the first tender date corresponding to the Delivery Month of the contract, and which are originally issued at 10-year auctions.

All bonds in a delivery unit must be of the same issue.
 - (b) Substitution - at the option of the Clearing Member holding the Short Position, bonds with coupon rates other than 9% are deliverable, at a discount for bonds with coupons less than 9%, and at a premium for bonds with coupons more than 9%. The amount of premium or discount for each different deliverable issue shall be determined on the basis of yield equivalency with a 9% bond selling at par. The price at which a bond having a particular maturity and coupon rate will yield 9% shall be determined according to bond tables prepared by the Exchange on which the Future trades. The Settlement Amount of such delivery unit shall be \$1,000 multiplied by the product of such price and the Settlement Price of that series of 10-year Canada Bond Futures. Interest accrued on the bonds shall be charged to the Clearing Member taking delivery.
2. For 10-year Canada Bond Futures Expiring on or after June 2000.
 - (a) The delivery unit for 10-Year Canada Bond Futures shall be Government of Canada Bonds which do not mature and are not callable for at least 8 years and no more than 10 1/2 years from the first calendar day of the Delivery Month, having a coupon rate of 6%, an aggregate face value at maturity

of \$100,000, an outstanding face value, net of all potential purchases by the Government of Canada up until the end of the delivery period of the corresponding Delivery Month, of at least \$3.5 billion, are issued and delivered on or before the 15th calendar day preceding the first tender date corresponding to the Delivery Month of the contract, and which are originally issued at 10-year auctions.

All bonds in a delivery unit must be of the same issue.

- (b) Substitution - at the option of the Clearing Member holding the Short Position, bonds with coupon rates other than 6% are deliverable, at a discount for bonds with coupons less than 6%, and at a premium for bonds with coupons more than 6%. The amount of premium or discount for each different deliverable issue shall be determined on the basis of yield equivalency with a 6% bond selling at par. The price at which a bond having a particular maturity and coupon rate will yield 6% shall be determined according to bond tables prepared by the Exchange on which the Future trades. The Settlement Amount of such delivery unit shall be \$1,000 multiplied by the product of such price and the Settlement Price of that series of 10-year Canada Bond Futures. Interest accrued on the bonds shall be charged to the Clearing Member taking delivery.
3. For all 10-year Canada Bond Futures
- (a) The Exchange on which the Future trades shall publish a list of deliverable issues prior to each Delivery Month. The time to maturity of a given issue is calculated in complete three month increments (rounded down to the nearest quarter) from the first day of the Delivery Month. New issues of Government of Canada bonds which satisfy the standards of this section shall be added to the deliverable list as they are issued by the Government of Canada. In the event that, at any regular issue or auction, the Government of Canada reopens an existing bond not issued at a 10-year auction that would otherwise meet the standards of this Rule, thus rendering the existing issue indistinguishable from the newly issued one, then the older issue is deemed to meet the standards of this Rule and would be deliverable if the reopening of such an existing issue has a total minimum face value amount of \$3.5 billion during the last 12 month period preceding the first tender date of the contract month. The Exchange shall have the right to exclude any new issue from deliverable status or to further limit outstanding issues from deliverable status, whether or not they otherwise satisfy the standards of this section.
 - (b) In the event the Corporation determines that there exists a shortage of deliverable Government of Canada Bond issues it may designate as deliverable on a 10-year Canada Bond Futures such other Government of Canada issues as it deems suitable, and may specify any adjustments in the settlement amount that it considers appropriate and equitable.

Amended 3/90, 1/92, 6/92, 9/92, 6/94, 9/95, 10/97, 9/98; 10/99

Section C-1303 Submission of Tender Notices

- (1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from three Business Days prior to the first Business Day of the Delivery Month up to and including the third last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada bonds being delivered.
- (2) A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable series shall submit a Tender Notice to the Corporation indicating the maturity of the

Government of Canada Bonds being delivered. Such Notice must be tendered no later than the third Business Day preceding the last Business Day of the Delivery Month.

- (3) ~~The Clearing Member to whom a delivery has been assigned must confirm to the Corporation that delivery has been completed.~~

This Section C-1303 supplements Section C-~~502~~503.

Amended 9/95

Section C-1304 Delivery Through the ~~Clearing~~ Corporation

- (1) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the third Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation. Delivery must be made no later than the last Business Day of the Delivery Month.
- (2) Time of Delivery - Each Clearing Member who is to make or take delivery of Government of Canada bonds shall do so against or by payment of certified funds by no later than 2:45 p.m. on the Day of Delivery
- (3) If delivery of the Underlying Interest by the delivering Clearing Member, or payment therefor by the assigned Clearing Member, is not effected by the time provided in ~~Section~~Subsection C-1304(2), such ~~Non-Conforming~~ Clearing Member that fails to deliver or pay, as applicable, must inform the Corporation of such failure ~~of the Non-Conforming Member~~ no later than 3:00 p.m. on the Day of Delivery. ~~The Non-Conforming Clearing Member shall notify the Corporation of the default of the Non-Conforming Member.~~ Such notification shall take place by telephone, with written notification, sent by facsimile transmission, or electronic mail to be provided as soon as possible.

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

Section C-1305 Assignment of Tender Notice

- (1) Tender Notices accepted by the Corporation shall be assigned, at the end of each Business Day on which the Contract Specifications permits Tender Notices to be tendered, to Clearing Members with open Long Positions as of the close of trading on the day on which the Tender Notice is submitted. Tenders Notices will be assigned in accordance with the Corporations procedures of assigning Tender Notices to the oldest open contract (First In, First Out).
- (2) A Tender Notice shall not be assigned to any Non-Conforming Member which has been suspended for default or insolvency. A Tender Notice assigned to a Clearing Member which is subsequently so suspended shall be withdrawn and thereupon assigned to another Clearing Member in accordance with this Section.

This section C-1305 replaces Section C-505.

New 12/89, 9/95; 9/98

C-1306 Assignment File Procedures

The following rule shall apply to the compilation of the Assignment File.

- (1) On the sixth Business Day prior to the first Business Day of the Delivery Month each Clearing Member holding Long Positions in the relevant Series of Futures must enter into the Assignment File in the Corporation's computer system all the Clearing Member's Long Positions in that Series of Futures in chronological order.
- (2) Prior to the Close of Business on each subsequent Business Day up to and including the next to last Business Day on which Tender Notices may be submitted, each Clearing Member shall access the Assignment File and either make changes to reflect the current chronological order of all Long Positions in the relevant Series of Futures or confirm that the existing Assignment File records are correct.
- (3) Every Clearing Member shall ensure that an Authorized Representative is available by telephone to the Corporation until the Close of Business on every day on which an amendment to the Assignment File can be made.
- (4) It shall be the duty of each Clearing Member to review daily the relevant reports available on the Corporation's computer system.
- (5) Failure to access the Assignment File and maintain the current chronological order of all the Clearing Member's Long Positions in the relevant Series of Futures on a daily basis or to have an Authorized Representative available by telephone shall be deemed a violation of the ~~procedures of the Corporation~~Rules and shall be subject to disciplinary action pursuant to the Rules.

Amended 9/95; 3/99

RULE C-14 5-YEAR CANADA BOND FUTURES

The sections of this Rule C-14 are applicable only to Futures where the Underlying Interest is Government of Canada bonds as defined in Section C-1402, herein referred to as "5-year Canada Bond Futures".

Section C-1401 Definitions

Notwithstanding Section A-102 for the purposes of 5-year Canada Bond Futures the following terms are as defined:

"Assignment File" means the computer file constructed to enable Tenders to be assigned on a first-in-first-out basis pursuant to Section C-1405.

"Underlying Interest" means Government of Canada Bonds which meet the criteria established in Section C-1402 of this ~~rule~~[Rule](#).

New Rule 6/89, 9/94, 9/95

Section C-1402 Delivery Standards

- (1) The delivery unit for 5-year Canada Bond Futures shall be Government of Canada Bonds which do not mature and are not callable for at least 3 years six months and no more than 5 years three months from the first calendar day of the Delivery Month, having a coupon rate of 6%, an aggregate face value at maturity of \$100,000, an outstanding face value, net of all potential purchases by the Government of Canada up until the end of the delivery period of the corresponding Delivery Month, of at least \$3.5 billion, are issued and delivered on or before the 15th calendar day preceding the first tender date corresponding to the Delivery Month of the contract, and which have an original maturity of not more than 5 years nine months. A bond issue which was deliverable in the 10-year Canada Bond Futures and which would otherwise meet the standards of this Rule C-14, is also deemed eligible for delivery. All bonds in a delivery unit must be of the same issue.
- (2) Substitution - at the option of the Clearing Member holding the Short Position, bonds with coupon rates other than 6% are deliverable, at a discount for bonds with coupons less than 6%, and at a premium for bonds with coupons more than 6%. The amount of premium or discount for each different deliverable issue shall be determined on the basis of yield equivalency with a 6% bond selling at par. The price at which a bond having a particular maturity and coupon rate will yield 6% shall be determined according to bond tables prepared by the Exchange on which the Future trades. The Settlement Amount of such delivery unit shall be \$1,000 multiplied by the product of such price and the Settlement Price of that series of 5-year Canada Bond Futures. Interest accrued on the bonds shall be charged to the Clearing Member taking delivery.
- (3) The Exchange on which the Future trades shall publish a list of deliverable issues prior to each Delivery Month. The time to maturity of a given issue is calculated in complete one month increments (rounded down to the entire one month period) from the first calendar day of the Delivery Month. New issues of Government of Canada bonds which satisfy the standards of this section shall be added to the deliverable list as they are issued by the Government of Canada. In the event that, at any regular issue or auction, the Government of Canada reopens an existing issue which has an original maturity of more than 5 years nine months but would otherwise meet the standards of this Rule, thus rendering the existing issue indistinguishable from the newly

issued one, then the older issue is deemed to meet the standards of this Rule and would be deliverable if the reopening of such an existing issue has a total minimum face value amount of \$3.5 billion during the last 12 month period preceding the first tender date of the contract month. The Exchange shall have the right to exclude any new issue from deliverable status or to further limit outstanding issues from deliverable status, whether or not they otherwise satisfy the standards of this section.

- (4) In the event the Corporation determines that there exists a shortage of deliverable Government of Canada Bond issues it may designate as deliverable on a 5-year Canada Bond Futures such other Government of Canada issues as it deems suitable, and may specify any adjustments in the settlement amount that it considers appropriate and equitable.

Amended 9/94, 12/95, 7/97, 12/08

Section C-1403 Submission of Tender Notices

- (1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from three Business Days prior to the first Business Day of the Delivery Month up to and including the third last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada bonds being delivered.
- (2) A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable series shall submit a Tender Notice to the Corporation indicating the maturity of the Government of Canada Bonds being delivered. Such Notice must be tendered no later than the third Business Day preceding the last Business Day of the Delivery Month.
- ~~(3) The Clearing Member to whom a delivery has been assigned must confirm to the Corporation that delivery has been completed.~~

This Section C-1403 supplements Section C-~~502~~503.

Amended 9/95

Section C-1404 Delivery Through the ~~Clearing~~ Corporation

- (1) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the third Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation. Delivery must be made no later than the last Business Day of the Delivery Month.
- (2) Time of Delivery - Each Clearing Member who is to make or take delivery of Government of Canada bonds shall do so against or by payment of certified funds by no later than 2:45 p.m. on the Day of Delivery.
- (3) If delivery of the Underlying Interest by the delivering Clearing Member, or payment therefor by the assigned Clearing Member, is not effected by the time provided in Section Subsection C-1404(2), such Clearing Member ~~becomes a Non-Conforming Member and that fails to deliver or pay, as applicable~~, must inform the Corporation of such failure ~~of the Non-Conforming Member~~ no later than 3:00 p.m. on the Day of Delivery. ~~The Clearing Member shall notify the~~

~~Corporation of the default of the Non-Conforming Member~~ Such notification shall take place by telephone, with written notification, sent by facsimile transmission, or electronic mail to be provided as soon as possible.

Amended 9/95, 9/98

Section C-1405 Assignment of Tender Notice

- (1) Tender Notices accepted by the Corporation shall be assigned, at the end of each Business Day on which the Contract Specifications permits Tender Notices to be tendered, to Clearing Members with open Long Positions as of the close of trading on the day on which the Tender Notice is submitted. Tenders Notices will be assigned in accordance with the Corporation's procedures of assigning Tender Notices to the oldest open contract (First In, First Out).
- (2) A Tender Notice shall not be assigned to any Non-Conforming Member which has been suspended for default or insolvency. A Tender Notice assigned to a Clearing Member which is subsequently so suspended shall be withdrawn and thereupon assigned to another Clearing Member in accordance with this Section.

This section C-1405 replaces Section C-505.

New 12/89, amended 5/95, 9/98

C-1406 Assignment File Procedures

The following rule shall apply to the compilation of the Assignment File.

- (1) On the sixth Business Day prior to the first Business Day of the Delivery Month each Clearing Member holding Long Positions in the relevant Series of Futures must enter into the Assignment File in the Corporation's computer system all the Clearing Member's Long Positions in that Series of Futures in chronological order.
- (2) Prior to the Close of Business on each subsequent Business Day up to and including the next to last Business Day on which Tender Notices may be submitted, each Clearing Member shall access the Assignment File and either make changes to reflect the current chronological order of all Long Positions in the relevant Series of Futures or confirm that the existing Assignment File records are correct.
- (3) Every Clearing Member shall ensure that an Authorized Representative is available by telephone to the Corporation until the Close of Business on every day on which an amendment to the Assignment File can be made.
- (4) It shall be the duty of each Clearing Member to review daily the relevant reports available on the Corporation's computer system.
- (5) Failure to access the Assignment File and maintain the current chronological order of all the Clearing Member's Long Positions in the relevant Series of Futures on a daily basis or to have an Authorized Representative available by telephone shall be deemed a violation of the ~~procedures of the Corporation~~ Rules and shall be subject to disciplinary action pursuant to the Rules.

New Rule 9/94, amended 9/95; 9/98, 3/99

June 2000

C-34

RULE C-15 SHARE FUTURES

The sections of this Rule C-15 are applicable only for Futures settling on a future date where the Underlying Interest is an individual stock.

Section C-1501 Definitions

“Canadian Share Futures” – A Futures contract that requires the parties to this contract to make or receive delivery of a specified number of Canadian stocks at the expiry of the contract at a price agreed upon when the contract was entered into on the Exchange.

“Delivery” – physical delivery made in accordance with the delivery procedure of the Canadian Depository for Securities Limited (CDS) following the Maturity Date, or on a day as otherwise determined by the Corporation.

“Final Settlement Price” – the price of the Underlying Interest as determined by the product specifications of the Bourse de Montréal Inc.

“Foreign Share Futures” – A Futures contract that requires the parties to this contract to pay or receive from the Corporation the difference between the Final Settlement Price of the Underlying Interest and the initial Trade Price multiplied by the appropriate Unit of Trading.

“Last Trading Date” – the Maturity Date.

“Maturity Date” – the Final Settlement Date as defined by the Bourse de Montréal Inc. from time to time.

“Recognized Exchange” – an recognized exchange according to the definition in Rule One of Bourse de Montréal Inc.

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

“Underlying Interest” - Stocks meeting the criteria described in this Rule.

“Unit of Trading” – 100 shares of the Underlying Interest, unless otherwise designated.
April 11, 2003

Section C-1502 Approval of Underlying Interest

- (1) The Stocks underlying the Futures issued by the Corporation shall be approved based on criteria described in Section C-1503 of the Rules.

Section C-1503 Criteria for Eligibility of Share Futures

In considering whether any Stock should be approved as the Underlying Interest of a Share Futures, the Corporation, in those circumstances where C-1504 does not apply, shall ensure that prior to being approved as an Underlying Interest the Stock meets all of the following criteria:

- (1) For a Canadian Share Futures, the Stock will meet the Options eligibility criteria described in Section B-603.
- (2) For a Foreign Share Futures, the Stock:
 - (i) trades on a Recognized Exchange, and;
 - (ii) there are derivatives listed on a Recognized Exchange on that Underlying Interest.

Section C-1504 Procedure for Assessing the Effect of Stock List Changes on Share Futures Eligibility

(1) Acquisition of a Listed Company by a Newly-Established Company

If a newly-established company has acquired a listed company, the trading record and history of the predecessor company may be used to test the Share Futures eligibility of the stock of the new company as provided for in Section C-1503.

(2) Name Changes

Corporate name changes have no effect on listed issues Share Futures eligibility. All statistics and history of the predecessor company continue to apply to the Underlying Interest under the new corporate name.

(3) Substitutional Listings

When a Stock list change which is the result of a merger or acquisition involving the issuance or acquisition of listed shares has occurred, all listed issues connected with the change are reviewed. No decision to change the Share Futures status of a listed issue will occur until after the offer or transaction is completed. The general process which applies is as follows:

- (a) (i) it is confirmed by the Corporation that each of the predecessor companies is listed on a Recognized Exchange; or
- (ii) on receipt of the notice of corporate change or following the closing date of a share purchase offer, it is confirmed by the Corporation that at least one predecessor company has Share Futures currently listed on the Bourse de Montréal Inc., and these Share Futures are not at or past the date where no new series may be listed if they are classified as delistable by the Corporation.
- (b) It is confirmed by the Corporation that the resultant company is listed on a Recognized Exchange.

(4) New Shares

If new shares are created for the purpose of completing a merger or acquisition involving the issuance or acquisition of listed shares, the relationship between the old and new shares will determine if the new shares will be treated either as a substitutional, original or supplementary listing by the Corporation. Generally if the new issue is the only common issue of the company, then the new issue will be treated as a substitutional issue. Otherwise the issue will be treated as an original or supplementary issue by the Corporation.

Section C-1505 Withdrawal of Approval of Underlying Interest

Whenever the Board determines that an Underlying Interest, for any reason, should no longer be approved, the Corporation shall advise the Exchange that the Corporation will no longer accept trades in such Class of Futures (other than closing transactions) or in any additional Series of Futures of the Class of Futures covering that Underlying Interest.

Section C-1506 Unavailability or Inaccuracy of Current Value

- (1) If the Corporation shall determine that the Final Settlement Price for any series of Share 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 times 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 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.

April 11, 2003

A) Section C-1507 through Section C-1510 inclusive apply to Canadian Share Futures:

Section C-1507 Good Deliverable Form of Stocks

A Stock held at CDS shall be deemed to be in good deliverable form for the purposes hereof only if the delivery of such Stock would constitute good delivery under the by-laws and rules of the Exchange.

April 11, 2003

Section C-1508 Delivery Through the Clearing Corporation

- (1) Day of Delivery – Physical delivery of the Underlying Interest as required by this Rule shall be made in accordance with the delivery procedure of CDS following the Maturity Date, or on a day as otherwise determined by the Corporation.
- (2) If the member can not provide proof of delivery by that deadline, the member will be considered non-conformed.

April 11, 2003

Section C-1509 Assignment of Share Futures Contracts

- (1) All long Share Futures contract positions will receive delivery in accordance with the Corporation's procedures from accounts with open Short Positions in the Series of Futures involved. The Corporation shall treat the accounts of all Clearing Members equally.

April 11, 2003

B) Section C-1510 through C-1512 inclusive apply to Foreign Share Futures:

Section C-1510 Settlement in Cash Through the Corporation

Notwithstanding Section C-~~501~~502 for the purposes of Foreign Share 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 made 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

- (a) each position opened prior to the last trading day is the difference between
 - (i) the Final Settlement Price and
 - (ii) the Settlement Price of the contract on the business day before the last trading day,multiplied by the Unit of Trading using the current foreign currency rate as specified in the product specifications, and
- (b) each position opened on the last trading day is the difference between
 - (i) the Final Settlement Price and
 - (ii) the Trade Price of the open contract,multiplied by the Unit of Trading using the current foreign currency rate as specified in the product specifications.

April 11, 2003

Section C-1511 Tender Notices

As there is no provision to tender delivery of cash settlement Futures, Rule C-5 shall not apply to Foreign Share Futures.

April 11, 2003

Section C-1512 Payment and Receipt of Payment of the Trade Price

The settlement value of maturing contract will be included with other settlements on the daily [Detailed Futures Consolidated Activity Report and Futures Sub-Account](#) Consolidated Activity Report.

New Rule 11/00, April 11, 2003

CDCC Rules
RULE C-16 2-YEAR CANADA BOND FUTURES
(SYMBOL - CGZ)

The sections of this Rule C-16 are applicable only to Futures where the Underlying Interest is Government of Canada bonds as defined in Section C-1602, herein referred to as "2-year Canada Bond Futures".

Section C-1601 Definitions

Notwithstanding Section A-102 for the purposes of 2-year Canada Bond Futures the following terms are as defined:

"Assignment File" means the computer file constructed to enable Tenders to be assigned on a first-in-first-out basis pursuant to Section C-1605.

"Underlying Interest" means Government of Canada Bonds, which meet the criteria established in Section C-1602 of this ~~rule~~[Rule](#).

Section C-1602 Delivery Standards

- (1)
 - i) The delivery unit for 2-year Canada Bond Futures shall be Government of Canada Bonds which do not mature and are not callable for at least 1 year six months and no more than 2 years six months from the first calendar day of the Delivery Month, having a coupon rate of 6%, an aggregate face value at maturity of \$100,000, an outstanding face value, net of all potential purchases by the Government of Canada up until the end of the delivery period of the corresponding Delivery Month, of at least \$3.5 billion, are issued and delivered on or before the 15th calendar day preceding the first tender date corresponding to the Delivery Month of the contract, and which have been originally issued at 2-year, 5-year or 10-year Government of Canada bond auctions. All bonds in a delivery unit must be of the same issue.
 - ii) The delivery unit for the December 2006 2-year Canada Bond Futures and for subsequent contract months shall be Government of Canada Bonds which do not mature and are not callable for at least 1 year six months and no more than 2 years six months from the first calendar day of the Delivery Month, having a coupon rate of 4%, an aggregate face value at maturity of \$200,000, an outstanding face value, net of all potential purchases by the Government of Canada up until the end of the delivery period of the corresponding Delivery Month, of at least \$2.4 billion, are issued and delivered on or before the 15th calendar day preceding the first tender date corresponding to the Delivery Month of the contract, and which have been originally issued at 2-year, 5-year or 10-year Government of Canada bond auctions. All bonds in a delivery unit must be of the same issue.
- (2)
 - i) Substitution - at the option of the Clearing Member holding the Short Position, bonds with coupon rates other than 6% are deliverable, at a discount for bonds with coupons less than 6%, and at a premium for bonds with coupons more than 6%. The amount of premium or discount for each different deliverable issue shall be determined on the basis of yield equivalency with a 6% bond selling at par. The price at which a bond having a particular maturity and coupon rate will yield 6% shall be determined according to bond tables prepared by the Exchange on which the Future trades. The Settlement Amount of such delivery unit shall be \$1,000 multiplied by the product of such price and the Settlement Price of that series of 2-year Canada Bond Futures. Interest accrued on the bonds shall be charged to the Clearing Member taking delivery.

- ii) Substitution - For the December 2006 2-year Canada Bond Futures and for subsequent contract months, at the option of the Clearing Member holding the Short Position, bonds with coupon rates other than 4% are deliverable, at a discount for bonds with coupons less than 4%, and at a premium for bonds with coupons more than 4%. The amount of premium or discount for each different deliverable issue shall be determined on the basis of yield equivalency with a 4% bond selling at par. The price at which a bond having a particular maturity and coupon rate will yield 4% shall be determined according to bond tables prepared by the Exchange on which the Future trades. The Settlement Amount of such delivery unit shall be \$2,000 multiplied by the product of such price and the Settlement Price of that series of 2-year Canada Bond Futures. Interest accrued on the bonds shall be charged to the Clearing Member taking delivery.
- (3) The Exchange on which the Future trades shall publish a list of deliverable issues prior to each Delivery Month. The time to maturity of a given issue is calculated in complete one-month increments (rounded down to the entire one month period) from the first calendar day of the Delivery Month. New issues of Government of Canada bonds which satisfy the standards of this section shall be added to the deliverable list as they are issued by the Government of Canada. In the event that, at any regular issue or auction, the Government of Canada reopens an existing issue which has not been originally issued at a 2-year, 5-year or 10-year Government of Canada bond auction but would otherwise meet the standards of this Rule, thus rendering the existing issue indistinguishable from the newly issued one, then the older issue is deemed to meet the standards of this Rule and would be deliverable if the reopening of such an existing issue has a total minimum face value amount of:
- i) \$3.5 billion during the last 12 month period preceding the first tender date of the contract month. The Exchange shall have the right to exclude any new issue from deliverable status or to further limit outstanding issues from deliverable status, whether or not they otherwise satisfy the standards of this section;
- ii) \$2.4 billion during the last 12 month period preceding the first tender date of the contract month for the December 2006 2-year Government of Canada Bond Futures and for subsequent contract months. The Exchange shall have the right to exclude any new issue from deliverable status or to further limit outstanding issues from deliverable status, whether or not they otherwise satisfy the standards of this section.
- (4) In the event the Corporation determines that there exists a shortage of deliverable Government of Canada Bond issues it may designate as deliverable on a 2-year Canada Bond Futures such other Government of Canada issues as it deems suitable, and may specify any adjustments in the settlement amount that it considers appropriate and equitable.

Amended 11/04, 07/06

Section C-1603 Submission of Tender Notices

- (1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from two Business Days prior to the first Business Day of the Delivery Month up to and including the second last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada bonds being delivered.
- (2) A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable series shall submit a Tender Notice to the Corporation indicating the maturity of the Government of Canada Bonds being delivered. Such Notice must be tendered no later than the second Business Day preceding the last Business Day of the Delivery Month.
- ~~(3) The Clearing Member to whom a delivery has been assigned must confirm to the Corporation that delivery has been completed.~~

This Section C-1603 supplements Section C-~~502~~503.

Section C-1604 Delivery Through the ~~Clearing~~ Corporation

- (1) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the second Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation. Delivery must be made no later than the last Business Day of the Delivery Month.
- (2) Time of Delivery - Each Clearing Member who is to make or take delivery of Government of Canada bonds shall do so against or by payment of certified funds by no later than 2:45 p.m. on the Day of Delivery.
- (3) If delivery of the Underlying Interest by the delivering Clearing Member, or payment therefore by the assigned Clearing Member, is not effected by the time provided in ~~Section~~Subsection C-1604(2), such Clearing Member ~~becomes a Non-Conforming Member and~~that fails to deliver or pay, as applicable, must inform the Corporation of such failure ~~of the Non-Conforming Member~~ no later than 3:00 p.m. on the Day of Delivery. ~~The Non-Conforming Member shall notify the Corporation of the default~~Such notification shall take place by telephone, with written notification~~;~~ sent by facsimile transmission~~;~~ or electronic mail to be provided as soon as possible.

Section C-1605 Assignment of Tender Notice

- (1) Tender Notices accepted by the Corporation shall be assigned, at the end of each Business Day on which the Contract Specifications permit Tender Notices to be tendered, to Clearing Members with open Long Positions as of the close of trading on the day on which the Tender Notice is submitted. Tender Notices will be assigned in accordance with the Corporation's procedures of assigning Tender Notices to the oldest open contract (First In, First Out).
- (2) A Tender Notice shall not be assigned to any Non-Conforming Member which has been suspended for default or insolvency. A Tender Notice assigned to a Clearing Member which is subsequently so suspended shall be withdrawn and thereupon assigned to another Clearing Member in accordance with this Section.

This section C-1605 replaces Section C-505.

C-1606 Assignment File Procedures

The following rule shall apply to the compilation of the Assignment File.

- (1) On the sixth Business Day prior to the first Business Day of the Delivery Month each Clearing Member holding Long Positions in the relevant Series of Futures must enter into the Assignment File in the Corporation's computer system all the Clearing Member's Long Positions in that Series of Futures in chronological order.
- (2) Prior to the Close of Business on each subsequent Business Day up to and including the next to last Business Day on which Tender Notices may be submitted, each Clearing Member shall access the Assignment File and either make changes to reflect the current chronological order of all Long Positions in the relevant Series of Futures or confirm that the existing Assignment File records are correct.
- (3) Every Clearing Member shall ensure that an Authorized Representative is available by telephone to the Corporation until the Close of Business on every day on which an amendment to the Assignment File can be made.
- (4) It shall be the duty of each Clearing Member to review daily the relevant reports available on the Corporation's computer system.
- (5) Failure to access the Assignment File and maintain the current chronological order of all the Clearing Member's Long Positions in the relevant Series of Futures on a daily basis or to have an Authorized Representative available by telephone shall be deemed a violation of the ~~procedures of the Corporation~~Rules and shall be subject to disciplinary action pursuant to the Rules.

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~~,502, 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~~503 through C-~~509~~508 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

RULE C-18 30-YEAR CANADA BOND FUTURES (SYMBOL - LGB)

The sections of this Rule C-18 are applicable only to Futures where the Underlying Interest is Government of Canada bonds as defined in section C-1802, herein referred to as "30-year Canada Bond Futures". For further clarification, this Rule C-18 replaces Rule C-11 in so far as the Underlying Interest is a 30-year Canada Bond.

November 16, 2007

Section C-1801 Definitions

Notwithstanding Section A-102 for the purposes of 30-year Canada Bond Futures the following terms are as defined:

"Assignment File" means the computer file constructed to enable Tenders to be assigned on a first-in-first-out basis pursuant to Section C-1805.

"Underlying Interest" means Government of Canada Bonds which meet the criteria established in Section C-1802 of this Rule.

November 16, 2007

Section C-1802 Delivery Standards

1. For all 30-year Canada Bond Futures
 - (a) The delivery unit for 30-Year Canada Bond Futures shall be Government of Canada Bonds which do not mature and are not callable for at least 21 years and no more than 33 years from the first calendar day of the Delivery Month, having a coupon rate of 4%, an aggregate face value at maturity of \$100,000, an outstanding face value, net of all potential purchases by the Government of Canada up until the end of the delivery period of the corresponding Delivery Month, of at least \$3.5 billion, are issued and delivered on or before the 15th calendar day preceding the first tender date corresponding to the Delivery Month of the contract, and which are originally issued at 30-year auctions.

All bonds in a delivery unit must be of the same issue.

- (b) Substitution - at the option of the Clearing Member holding the Short Position, bonds with coupon rates other than 4% are deliverable, at a discount for bonds with coupons less than 4%, and at a premium for bonds with coupons more than 4%. The amount of premium or discount for each different deliverable issue shall be determined on the basis of yield equivalency with a 4% bond selling at par. The price at which a bond having a particular maturity and coupon rate will yield 4% shall be determined according to bond tables prepared by the Exchange on which the Future trades. The Settlement Amount of such delivery unit shall be \$1,000 multiplied by the product of such price and the Settlement Price of that series of 30-year Canada Bond Futures. Interest accrued on the bonds shall be charged to the Clearing Member taking delivery.
 - (c) The Exchange on which the Future trades shall publish a list of deliverable issues prior to each Delivery Month. The time to maturity of a given issue is calculated in complete three month increments (rounded down to the nearest quarter) from the first day of the Delivery Month. New issues of Government of Canada bonds which satisfy the standards of this section shall be added to the

deliverable list as they are issued by the Government of Canada. In the event that, at any regular issue or auction, the Government of Canada reopens an existing bond not issued at a 30-year auction that would otherwise meet the standards of this Rule, thus rendering the existing issue indistinguishable from the newly issued one, then the older issue is deemed to meet the standards of this Rule and would be deliverable if the reopening of such an existing issue has a total minimum face value amount of \$3.5 billion during the last 12 month period preceding the first tender date of the contract month. The Exchange shall have the right to exclude any new issue from deliverable status or to further limit outstanding issues from deliverable status, whether or not they otherwise satisfy the standards of this section.

- (d) In the event the Corporation determines that there exists a shortage of deliverable Government of Canada Bond issues it may designate as deliverable on a 30-year Canada Bond Futures such other Government of Canada issues as it deems suitable, and may specify any adjustments in the settlement amount that it considers appropriate and equitable.

November 16, 2007

Section C-1803 Submission of Tender Notices

- (1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from three Business Days prior to the first Business Day of the Delivery Month up to and including the third last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada bonds being delivered.
- (2) A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable series shall submit a Tender Notice to the Corporation indicating the maturity of the Government of Canada Bonds being delivered. Such Notice must be tendered no later than the third Business Day preceding the last Business Day of the Delivery Month.
- ~~(3) The Clearing Member to whom a delivery has been assigned must confirm to the Corporation that delivery has been completed.~~

This Section C-1803 supplements Section C-~~502~~ 503.

November 16, 2007

Section C-1804 Delivery Through the ~~Clearing~~ Corporation

- (1) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the third Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation. Delivery must be made no later than the last Business Day of the Delivery Month.
- (2) Time of Delivery - Each Clearing Member who is to make or take delivery of Government of Canada bonds shall do so against or by payment of certified funds by no later than 2:45 p.m. on the Day of Delivery
- (3) If delivery of the Underlying Interest by the delivering Clearing Member, or payment therefor by the assigned Clearing Member, is not effected by the time provided in ~~Section~~ Subsection C-1804(2), such ~~Non-Conforming Clearing~~ Member that fails to deliver or pay, as applicable, must inform the Corporation of such failure ~~of the Non-Conforming Member~~ no later than 3:00 p.m. on the Day of

Delivery. ~~The Non-Conforming Member shall notify the Corporation of the default of the Non-Conforming Member.~~ Such notification shall take place by telephone, with written notification, sent by facsimile transmission, or electronic mail to be provided as soon as possible.

November 16, 2007

Section C-1805 Assignment of Tender Notice

- (1) Tender Notices accepted by the Corporation shall be assigned, at the end of each Business Day on which the Contract Specifications permits Tender Notices to be tendered, to Clearing Members with open Long Positions as of the close of trading on the day on which the Tender Notice is submitted. Tenders Notices will be assigned in accordance with the Corporations procedures of assigning Tender Notices to the oldest open contract (First In, First Out).
- (2) A Tender Notice shall not be assigned to any Non-Conforming Member which has been suspended for default or insolvency. A Tender Notice assigned to a Clearing Member which is subsequently so suspended shall be withdrawn and thereupon assigned to another Clearing Member in accordance with this Section.

This section C-1805 replaces Section C-505.

November 16, 2007

C-1806 Assignment File Procedures

The following rule shall apply to the compilation of the Assignment File.

- (1) On the sixth Business Day prior to the first Business Day of the Delivery Month each Clearing Member holding Long Positions in the relevant Series of Futures must enter into the Assignment File in the Corporation's computer system all the Clearing Member's Long Positions in that Series of Futures in chronological order.
- (2) Prior to the Close of Business on each subsequent Business Day up to and including the next to last Business Day on which Tender Notices may be submitted, each Clearing Member shall access the Assignment File and either make changes to reflect the current chronological order of all Long Positions in the relevant Series of Futures or confirm that the existing Assignment File records are correct.
- (3) Every Clearing Member shall ensure that an Authorized Representative is available by telephone to the Corporation until the Close of Business on every day on which an amendment to the Assignment File can be made.
- (4) It shall be the duty of each Clearing Member to review daily the relevant reports available on the Corporation's computer system.
- (5) Failure to access the Assignment File and maintain the current chronological order of all the Clearing Member's Long Positions in the relevant Series of Futures on a daily basis or to have an Authorized Representative available by telephone shall be deemed a violation of the ~~procedures of the Corporation~~ Rules and shall be subject to disciplinary action pursuant to the Rules.

November 16, 2007

RULE C-19 Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units with Physical Settlement
(SYMBOL – MCX)
2008.05.30

This Rule C-19 is applicable only to Futures Contracts with Physical Settlement where the deliverable Underlying Interest is a specified number of Carbon Dioxide Equivalent (CO₂e) Units as defined in Section C-1901, herein referred to as “Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units with Physical Settlement”.

May 2008

Section C-1901 Definitions

Notwithstanding Section A-102, for the purposes of Futures Contract on Carbon Dioxide Equivalent (CO₂e) Units with Physical Settlement, the following terms are as defined:

“Alternative Delivery Procedure (ADP)” - an agreement between the delivering Clearing Member and the assigned Clearing Member to make and take delivery under terms or conditions which differ from the usual delivery terms and conditions prescribed by the futures contract specifications and by the present Rule.

“Carbon Dioxide Equivalent (CO₂e)” - a unit of measure used to allow the comparison between greenhouse gases that have different global warming potentials.

“Carbon Dioxide Equivalent (CO₂e) Unit” - any right, benefit, title or interest recognized by a governmental or legislative authority in Canada, associated partly or in its entirety to a reduction of the emissions of greenhouse gases expressed in carbon dioxide equivalent (CO₂e).

“Exchange” - Bourse de Montréal Inc.

“Final Settlement Price” - the price of the Underlying Interest as determined by the product specifications of the Exchange.

“Underlying Interest” - the asset which underlies and determines the value of a futures contract. In the case of Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units with Physical Settlement, the Underlying Interest is 100 Carbon Dioxide Equivalent (CO₂e) Units.

May 2008

Section C-1902 Delivery Standards

For Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units with Physical Settlement, the only Carbon Dioxide Equivalent (CO₂e) Units acceptable for delivery shall be those specified by the Exchange from time to time.

Before a Futures Contract on Carbon Dioxide Equivalent (CO₂e) Units with Physical Settlement is listed for trading, the Exchange shall have the right to exclude from the deliverable of such futures contract any Carbon Dioxide Equivalent (CO₂e) Unit it deems appropriate to exclude, even if such unit meets all the standards specified by the Exchange.

May 2008

Section C-1903 Submission of Tender Notices

A Clearing Member who holds a Short Position in the currently deliverable futures contract and who wishes to make delivery must submit a Tender Notice to the Corporation on the last trading day of the futures contract.

A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable futures contract shall submit a Tender Notice to the Corporation no later than the time established by the Corporation on such last trading day.

The Clearing Member to whom a delivery has been assigned must confirm to the Corporation that delivery has been completed unless the Clearing Member has chosen to enter into an Alternative Delivery Procedure as described in Section C-1907.

This Section C-1903 supplements Section C-503.

May 2008

Section C-1904 Delivery Through the ~~Clearing~~ Corporation

- (1) Day of Delivery - Delivery of Carbon Dioxide Equivalent (CO₂e) Units as required by this Rule shall be made by the Clearing Member on the third Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation.
- (2) Time of Delivery - Each Clearing Member who is to make or take delivery of Carbon Dioxide Equivalent (CO₂e) Units shall do so against or, as the case may be, by payment of certified funds by no later than 2:45 p.m. on the Day of Delivery.
- (3) Membership at Registry - A Clearing Member that intends to clear Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units with Physical Settlement through the facilities of the Corporation, must ensure that at all times it and/or its client is and remains in good standing with the Registry.
- (4) If delivery of the Underlying Interest by the delivering Clearing Member, or payment thereof by the assigned Clearing Member, is not effected by the time provided in ~~Section~~Subsection C-1904(2), such Non-Conforming Clearing Member must inform the Corporation of such failure of the Non-Conforming Member no later than 3:00 p.m. on the Day of Delivery. The Non-Conforming Clearing Member shall notify the Corporation of the default of the Non-Conforming Member by telephone, together with written notification, sent by facsimile transmission, ~~or~~ or electronic mail to be provided as soon as possible.
- (5) Final Settlement Price – Each Clearing Member who is to make or take delivery of Carbon Dioxide Equivalent (CO₂e) Units shall use the Final Settlement Price as determined by the Exchange.

May 2008

Section C-1905 Assignment of Tender Notice

- (1) Tender Notices accepted by the Corporation shall be assigned at the end of the last trading day of the futures contract to Clearing Members with open Long Positions as of the close of the last trading day. Such assignment shall be made in accordance with the Corporation random selection procedures.

- (2) No Tender Notice shall be assigned to any Non-Conforming Member which has been suspended for default or insolvency. A Tender Notice assigned to a Clearing Member which is subsequently so suspended shall be withdrawn and thereupon assigned to another Clearing Member in accordance with this Section.

May 2008

Section C-1906 Shortage of Deliverable Carbon Dioxide Equivalent (CO₂e) Units

In the eventuality where the Board of Directors of the Corporation decides that a shortage of deliverable Carbon Dioxide Equivalent (CO₂e) Units exists or might exist, it shall take all necessary action to correct, prevent or alleviate the situation. The Board of Directors of the Corporation could, for instance:

- i) Designate as being acceptable for delivery any other type of Carbon Dioxide Equivalent (CO₂e) Units that had not been previously identified as being acceptable for delivery;
- ii) Instead of the normal delivery procedures, decide on a cash settlement in accordance with the following procedure:

A Final Settlement Price will be determined by the Exchange on the last day of trading. The final settlement in cash shall be made in accordance with the procedure specified in Section C-2002 on the final settlement date, which shall be the same date as the Day of Delivery described in paragraph (1) of Section C-1904, that is the third Business Day following the last day of trading, or on a day as otherwise determined by the Corporation.

The Final Settlement Price as reported by the Exchange shall be conclusively deemed to be accurate except that where the Corporation determines in its discretion that there is a material inaccuracy in the reported 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.

In the event that the Registry referred to in Section A-102 is not in place at the expiry of a Futures Contract on Carbon Dioxide Equivalent (CO₂e) Units with Physical Settlement whose specifications provide for the delivery of the units underlying such futures contract, the contract shall be settled in cash in the manner described in subparagraph ii) above.

Notwithstanding the provisions regarding cash settlement in this Section, the Clearing Member who holds a Short Position in the currently deliverable futures contract and who wishes to make delivery must submit a Tender Notice in accordance with the provisions described in the first and second paragraphs of Section C-1903.

May 2008

Section C-1907 Alternative Delivery Procedure

Where the delivering Clearing Member and the assigned Clearing Member agree, for a Futures Contract on Carbon Dioxide Equivalent (CO₂e) Units with Physical Settlement, to make and take delivery of the Carbon Dioxide Equivalent (CO₂e) Units under terms or conditions which differ from the terms and conditions prescribed in this Rule, the relevant Clearing Members may agree on an Alternative Delivery Procedure (“ADP”) in the form prescribed by the Corporation.

The Corporation is released from any responsibility towards these Clearing Members and for the Futures Contract on Carbon Dioxide Equivalent (CO₂e) Units with Physical Settlement once an Alternative Delivery Procedure agreement and its terms have been confirmed by the two Clearing Members and the Corporation. Clearing Members who agree on an Alternative Delivery Procedure undertake to indemnify the Corporation in respect of any costs, charges and expenses incurred by the Corporation in connection with this contract and such agreement, including, without limitation, any costs, charges and expenses incurred as a result of a failure on the part of a Clearing Member to meet its obligations under an Alternative Delivery Procedure agreement. The Alternative Delivery Procedure agreement must be confirmed by the two Clearing Members and the Corporation no later than 2:45 p.m. on the third Business Day that follows the last day of trading, otherwise the relevant Clearing Members will be considered to have failed to their delivery related obligations under the Rules of the Corporation.

When the Alternative Delivery Procedure agreement has been confirmed by the Corporation, Rule C-5, Delivery of Underlying Interest of Futures, no longer applies to Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units with Physical Settlement.

May 2008

Section C-1908 Force Majeure

Notwithstanding the provisions of Section C-~~521~~, 516, Force Majeure or Emergency, in the specific situation where the trading system related to the Carbon Dioxide Equivalent (CO₂e) Units is no longer scheduled to proceed, is not implemented by any governmental or legislative authority in Canada or is to be discontinued by any governmental or legislative authority in Canada, the Board of Directors of the Corporation shall decide on the cash settlement of the contract at a price that reflects a minimum quality standard established by recognized standards organizations to be determined from time to time by the Exchange.

May 2008

**RULE C-20 Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units with Cash Settlement
(SYMBOL – XXX)
2008.05.30**

This Rule C-20 is applicable only to Futures Contracts with Cash Settlement where the Underlying Interest is a specified number of Carbon Dioxide Equivalent (CO₂e) Units as defined in Section C-2001, herein referred to as “Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units with Cash Settlement”.

May 2008

Section C-2001 Definitions

Notwithstanding Section A-102, for the purposes of Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units with Cash Settlement, the following terms are as defined:

“Carbon Dioxide Equivalent (CO₂e)” - a unit of measure used to allow the comparison between greenhouse gases that have different global warming potentials.

“Carbon Dioxide Equivalent (CO₂e) Unit” - any right, benefit, title or interest recognized by a governmental or legislative authority in Canada, associated partly or in its entirety to a reduction of the emissions of greenhouse gases expressed in Carbon Dioxide Equivalent (CO₂e).

“Exchange” - Bourse de Montréal Inc.

“Final Settlement Price” - the price of the Underlying Interest as determined by the product specifications of the Exchange.

“Multiplier” - the value of the tick used to calculate the size of the contract as specified by the Exchange on which the Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units with Cash Settlement trade.

“Underlying Interest” - the asset which underlies and determines the value of a futures contract. In the case of Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units with Cash Settlement, the Underlying Interest is 100 Carbon Dioxide Equivalent (CO₂e) Units.

May 2008

Section C-2002 Final Settlement in Cash Through the Corporation

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 Contracts shall be made 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 Clearing Members holding Long and Short positions. The amount to be paid or received in final settlement of:

- (a) each position opened prior to the last day of trading is the difference between
 - (i) the Final Settlement Price, and
 - (ii) the Settlement Price of the futures contract on the Business Day before the last day of trading,

multiplied by the Multiplier of the futures contract; and

(b) each position opened on the last day of trading is the difference between

- (i) the Final Settlement Price, and
- (ii) the Trade Price of the open futures contract

multiplied by the Multiplier of the futures contract.

May 2008

Section C-2003 Tender Notices

As there is no provision for physical delivery of cash settlement Futures Contracts, Rule C-5 shall not apply to Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units with Cash Settlement.

May 2008

Section C-2004 Unavailability or Inaccuracy of Current Value

- (1) If the Corporation shall determine that the Final Settlement Price for a Futures Contract on Carbon Dioxide Equivalent (CO₂e) Units with Cash Settlement 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 its By-laws and Rules, the Corporation may do any or all of the following:
 - (a) Suspend the Settlement of Gains and Losses. At such times as the Corporation determines that the required Final Settlement Price is available, the Corporation shall fix a new date for the Settlement of 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 shall be conclusively deemed to be accurate except that where the Corporation determines in its discretion that there is a material inaccuracy in the reported 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.

May 2008

Section C-2005 Payment and Receipt of Payment of the Trade Price

The settlement value of maturing contracts will be included with other settlements on the daily [Detailed](#) Futures [Consolidated Activity Report and Futures Sub-Account](#) Consolidated Activity Report.

May 2008

Section C-2006 Force Majeure [or Emergency](#)

If 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](#)[force](#)

majeure or Emergency, the affected Clearing Member shall immediately notify the Exchange and the Corporation. The Exchange 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 settlement points or alternate or new procedures in the event of conditions interfering with the normal operations of approved facilities or settlement process; and/or fix a Settlement Price.

In the specific situation where the trading system related to the Carbon Dioxide Equivalent (CO₂e) Units is no longer scheduled to proceed, is not implemented by any governmental or legislative authority in Canada or is to be discontinued by any governmental or legislative authority in Canada, the Board of Directors of the Corporation shall decide on the cash settlement of the contract at a price that reflects a minimum quality standard established by recognized standards organizations to be determined from time to time by the Exchange.

May 2008

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 first priority 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 first priority security interest ~~or~~ and hypothec to the extent set forth in these Rules 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 Subsection 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~~paragraph (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~~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~~resulting Open Positions will be managed in accordance with the Rules.
- 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

RULE D-3 PHYSICAL DELIVERY OF UNDERLYING INTEREST ON OVER-THE-COUNTER DERIVATIVE INSTRUMENTS

Section D-301 Definitions

Notwithstanding Section A-102 for the purposes of Physical Delivery of Underlying Interest stemming from OTC DI transactions 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 shall be equivalent to the form of deposits accepted by the Corporation pursuant to Section A-608.

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

New Rule 02/06

Section D-302 Delivery Through the Corporation

Unless otherwise specified by the Corporation, delivery of the Underlying Interest and payment thereof shall be made through the Corporation pursuant to the forms and procedures prescribed by it, having regard to the OTC DI specifications referred to in Rule D-4 as well as of the practices of the regional market where the transaction was concluded or with the operating policies and procedures of the Corporation then in effect.

New Rule 02/06, amended 10/06

Section D-303 Delivery Process

In all cases, the Corporation will generate Net Delivery Requirements arising from positions in OTC DI transactions up to and including the next business day transactions held by Clearing Members and their respective clients. These Net Delivery Requirements are to be provided to the Delivery Agent responsible for dispatching the Underlying Interest to the transacting parties in the form specified by the aforementioned Delivery Agent.

- 1) In the presence of a Guaranteeing Delivery Agent, the Corporation shall be exclusively responsible for the dissemination of Net Delivery Requirements to the Guaranteeing Delivery Agent and will bear no responsibility for the replacement of the Underlying Interest in the event that the seller fails to perform on the delivery obligation as specified under the terms of the OTC DI transactions. The Corporation will, however, bear the responsibility of guaranteeing the Settlement Amounts derived from the delivery process.
- 2) For Underlying Interests which are not delivered via a Guaranteeing Delivery Agent, the Corporation is exclusively responsible for the dissemination of the Net Delivery Requirements to the Delivery Agent, the replacement of the Underlying Interest in the event that the seller fails to perform on the delivery obligation as well as guaranteeing final settlement under the terms of the OTC DI transaction.

New Rule 02/06

Section D-304 Failure to Deliver or to Accept Delivery

The consequences of a failure to deliver or to accept delivery on the part of a Clearing Member or its respective client will depend on the convention of the Market Centre applicable to the OTC DI .

- 1) Market Centre serviced by a Guaranteeing Delivery Agent:
- 2) In the event of non-delivery and/or non-acceptance of delivery by the Clearing Member or its client, the Clearing Member shall not be considered Non-Conforming by the Corporation. If the Clearing Member subsequently fails to settle with the Guaranteeing Delivery Agent or fails to remedy its client's failure to settle with the Guaranteeing Delivery Agent, the Clearing Member will be considered Non-Conforming by the Corporation. The Corporation may take or cause, authorize or require to be taken whatever steps it may deem necessary to effect payment to or otherwise settle with, the receiving and/or delivering Clearing Member.
- 3) Market Centre not serviced by a Guaranteeing Delivery Agent:

If a Clearing Member or its client who is required to make delivery under Section D-303 fails to complete such delivery by the time required for delivery in these Rules, the Clearing Member will be considered a Non-Conforming Member. The Corporation may take or cause, authorize or require to be taken whatever steps it may deem necessary to effect delivery to or otherwise settle with, the receiving Clearing Member. Without limiting the generality of the foregoing, the Corporation may acquire and deliver the Underlying Interest to the receiving Clearing Member, reimburse or pay to the receiving Clearing Member any additional financial costs incurred as a result of the receiving Clearing Member acquiring the Underlying Interest on the open market, enter into an agreement with the receiving Clearing Member and the delivering Non-Conforming Member relating to the failed delivery, and/or take such other action as the Corporation may, in its absolute discretion, deem appropriate or necessary in order to ensure that a Non-Conforming Member's obligations are fulfilled. In the event the cost of effecting delivery to, or otherwise settling with, the receiving Clearing Member exceeds the Settlement Amount at which the delivery was to be made, the 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.

New Rule 02/06

Section D-305 Penalties and Restrictions

- 1) As described in Rule A-5, 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 these Rules; provided, however, that the penalty for any single 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 the Rules in respect of such a default. If a Clearing Member fails to make delivery or accept delivery and make payment, as required under these Rules, 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, 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 and becomes a Non-Conforming Member the Non-Conforming Member's clearing activities shall immediately be restricted to closing transactions as defined in these Rules, 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 D-308 and D-309, or, if such funds are not deposited, until otherwise determined by the Chairperson of the Board and any two

directors. Nothing in this ~~Section~~Subsection D-305(2) shall prevent the Corporation from immediately suspending a Non-Conforming Member.

New Rule 02/06

Section D-306 Delivery for OTC DI Transactions where the Underlying Interest is a Security

For the purposes of OTC DI transactions which are Options, Sections B-117, B-301, B-302, B-303, B-304, B-305, B-306, B-307, B-308, B-309, B-402 and B-607 shall apply to OTC DI transactions by making the necessary adaptation to give effect to the original intention of the aforementioned sections.

New Rule 10/06

Section D-307 Notification of Failure to Effect Delivery/Effect Payment

The Corporation shall report a Non-Conforming Member, and all circumstances surrounding the transaction that the Corporation deems relevant, to any appropriate self regulatory agency or regulatory agency, 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:

- a) the identities of the delivering Clearing Member and the receiving Clearing Member;
- b) the notional value of the transaction;
- c) the Underlying Interest to be delivered;
- d) the settlement amount and;
- e) any other information considered appropriate or relevant by the Corporation.

New Rule 02/06, amended 10/06

Section D-308 Deposit of Security Funds

In the event where the failure of delivery originates from an OTC DI transaction applying to a Market Centre not served by a Guaranteeing Delivery Agent, the following shall apply:

- 1) Where a Non-Conforming Member has defaulted on the delivery of an Underlying Interest, 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 D-305, shall end. The deposit of the Security Funds with the Corporation as herein provided does not discharge any obligation of such Non-Conforming Member to the Corporation including the payment of any penalties or the payment of costs incurred by the Corporation in connection with the Non-Conforming Member's default, and does not preclude the suspension of such Non-Conforming Member, or the assessment of additional sanctions under Rule A-5.
- 2) Where a Non-Conforming Member has failed to accept the delivery of an Underlying Interest and make payment thereof, it must deliver to the Corporation, within one hour after the Time of Delivery, Security Funds equal to the settlement value, or, in the absolute 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 D-305, shall end. The deposit of the Security Funds with the Corporation, after the required delivery time, does not

discharge any obligation of such Non-Conforming Member to the Corporation including the payment of any penalties or payment of costs incurred by the Corporation in connection with the Non-Conforming Member's default, and does not preclude the suspension of such Non-Conforming Member or the assessment of additional sanctions under 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 Non-Conforming Member with the Corporation, and any other Non-Conforming Member held by the Corporation for such purposes, by the Corporation to effect delivery of or effect payment in respect of the Underlying Interest, or otherwise meet the Corporation's obligations in respect of the transaction.
- 4) 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~~Subsection D-308 (3), 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.
- 5) 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~~Subsection D-308 (3), any excess, less all assessed penalties and reasonable expenses, including legal fees, incurred by the Corporation, will be promptly returned to the Non-Conforming Member.

New Rule 02/06, amended 10/06

Section D-309 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 discretion, determine is necessary or advisable given the nature and value of the Underlying Interest and all of the circumstances of the failed OTC DI transaction. A Non-Conforming Member shall cooperate fully with the Corporation in respect of the failed OTC DI 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 02/06, amended 10/06

Section D-310 Suspension and Other Disciplinary Action

Notwithstanding any penalties or restrictions imposed on the Non-Conforming Member pursuant to Section D-305, 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 02/06, amended 10/06

Section D-311 Force Majeure or Emergency

If delivery, delivery acceptance, settlement, or any precondition or requirement of these is prevented by ~~"Force Majeure" such as but not limited to strike, fire, accident, act of government, act of God or other emergency including "Force Majeure" or emergency~~force majeure or an Emergency of a Delivery Agent ~~or~~ Market Centre, CDS or a Central Securities Depository, the affected Clearing Member shall immediately notify the Corporation. The Corporation shall take such action as it deems necessary under the circumstances and its

decision shall be binding upon all parties to the OTC DI transaction. Without limiting the generality of the foregoing, the Corporation may modify the Settlement Time and/or the Settlement Date; designate alternate or new Market Centres; designate alternate or new procedures in the event of conditions interfering with the normal operations of a Delivery Agent or delivery and settlement process; and/or fix a Reference Index Price(s) as such term is defined in D-4 and D-5 below.

New Rule 02/06, amended 10/06

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 passed to the party receiving the Purchased Securities 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</p>

		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.
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;	Section 9. Representations Each party represents to the other: execution, delivery, performance; acting as principal; authorized	<i>Not covered specifically in the new rules on fixed income clearing but covered in the following sections of existing rules:</i>

<p>acting as principal; authorized 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>signatory; legal; no violation. Representations deemed repeated on each purchase date and each repurchase date.</p>	<p>Clause 6 of the Application for 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 A-804 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>	<p>N.A.</p>	<p><i>Not covered specifically in the new rules on fixed income clearing.</i></p>
<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 <i>Section 6. Payment and Transfer</i>).</p>	<p><i>Not covered specifically in the new rules on fixed income clearing but covered in:</i> 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><i>Not covered specifically in the new rules on fixed income clearing but covered in:</i> 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>	<p><i>Not covered specifically in the new rules on fixed income clearing.</i></p>
<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><i>Not covered specifically in the new rules on fixed income clearing but covered in:</i> Clause 7.1 of the Application for Membership Section A-1A10(2) Transfer/Survival of Obligations</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>	<p><i>Not covered specifically in the new rules on fixed income clearing but covered in:</i> Section A-221 Governing Law This clause provides that the CDCC Rules will be governed by the laws of Quebec and the federal laws of Canada applicable therein. <i>The Application for Membership and all of CDCC Rules will be governed by the laws of Québec and the</i></p>

		<i>federal laws of Canada applicable therein.</i>
Paragraph 18. No Waivers, etc. This paragraph provides that waivers must be in writing and signed by both parties.	Section 16. Waivers Same as GMRA.	<i>Not covered specifically in the new rules on fixed income clearing. Now covered under revised Section A-408.</i>
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. Now covered under revised Section A-1A12.</i>
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). To be registered as a RepoClear (or GC) Contract, trades must meet <u>RepoClear Eligibility Criteria (Part B or F or H of Schedule)</u> 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. 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. If a Fixed Income Transaction is received after Cut-Off Time, Trade Date or Purchase Date will be deemed the next Business Day. 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 both Client and Firm Fixed Income Transactions.</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 A-804 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) • 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 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 party receiving such Purchased Securities, 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</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>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.</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: Section A-221 specifies that Quebec Law and applicable federal laws apply to the Rules. - 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.

Annex 5
Amended and Restated Operations Manual (June 2010)

**AMENDED AND RESTATED OPERATIONS MANUAL
(June 2010 Version)**

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- Depository Agreement
- Safe Custody Agreement
- Escrow Receipt Agreement
- Futures Margin Receipt Agreement
- Depository Agreement between CDCC and a Financial Institution

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- Calls Guaranty Letter
- Puts Guaranty Letter
- Futures Margin Receipt
- Letter of Credit

PREAMBLE AND DEFINITIONS

PREAMBLE

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

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

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

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

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

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

DEFINITIONS

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

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

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

“CDCC Clearing Application” – CDCC’s technical system including SOLA Clearing and all the processes associated with it.

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

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

“Difference Fund” – the holding place within the CDCC Clearing Application for additional Margin required by CDCC in accordance with Sections A-702, A-705 or A-710 of the Rules, or otherwise.

PREAMBLE AND DEFINITIONS

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

“Expiry Saturday” – the Saturday following the third Friday of the month.

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

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

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

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

“Multi-Purpose Account” – a netted account set up to hold the positions of a market maker, referred to as “On-Floor Professional Trader Account” in the Rules, or of a Netted Client Account.

“Netted Client Account” – a type of account which requires specific documentation be signed between the Clearing Member and CDCC, and is identified with an “X” indicator signifying that the positions of the single client in the account are net.

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

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

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

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

“Position Transfer” – this is the CDCC Clearing Application function to move a position from one Clearing Member to another. This function is typically used when a client changes Clearing Member.

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

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

“Specific Deposit” – Margin Deposits (in the forms of Escrow Receipts, put and call letters of guaranty, bulk and specific collateral) which are accepted by CDCC to cover a specific client position.

PREAMBLE AND DEFINITIONS

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

“Unsettled Items” – Any Underlying Interest that is not settled by its Settlement Time.



Section: 2 - 1
Date: June 2010

TIME FRAMES

ON-LINE ACCESS

Clearing Members must be connected to the CDCC Clearing Application using their PC terminals to perform a variety of functions. (Clearing Members must supply their own PC terminals and Internet connection, at their own cost.)

All instructions (corrections, Open Position changes, Position Transfers, Deposits, withdrawals, spreads, and submission of Exercise Notices and Tender Notices) must be entered on-line.

The CDCC Clearing Application allows Clearing Members to view their current information throughout the day electronically (except during scheduled maintenance or unforeseen outages). In addition, Clearing Members can download their reports from 6:00 a.m. to 3:00 p.m. every day using the FTP Download function.

Should a Clearing Member not have electronic access (due to technical issues) to the CDCC Clearing Application, CDCC can perform instructions on behalf of the Clearing Member. This requires a phone call from the Clearing Member to CDCC, along with the appropriate form faxed or scanned and e-mailed to CDCC. Such form must be authorized with the approved Clearing Member's stamp.

The regular business hours of CDCC are 7:30 a.m. to 5:30 p.m. on every Business Day.

With respect to operational activity related to Options with an Expiration Date on Saturday, CDCC staff members are on-site from 8:00 a.m. to forty-five (45) minutes after delivery of the Options Exercised and Assigned Report (MT02).

TIME FRAMES FOR ON-LINE ACCESS

ON EVERY BUSINESS DAY	
Activity	Deadlines
Payments for overnight settlement	7:45 a.m.
Fixed Income Transactions – Same day trades	1:30 p.m.
Fixed Income Transactions – Revisions for items that settle on current Business Day	1:30 p.m.
Fixed Income Transactions – Netting Cut Off Time (Pre-settlement netting commences) (Netted settlement instructions sent to CDS for same day settlement)	1:30 pm.
Intra-day margin call process – Specific Deposits (same-day valuation)	1:30 p.m.
Cash Deposits (Margin and Clearing Fund) – under \$2,000,000 (same day deposit)	2:45 p.m.
Cash Deposits (Margin and Clearing Fund) – of and over \$2,000,000 (2 Business Days notice)	2:45 p.m.
Cash withdrawal requests – under \$2,000,000 (same day deposit)	2:45 p.m.
Cash withdrawal requests – of and over \$2,000,000 (2 Business Days notice)	2:45 p.m.
Fixed Income Transactions – Netting Cut Off Time (Second pre-settlement netting commences for trades entered between 1:30 p.m. and this second cut-off time) and Cut-Off Time (Netted settlement instructions sent to CDS for same day settlement)	3:30 pm.
All assets deposits (other than cash)	3:30 p.m.
All assets withdrawal requests (other than cash) for same day withdrawal	3:30 p.m.
Failed and partial deliveries – CDCC intervention starts	3:00 p.m.
Failed and partial deliveries – CDCC intervention ends	3:55 p.m.
Specific Deposits (overnight valuation)	3:30 p.m.
OTC DI (other than Fixed Income Transactions) – Unmatched entry	4:00 p.m.
Position Transfers	5:25 p.m.
Fixed Income Transactions – settlement instructions sent to CDS for same day settlement (Trades entered after Cut-Off Time – No pre-settlement netting by CDCC)	5:25 pm.
Trade corrections	5:30 p.m.
Open Position changes	5:30 p.m.

TIME FRAMES FOR ON-LINE ACCESS (continued)

ON EVERY BUSINESS DAY (continued)

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

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

TIME FRAMES FOR ON-LINE ACCESS (continued)

EXPIRY SATURDAY

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

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

TIME FRAMES FOR ON-LINE ACCESS (continued)

FIFO PERIOD

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

PLEDGING

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

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

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

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

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

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

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

CDCC - REPORTS

REPORT REFERENCES

Clearing Member reports contain the following information:

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

CDCC - REPORTS

REPORT DETAILS

Report Code	Report Name	Report Description
Daily:		
MA01	Deposits and Withdrawals Report	Details on Clearing Member's deposits and withdrawals for Margin, Clearing Fund and Difference Fund. (Note: will find the letters D, W and PW next to the date of deposit)
MD01	Options Unsettled Delivery Report	Lists unsettled deliveries for Options.
MD51	Futures Unsettled Delivery Report	Lists unsettled deliveries for Futures - the issue and number of Futures contracts which must be delivered - the account to which the delivery has been assigned and the opposite Clearing Member - the Settlement Amount and settlement date.
MD??	Fixed Income Daily Settlement and Delivery Report	Details of Clearing Member's fixed income daily settlements and deliveries.
MD??	Fixed Income Daily Failed Settlement and Delivery Report	Details of Clearing Member's fixed income daily failed settlements and deliveries.
MP01	Options Open Positions Report	Lists the Clearing Member's Open Positions for puts and calls.
MP02	Sub-Account Options Open Positions Report	Lists all Options Open Positions in sub-accounts of the Clearing Member's Client Account(s), Firm Account(s) and Multi-Purpose Account(s).
MP21	Contract Adjustment Report	Lists the Clearing Member's Long Positions and Short Positions before and after the relevant contract adjustment.
MP51	Futures Open Positions Report	Lists the Clearing Member's Futures and Options on Futures Open Positions for all accounts.
MP??	Fixed Income Daily Position Report	Details of Clearing Member's fixed income daily net settlement position.
MR05	OTC DI (Converge) Position Limits Usage Report	Lists Clearing Member's percentage of OTC DI (Converge) Position Limits used.
MR50	Daily Capital Margin Monitoring Report	Lists Clearing Member's Margin and capital requirements. Identifies if additional Margin is required.
MS01	Daily Settlement Summary Report	Lists assets balances with Margin requirements and cash settlement in Canadian and U.S. dollars.
MS03	Trading and Margin Summary Report	Lists Options Premiums, Settlement of Gains and Losses, Futures Premiums and Margin requirements for each sub-account. Note: Does not include trade adjustments (T+ 1)
MS05	SPAN Performance Bond Summary Report	The report shows the Performance Bond (Margin) requirements for each Clearing Member by type of account.
MS07	Intra-Day Margin Report	Margin call details with Margin requirements by account.
MS08	Daily Margin Activity Report	Lists details of positions by Class Group with Margin requirements.
MT01	Options Daily Transaction Report	Lists details for all Option contracts from previous Business Day.
MT02	Options Exercised and Assigned Report	Lists totals for Options Exercised Positions and Assigned Positions by Series of Options (including the debit and credit dollar values of the Transactions)

CDCC - REPORTS

MT03	List of Options/Cash Adjustments Report	Lists all trade adjustments and Open Position changes including cash adjustments and Position Transfers.
MT05	Options Consolidated Activity Report	Lists all positions with activity including Option Premiums.
MT06	Options Sub-Account Consolidated Activity Report	Lists positions with activity including Option Premiums for only the sub-accounts of Client, Firm and Multi-Purpose.
MT10	Unconfirmed Items Report	Lists all items that remained unconfirmed by the opposite member at the end of the current Business Day.
MT29	Trades Rejection Modification Report	Lists all original and modified trade rejections for the Clearing Member.
MT51	Final Futures Daily Transaction Report	Lists trade details for all Futures and Options on Futures activity.
MT52	Futures Tenders and Assignments Report	Lists all Tender Notices and Assigned Positions details.
MT53	List of Futures/Cash Adjustments Report	Lists details on all Futures and Options on Futures trade adjustments, Open Position changes, including cash adjustments and Position Transfers.
MT54	Futures Trading Summary Report	Lists all Series of Futures and Options on Futures and prices, and volumes at which each were traded. Lists number of contracts bought and sold for each Series of Futures Trade Prices.
MT66	Futures Sub-Account Consolidated Activity Report	Lists Futures and Options on Futures positions with activity including Settlement of Gain and Losses and Futures Premiums respectively, for the sub-accounts of Client, Firm and Multi-Purpose.
MT??	Fixed Income Daily Transactions Report	Details of Clearing Member's daily Fixed Income Transactions.
MT??	Fixed Income Daily Modified Transactions Report	List of all Clearing Member's Fixed Income Transactions that have been modified (adjusted, cancelled), including rejected trades.
MT??	Fixed Income Daily Trade Netting Report	List of all Clearing Member's fixed income daily netted trades and its original trades.
MT92	Options on Futures Exercised & Assigned Report	Lists totals for Options on Futures Exercised Positions and Assigned Positions by Series. Note: Futures Options Exercised Positions and Assigned Positions value is nil
MT99	Detailed Futures Consolidated Activity Report	Detailed list of all Futures position with activity, including Settlement of Gains and Losses. Detailed list of all Options on Futures positions and activity including Futures Premiums.
Monthly:		
MA71	Clearing Fund Statement	Identifies the Clearing Member's Clearing Fund obligation. Lists the Clearing Member's current Deposits within the Clearing Fund and what is owed.
MB01	Monthly Clearing Fees Details Report	This report contains the following four sub-reports: "Fees" – this is product by sub-account. "Summary by Category" – this is summarization by product. "Summary by Account Operation Type" – this is a summary of the operational charges by sub-account.
MB02	Monthly Clearing Fees Invoice	This report contains summarization of the monthly clearing fees in an invoice format – THIS IS NOT TO BE PAID. The system automatically includes the collection of the fees within the daily settlement on the morning of the fifth business day of the month.
MT40	Broker Ranking by Account	Individual Clearing Member ranking within CDCC for contracts,

CDCC - REPORTS

	Report	value traded and transactions (trade only) by month with year to date.
<i>FIFO Period:</i>		
MP56	FIFO Position Report	Lists Series of Futures with positions in chronological order, contracts in positions.
MP60	FIFO Declaration vs. Open Position Report	Lists Clearing Member's Futures positions and FIFO long positions declaration.
<i>Options on Futures Expiry:</i>		
MT51	Final Futures Daily Transaction Report	Lists trade details for all Futures and Options on Futures activity.
MX11	Futures Options Expiry Report	Lists all expiring Options on Futures with In-the-Money Options or Out-Of-the-Money Options amounts and Automatic Exercise positions for Expiry.
MX12	Futures Options Expiry Adjustments Report	Lists all trade adjustments and Open Positions changes on <u>expiring</u> Series only.
MX13	Futures Options Expiry Difference Report	Lists all reported changes, deletions and/or additions to exercises on the Futures Options Expiry Report (MX11).
<i>Options Expiry (Saturday Morning):</i>		
MT01	Options Daily Transaction Report	Lists details for all Option contracts from previous Business Day.
MT02	Options Exercised and Assigned Report	Lists totals for Options Exercised Positions and Assigned Positions by Series of Options (including the debit and credit dollar values of the transactions).
MX01	Expiry Report	Lists all expiring Options with In-the-Money Options or Out-of-the-Money Options amounts and Automatic Exercise positions for Expiry.
MX02	List of Expiry Adjustments Report	Lists all trade adjustments and Open Positions changes on <u>expiring</u> Series of Options only.
MX03	Expiry Difference Report	Lists all reported changes, deletions and/or additions to exercises on the Expiry Report.
<i>OTC DI Expiry:</i>		
MX01	Expiry Report	Lists all expiring Options with In-the-Money Options or Out-of-the-Money Options amounts and Automatic Exercise positions for Expiry.
<i>Business Day following Expiry:</i>		
MP11	Expired Options Positions Report	Lists the Clearing Member's balance of expired Options positions following the Saturday Expiry process.
MP12	Expired Futures Options Positions Report	Lists the Clearing Member's balance of expired Futures Options positions following the Friday Expiry process.

TRADE PROCESSING

INTRODUCTION

All Exchange Transactions are processed electronically. In all cases both the selling and buying trade data is sent to the relevant Exchange's electronic trading system, which then transmits the matched trades to CDCC. The CDCC Clearing Application verifies the trade information and, if incorrect, rejects it for correction and resubmission. If the trade information is valid, the Clearing Members' Open Positions are immediately updated. The Exchange Transaction is reported on the Options Daily Transaction Report (MT01) or on the Final Futures Daily Transaction Report (MT51), as the case may be.

OTC DI Transactions (other than Fixed Income Transactions) are also submitted electronically. Clearing Members submit their individual trade details onto the trade capture screens of *Converge*, which will match, validate and confirm the transactional details to the submitting Clearing Members. OTC DI Options are reported on the Options Daily Transaction Report (MT01). No corrections will be permitted for OTC DI Transactions after CDCC issues a Trade Confirmation.

Fixed Income Transactions can be transmitted through Acceptable Marketplaces to the Corporation through a number of methods. The Clearing Members may:

1. use the trade capture screens of *Converge*
2. transmit trade legs through other electronic means for matching within *Converge*
3. transmit matched trades through other electronic means acceptable to CDCC
4. trade at an ATS which will transmit matched trades through acceptable electronic means to CDCC
5. trade at an IDB which will use the trade capture screens of *Converge*
6. trade at an IDB which will transmit matched trades through acceptable electronic means to CDCC

Fixed Income Transactions are reported on the Fixed Income Daily Transactions Report (MT??).

The reports referred to herein are available for FTP Downloads on the morning of the Business Day after Transactions are submitted for clearing to CDCC. Members must verify that such reports are correct.

TRADE PROCESSING

EXCHANGE TRANSACTIONS (OPTIONS AND FUTURES)

Positions of each Clearing Member are carried by the Corporation for Client Account(s), Firm Account(s) and Multi-Purpose Account(s), each of which is maintained separately. The Corporation supplies reports for each account.

Such separation requires that each Clearing Member designates whether a Transaction is submitted for a "Client", "Firm" or "Multi-Purpose" when submitting a Transaction for Clearing. Furthermore, if separate sub-accounts are maintained for each account type, each Transaction must be coded to indicate the appropriate sub-account information.

It is required that a Closing Transaction for a Client Account be designated as such on the trade input. Such designation is not required for a Netted Client Account, a Multi-Purpose Account or a Firm Account, as CDCC carries net position records in the Open Position File for each of these accounts.

All Transactions for a Client Account which are not specifically designated as Closing Transactions shall be processed by CDCC as Opening Transactions. Opening Purchase Transactions increase the Long Position and Opening Writing Transactions increase the Short Position, in the particular Series of Options involved, as reported in the Member's Client Account. Opening Buy Transactions increase the Long Position and Opening Sell Transactions increase the Short Position, in the particular Series of Futures involved, as reported in the Member's Client Account.

Conversely, all Transactions designated as Closing Transactions decrease the Short Position and Long Position, respectively, for the particular Series of Options or Series of Futures in the reporting Clearing Member's Client Account. The CDCC Clearing Application verifies that all the Closing Transactions are valid and if the volume of a Closing Transaction exceeds the Open Position, the CDCC Clearing Application will reject it and replace it by a Closing Transaction not exceeding the Open Position.

The designation of a Transaction as "opening" or "closing" can be modified by the Close of Business.

The Corporation maintains both the Long Position and the Short Position for each Series of Options and Series of Futures for Client Accounts but only maintains a net Long Position or net Short Position for each Series of Options and Series of Futures for Netted Client Accounts, Multi-Purpose Accounts and Firm Accounts.

TRADE PROCESSING

FIXED INCOME TRANSACTIONS

Positions of each Clearing Member are carried by the Corporation for Client Account(s), Firm Account(s) and Multi-Purpose Account(s), each of which is maintained separately. The Corporation supplies reports for each account.

Such separation requires that each Clearing Member designates whether a Transaction is submitted for a "Client", "Firm" or "Multi-Purpose" when submitting a Transaction for Clearing. Furthermore, if separate sub-accounts are maintained for each account type, each Transaction must be coded to indicate the appropriate sub-account information.

All Repurchase Transactions and Cash Buy or Sell Trades must be submitted for clearing to the Corporation through an Acceptable Marketplace, as defined in the Rules. Cash Buy or Sell Trades may also be submitted through an Acceptable Marketplace routing to the Corporation through the CDS trade matching facility.

Once a Repurchase Transaction or Cash Buy or Sell Trade is received by the Corporation, a variety of validations will occur. These validations ensure that all transactional details match and the Corporation does not accept any Repurchase Transaction or Cash Buy or Sell Trade bearing attributes that are not acceptable for clearing.

Upon issuance of a Trade Confirmation by the Corporation, the Repurchase Transaction or Cash Buy or Sell Trade is 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 and one between the Buyer and the Corporation.

OPEN POSITIONS

INTRODUCTION

Having accepted a Transaction, the next step in the CDCC Clearing Application is the determination of the Open Position. Each Clearing Member can view all the information related to their accounts on the Open Position File which records the open Long Position and Short Position for each Series of Options and Series of Futures, OTC DI and Fixed Income Transactions for each account type, updating the information as each Transaction is accepted.

Each Clearing Member is responsible for reconciling the information recorded on the Open Position File and all relevant reports issued by CDCC against their internal records. Careful attention must be paid to account designation and whether the Transaction is coded as “opening” or “closing” in the relevant file or report. Reports are available for FTP Download as per section 2 of this Operations Manual.

Open Interest is updated automatically as each Transaction, Exercise Notice and Tender Notice is processed.

ADJUSTMENTS OF OPEN POSITIONS

GENERAL

Occasionally the need will arise to adjust an already processed Transaction. In such cases, the adjustment will affect the Clearing Member's Open Position accordingly. For example, an adjustment designed to change the original Opening Buy Transaction (or Opening Purchase Transaction) to a Closing Buy Transaction (or Closing Purchase Transaction) will result in a decrease in the Long Position and in the Short Position in the Series of Futures (or Series of Options) involved equal to the volume of the original Transaction. Any Settlement of Gains and Losses (or Premium) adjustments will be shown as adjustments on the relevant report.

Generally this situation will occur when:

1. The transactional details were incorrectly recorded, e.g. Clearing Member number, price, series and volume.
2. Information pertaining to only one side of the Transaction such as the opening/closing or account designation was erroneously reported on the original trade.
3. The source document of the relevant Exchange was input incorrectly.
4. Transfer of Open Positions from one account to another account of a Clearing Member.
5. Transfer of Open Positions from an account of one Clearing Member to an account of another Clearing Member.

Types of Adjustments

The following adjustments are acceptable for Exchange Transactions and OTC DI (other than Fixed Income Transactions):

1. Same Day Trade Adjustment (T). Same day trade corrections are only permitted on account type, sub-account designation and opening/closing and no corrections are permitted on OTC DI Transactions after a Trade Confirmation has been issued by CDCC.
2. Trade Date + 1 Adjustment (T+1). Modifications of any type are subject to approval by the relevant Exchange and no corrections permitted on OTC DI Transactions.

OPEN POSITIONS

3. Open Position Change. For OTC DI Transactions, these will be performed through the Position Transfer function of the CDCC Clearing Application.
4. Position Transfers.

The following adjustments are acceptable for Fixed Income Transactions:

1. Same Day Trade Adjustment (T). Same day trade corrections are permitted on all fields except the identity of the opposite Clearing Member. These corrections cannot be made to impact a Transaction that settles that day after Netting Cut-Off Time.
2. Trade Date + 1 Adjustment (T+1). Corrections are permitted on all fields except the identity of the opposite Clearing Members. These corrections cannot be made to impact a Transaction that settles that day after Netting Cut-Off Time.
3. Open Position Change. These will be performed through the Position Transfer function of the CDCC Clearing Application.
4. Position Transfers

Conditions applicable to adjustments:

If there are any adjustments that affect another Clearing Member (on the opposite side of the original Transaction), both Clearing Members must come to an agreement. If one Clearing Member does not enter any changes through the CDCC Clearing Application, the Transaction will stay as is with respect to both Clearing Members.

Notification of all adjustments must be completed prior to the time specified in Section 2 of this document. All completed adjustments are processed when they have been verified and validated by CDCC.

EXERCISES, TENDERS, ASSIGNMENTS AND DELIVERIES

INTRODUCTION

OPTIONS

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

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

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

FUTURES

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

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

EXERCISES, TENDERS, ASSIGNMENTS AND DELIVERIES**EXPIRY PROCEDURES**

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

OPTIONS

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

CDCC's Responsibilities on Expiry Saturday

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

Clearing Members' Responsibilities on Expiry Saturday

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

Daily Expirations (other than Expiry Saturday)

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

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

OTC DI Options can expire on any Business Day.

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

1. The proper CDCC Exercise Notice form must be used.
2. The authorization stamp of the Clearing Member must be affixed on the form.

EXERCISES, TENDERS, ASSIGNMENTS AND DELIVERIES

3. The properly delivered Exercise Notice will be accepted at any CDCC office.
4. The Exercise Notice must be properly delivered by five minutes before Close of Business.
5. The Clearing Member staff who deliver the Exercise Notice must be available until CDCC processes the exercise.

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

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

EXERCISES, TENDERS, ASSIGNMENTS AND DELIVERIES

OPTIONS

Exercises

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

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

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

Assignments

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

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

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

Automatic Exercise - Options and Options on Futures

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

CDCC establishes predetermined thresholds and informs Clearing Members that every Option and Option on Future above that threshold will be automatically exercised. CDCC will not automatically exercise any At-the-Money Option.

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

EXERCISES, TENDERS, ASSIGNMENTS AND DELIVERIES

Exercised and Assigned Option Contracts

a) Exercised Positions

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

b) Assigned Positions

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

EXERCISES, TENDERS, ASSIGNMENTS AND DELIVERIES

FUTURES

Submission of Tender Notices

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

CGB, CGF and LGB three Business Days prior to the first Business Day of the Delivery Month up to and including the fourth to last Business Day of the Delivery Month.

CGZ two Business Days prior to the first Business Day of the Delivery Month up to and including the third to last Business Day of the Delivery Month.

MCX before Close of Business on the last trading day.

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

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

Assignment of Tender Notices

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

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

FIRST-IN-FIRST-OUT (FIFO) ASSIGNMENT PROCESS

Description of Procedures

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

On the sixth Business Day prior to the first Business Day of the Delivery Month, each Clearing Member holding Long Positions in the relevant Series of Futures must declare on the CDCC Clearing Application its Long Positions in chronological order for each of its accounts. The entries must include the date the position was opened, the number of contracts and the account. When CDCC assigns a Tender Notice, the Long Position with the oldest date will be assigned first and the Long Position with the most recent date will be assigned last.

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

EXERCISES, TENDERS, ASSIGNMENTS AND DELIVERIES

FIXED INCOME TRANSACTIONS

CDCC acts as central counterparty to all Fixed Income Transactions that are cleared by Clearing Members through CDCC. Any Repurchase Transaction must be submitted for clearing to CDCC through an Acceptable Marketplace (whether bilateral or multilateral). Any Cash Buy or Sell Trade must be submitted for clearing to CDCC through an Acceptable Marketplace or through an Acceptable Marketplace routing to CDCC through the CDS trade matching facility. As a result of these Transactions being novated to CDCC, CDCC will be either the buyer or the seller of all settlement records that are sent to the Central Securities Depository.

Various batches of settlement records will be sent by CDCC to the Central Securities Depository on a daily basis. Two settlement records consisting of net settlement instructions will be sent at the first Netting Cut Off Time and at the second Netting Cut Off Time, and any Fixed Income Transaction entered after the second Netting Cut Off Time will be sent to the Central Securities Depository without CDCC performing any pre-settlement netting.

Pre-settlement netting process

With respect to each Fixed Income Clearing Member, CDCC determines the Net Delivery Obligation(s) and/or the Net Payment Obligation as set forth in Section D-606(3) of the Rules. Any other delivery and payment obligation between a Clearing Member and CDCC under any other contract (Options or Futures) settling at CDS will be aggregated to and netted against the Net Delivery Obligation(s) and/or the Net Payment Obligation, such that CDCC shall send CDS netted settlement obligations records at relevant Netting Cut Off Times.

Delivery

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

In the event of a failed or partial delivery, CDCC will take appropriate action in accordance with Section A-805 of the Rules.

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

In the event of a Failed Delivery for a particular settlement tranche, CDCC shall, on a best efforts basis, attempt to coordinate a partial delivery among those Receivers of Securities for that particular settlement tranche of the relevant Acceptable Security. In the event that no partial settlement is possible, the settlement tranche will be included in the Rolling Delivery Obligation of the failing Clearing Member and CDCC shall re-attempt settlement of the failed settlement tranche on the next Business Day.

In the event that a Clearing Member who is Receiver of Securities fails to take receipt of a portion, or all of the settlement tranche as determined by CDCC's net settlement instructions, the Clearing Member determined by CDCC to be in a fail to receive position shall be required to pay to CDCC any charges which are levied on CDCC for the overnight financing of this failed to receive position, in addition to any other remedies that CDCC may apply to such situation in accordance with the Rules.

SETTLEMENT

INTRODUCTION

The Corporation provides the mechanism for a single cash settlement with respect to amounts due by a Clearing Member to CDCC and by CDCC to such Clearing Member on a daily basis. Clearing Members are able to make a single payment to CDCC or receive a single payment from CDCC that represents the net value of their purchases, sales, gains and losses and on a monthly basis clearing fees. Additionally, the CDCC Clearing Application incorporates the amounts due from the Clearing Members for Margin and the exercise/assignment Settlement Amounts of cash settled Transactions.

Settlement of trading in a given currency is kept separate throughout the clearing procedure. All payments in the Canadian currency to and from the Corporation are collected via an irrevocable payment processing system, known as the Large Value Transfer System (LVTS). Any US dollar payments are collected via a payment processing system known as Financial Electronic Data Interchange (FEDI). As described in the Risk Manual, the amount of Margin due from the Clearing Member is computed on the basis of that day's Open Positions shown on the relevant report.

SETTLEMENT COMPUTATION

The calculation of a Clearing Member's Net Daily Settlement amount is based on Transactions (including adjustments, exercises, tenders and assignments) and Margin requirements, and on a monthly basis clearing fees.

The Net Daily Settlement amount for each Clearing Member is determined in the following manner:

- (i) Total Margin required and any additional margin requirements for each account is compared with Margin Deposits.
- (ii) The premiums, gains and losses, exercise/assignment Settlement Amounts, and cash adjustment for each account type (Client Account(s), Firm Account(s) and Multi-Purpose Account(s)) are netted to a single pay or collect figure.
- (iii) If additional margin is required, CDCC will instruct the Clearing Member to facilitate payment to CDCC.
- (iv) Miscellaneous charges such as clearing fees are also included on a monthly basis. In addition, applicable fines or any other amounts due would be collected on a monthly basis.

All cash settlements to CDCC are to be made to the Corporation's settlement account at the Bank of Canada.

FINES

CDCC applies fines with regards to late payments to discourage Clearing Members from being late in the performance of their payment obligations.

SETTLEMENT

Overnight Settlement

Payments for overnight settlement (mark-to-market, premiums, margin shortfalls etc.) must be received by 7:45 a.m. the next Business Day.

If a payment is late, CDCC will notify the Clearing Member that it is being fined. The fine structure is as follows: Based on a rolling thirty days – if there has been a prior occurrence within the preceding thirty days, it is the second occurrence.

If the late payment is caused by an infrastructure problem, fines will not be imposed.

First occurrence of a late payment:

- if CDCC has the payment in its Bank of Canada account by 7:55 a.m. the next Business Day, there will be no fine.
- if the payment is received by 8:30 a.m. the next Business Day, CDCC will impose a \$1,000 fine.
- if the payment is received by 8:59 a.m. the next Business Day, CDCC will impose a \$2,500 fine.
- if the payment is not received by 9:00 a.m. the next Business Day, CDCC will deem the Clearing Member Non-conforming

On the second or more occurrences of a late payment:

- if CDCC has the payment in its Bank of Canada account by 7:55 a.m. the next Business Day, CDCC will impose a \$1,000 fine
- if the payment is received after 7:55 a.m. but before 8:30 a.m. the next Business Day, CDCC will impose a \$5,000 fine.
- if the payment is received by after 8:30 a.m. but before 8:59 a.m. the next Business Day, CDCC will impose a \$10,000 fine.
- if the payment is not received by 9:00 a.m. the next Business Day, CDCC will deem the Clearing Member Non-conforming.

Intraday Margin Calls

CDCC encourages its Clearing Members to cover intraday Margin calls with collateral other than cash.

Clearing Members have one (1) hour from notification to cover an intraday Margin call. If the payment is late, the following fines shall apply:

- if the payment is received later than 1 hour after but before 1 hour and 15 minutes from notification, CDCC will impose a \$500 fine.
- if the payment is received later than 1 hour and 15 minutes but before 1 hour and 30 minutes from notification, CDCC will impose a \$1,000 fine.
- if the payment is not received by 1 hour and 30 minutes from notification, CDCC will deem the Clearing Member Non-conforming

Collection of Fines

CDCC will collect any applicable fines with the month-end clearing fee billing.

ADDITIONNAL MARGIN PROCESSING

CLEARING FUND

Each Clearing Member approved to clear Exchange Transactions and/or OTC DI Transactions and/or Fixed Income Transactions shall maintain a deposit in the Clearing Fund of the amounts from time to time required by the CDCC in accordance with Rule A-6. The Clearing Fund has been established to protect CDCC and its members from potential defaults and other market events.

Each Clearing Member's contribution includes a required Base Deposit and a Variable Deposit, calculated on a monthly basis. The details of the Base and Variable Deposits are set forth in Rule A-6.

Clearing Fund Statement Report

On the first Business Day of each month, the Corporation will issue to each Clearing Member a Clearing Fund Statement that lists the current amount of the Clearing Member's Deposits and the amount of Deposit required on the basis of the monthly calculation of the Variable Deposit.

Any deficit between the amounts held on deposit and the monthly requirement must be satisfied by the 3rd Business Day of the month.

Deposits

Deposits to the Clearing Fund shall be in cash or in Government Securities, subject to the same criteria as the Margin, as set forth in Schedule A hereof, the Risk Manual.

Deposits to the Clearing Fund are made and valued in the same manner and are subject to the same deadlines as for Margin deposits, as set forth in section 2 of this Operations Manual.

Withdrawals

Clearing Members may request to withdraw any surplus amount from the Clearing Fund, subject to applicable deadlines, as set forth in section 2 of this Operations Manual.

Substitutions

Substitutions of assets in the Clearing Fund are made in the same manner and subject to the same deadlines as Margin deposits and withdrawals.

ADDITIONNAL MARGIN PROCESSING

DIFFERENCE FUND

The Difference Fund is used to hold discretionary margin such as Unsettled Items, Daily Capital Margin Monitoring and additional Margin for OTC DI Transactions. CDCC accepts Cash or Government Securities as Deposits to the Difference Fund.

Daily Capital Margin Monitoring

Any excess in the Difference Fund resulting from the DCMM calculation can be withdrawn; any deficit must be covered in accordance with deadlines set forth in section 2 of this Operations Manual.

OTC DI Additional Margin

This amount is collected from the Buyer before an OTC DI Option is confirmed and will be available for withdrawal the morning after the Transaction has been processed.

Substitutions

Substitutions of assets in the Difference Fund are made in the same manner and subject to the same deadlines as Margin Fund deposits and withdrawals.

Note:

Information with respect to the Margin Fund is to be found in the Risk Manual, Schedule A of this Operations Manual.

CLEARING FEES

Clearing services fees

Clearing fees are charged to both Clearing Members submitting a Transaction for clearing to CDCC and are based on the number of contracts involved. There is a minimum monthly clearing fee charge with respect to each product type (Futures, Options, OTC DI (other than Fixed Income Transactions), Fixed Income Transactions). Once a Clearing Member, otherwise eligible to do so in accordance with the Rules, starts using a particular clearing service by submitting a first Transaction of such product type, the applicable minimum monthly clearing fee shall be charged to the Clearing Member thereafter whether the Clearing Member actually uses the services or not during any given month, until the Clearing Member duly notifies CDCC in writing that it wishes to withdraw from the clearing services for that product type, effective sixty (60) days after CDCC receives such notice, provided there is no outstanding Transaction of such product type standing to an account of the Clearing Member at such time. Clearing Members should refer to the CDCC website www.cdcc.ca for a complete list of applicable fees.

Clearing fees are included on the Daily Settlement Summary Report (MS01) of the second Business Day of each month as a separate pay figure. These fees are payable to the Corporation on the 5th Business Day of each month through LVTS.

Fees for additional services

There are a number of discretionary services available to Clearing Members, in addition to the normal clearing services. These are published periodically as an Operational Notice to Members and can be viewed on the Secured Website. CDCC issues a statement on a monthly basis for these services. The fees are collected via LVTS as per the date on the statement.

Risk Manual

Summary

CDCC applies rigorous risk management methods that aim to protect the Members.

The following are the main aspects of risk management at CDCC:

- The standards of membership that Members must meet;
- The Margin calls that occur when a Member's potential loss exceeds Margin Deposit and the monitoring of each Member's credit risk by daily tracking of Margin and capital;
- The Members' contributions to the Clearing Fund;
- Management of the securities accepted for Margin Deposit and calculation of the safety margins that apply to these assets.
- The default process;
- The adjustment process; and
- Periodic analysis of the acceptability of underlying securities.

1. MEMBERSHIP IN THE CORPORATION AND CAPITAL REQUIREMENTS

- The standards of membership imposed on the Members are set out in Rule A-1A.
- The capital requirements the candidates must satisfy are set out in Rule A-3.

The purpose of these provisions is to verify if a new Member's financial condition is adequate and to assess its capacity to provide capital. This process is a control measure to minimize the risk that a CDCC Member may become unable to meet its obligations.

2. MARGIN

- As set out in Rule A-7, CDCC requires each Member to make a Margin Deposit with CDCC, which CDCC determines.

The purpose of these provisions is to cover potential losses that may occur as a result of market fluctuations. CDCC bases its application of Rule A-7 on the following elements:

- **Calculation of the Margin Intervals**

Margin intervals are derived from the historical volatility of the daily price returns of underlying securities. The Margin interval calculations are generally re-evaluated once a month. However, the Corporation may update the Margin intervals more frequently at its discretion. The Margin intervals are used to calculate the Margin required for each derivative instrument.

Margin intervals are used to calculate the Margin required to cover potential price fluctuations for derivative instruments. This Margin represents the difference between the current market value of an instrument and its most adverse projected liquidation value obtained by varying the values of the instrument according to different scenarios.

The following variables are taken into account to calculate Margin intervals:

- The daily price returns of the derivative instruments or their Underlying Interests;
- The maximum standard deviation of the daily price returns over 20, 90 and 260 days;
- A variable liquidation period; and
- A confidence interval over 99% obtained by using 3 standard deviations (according to the assumption of the normal law).

The Margin intervals are calculated by using the following formula:

$$\sqrt{n} \times 3 \times \text{Max} \left[\sigma_{20 \text{ days}}, \sigma_{90 \text{ days}}, \sigma_{260 \text{ days}} \right]$$

Where n is the number of days of liquidation and σ is the standard deviation of the daily returns over the reference period.

The formula set out above will not be applied if market conditions do not so permit. For these situations, the Corporation will decide what Margin interval to use.

- **Calculation of the Liquidity Intervals**

To calculate the OTC DI Margin intervals, CDCC may apply a variable number of liquidation days.

CDCC also accounts for a liquidity interval only when calculating OTC DI Margin intervals with physical delivery.

The assumptions on which liquidity risk is calculated are similar to the assumptions CDCC uses to calculate market risk, i.e., that the confidence interval over 99% is obtained by using 3 standard deviations (based on the assumption of the normal law). This interval is calculated based on the historical deviation between the purchase price and the selling price of the Underlying Interest according to the same formula as Margin intervals.

- **Calculation of the Margin on Matched or Correlated Positions**

Generally, the different Series of Futures have correlated returns: for example, a portfolio composed of a long position and a short position of the same Class of Futures, but different maturities, will be less risky than the sum of the two positions taken individually. Margins on matched positions aim to address this fact by reducing the required Margin. Margins on matched positions are calculated each month only for Futures. The Margin calculation system automatically nets the long positions on Futures maturing in one month with the short positions on Futures maturing in another month.

Margin on matched positions is a dollar amount based on the expected price variations between the maturity dates of different contracts.

Similarly, CDCC considers the correlation that exists between different Futures when calculating Margin. For example, different interest rate Futures are likely to react to the same market indicators, but to different degrees. Accordingly, a portfolio composed of a long position and a short position on two different Futures will be potentially less risky than the sum of the two positions taken individually.

CDCC regularly performs an analysis to determine the Margin required for a long position combined with a short position on two different Futures that have a certain correlation between them.

- **Daily Capital Margin Calls**

As prescribed in Section A-710 of the Rules, CDCC may call for a capital Margin from the Members that are under capitalized in relation to their respective required Margin. CDCC compares the Member's capital amount to its Margin on a daily basis and requires, if applicable, that the Member make up any difference in the form of acceptable collateral. Each Member's capital is analyzed and updated monthly. Any deterioration in financial position is analyzed carefully by CDCC and the regulatory authorities, as the case may be.

- Clearing of Fixed Income Transactions

Description

Conventional Repo

A conventional Repurchase Transaction (also known as a Repo) is a two-legged transaction whereby the Repo Party (also known as the Seller) agrees to sell Securities immediately to a Reverse Repo Party (also known as the Buyer) and simultaneously agrees to buy the same Securities from the Reverse Repo Party at a fixed price at some later date. As such, a Repo is equivalent to a cash transaction combined with a forward contract. The cash transaction results in the transfer of money by the Buyer to the Seller in exchange for legal transfer of the Securities by the Seller to the Buyer, while the forward contract ensures repayment of the money to the Buyer and return of the Securities to the Seller. The difference between the forward price and the spot price is the interest accrued on the money transferred to the Seller until the settlement date of the forward contract, which is the Repurchase Date of the Repo. CDCC is the Buyer to every Seller and the Seller to every Buyer of the Repurchase Transactions accepted for clearing in accordance with the Rules.

Cash Buy or Sell Trade

A fixed income Security can be sold at any time before its maturity date. When a buyer and a seller conclude a Cash Buy or Sell Trade, the Security is physically settled (delivery versus payment) after 1, 2 or 3 days depending on its maturity date. CDCC is the Buyer to every Seller and the Seller to every Buyer of the Cash Buy or Sell Trades accepted for clearing in accordance with the Rules.

Margin Interval

For the Securities underlying the Repo Position and the Securities involved in a Cash Buy or Sell Trade the following variables are considered to calculate the Margin intervals:

- The yield variation of the Security;
- The duration;
- The maximum standard deviation of the yield of 20, 90 and 260 days;
- A liquidation period that goes from 1 to n days, depending on the Security and the market condition;
- A confidence interval over 99% obtained by using 3 standard deviations (according to the assumption of the normal law).

The Margin intervals are calculated using the following formula:

$$\sqrt{n} \times 3 \times \text{Max} \left[\sigma_{20 \text{ days}}^{\text{Yield}}, \sigma_{90 \text{ days}}^{\text{Yield}}, \sigma_{260 \text{ days}}^{\text{Yield}} \right] \times \text{Duration}$$

Being n the number of days of liquidation, and σ^{Yield} the standard deviation of the daily yield variation over the reference period.

When the market condition does not allow it, this formula will not be applied and CDCC will decide in its sole discretion which Margin interval to use instead.

Margin

Conventional Repo

As for other products cleared by CDCC, Clearing Members are required to pledge collateral in favour of CDCC to cover the potential losses that could occur as a result of market movements with respect to their Repo Positions. The Margin requirement is valued at night and during the day using the SPAN® software. The Margin requirement for Repo Positions is comprised of various pieces to assure that Fixed Income Clearing is supported by a sound risk management foundation. They are the following:

- Unsettled Items Margin (UI)
- Mark-to-Market of the outstanding open position (MTM)
- Potential Future Exposure (PFE)

Unsettled Items Margin (UI)

Settlement of the first leg of a Repo Position occurs by an exchange of the Purchase Price against the Purchased Securities at CDS. CDCC is exposed on either side of the Repo Position with respect to the value of the Purchased Securities during the term of the Repo Position. It is exposed to the Reverse Repo Party if and when the value of the Purchased Securities increases, and to the Repo Party if and when the value of the Purchased Securities decreases.

The amount of Unsettled Items Margin is the difference at any given time a valuation is made by CDCC between the Market Value of the Purchased Securities and the Purchase Price and shall be credited to the Repo Party's Margin Deposits (in the account where the relevant Repo Position resides) and debited from the Reverse Repo Party's Margin Deposits (in the account where the relevant Repo Position resides) if and when the current Market Value exceeds the Purchase Price, and the other way around if and when the Purchase Price exceeds the current Market Value.

Mark-to-Market of the Outstanding Open Position (MTM)

In order to minimize the credit risk borne by CDCC, the mark-to-market (MTM) process is used to ensure that the spread between the Repo Rate and the current CORRA rate is zero at the end of each trading day. The MTM Repo Rate Payments essentially transfer any losses due to market movements in repo rates from one party to another. Each Open Position will need to be marked-to-market on a daily basis with the resulting net cash movements settling during the following morning settlement cycle (consistent with current processing).

The MTM Repo Rate Payment calculation works as follows: during the term of a Repo Position, if the overnight repo rate (CORRA Rate) decreases, the Repo Party has to pay the difference of the initial (or previous) repo rate and the new overnight repo rate; whereas if the overnight repo rate increases, the Reverse Repo Party has to pay the difference of the new overnight repo rate and the initial (or previous) repo rate. At the end of each Business Day, CDCC calculates with respect to each Fixed Income Clearing Member, the Net MTM Repo Rate Payment which is due or payable in accordance with Section D-606(5).

At the end of the Business Day preceding the Repurchase Date of a Repo Position, the Net MTM Reversal Requirement is calculated in accordance with Section D-606(6) of the Rules, and the Net OCF MTM Payment (which compensates the Clearing Member that paid more MTM Repo Rate Payments over the life of a given Repo Position) is calculated in accordance with Section D-606(7) of the Rules.

This MTM process serves to ensure that in the event a Clearing Member becomes Non-Conforming, CDCC will be able to replace the Non-Conforming Clearing Member's Repo Position(s) without incurring additional losses beyond the current valuation.

Potential Future Exposure (PFE)

In order to properly quantify the PFE (or Margin requirement) with SPAN®, it is necessary to translate the Repo Positions into their Futures contract equivalents. In order to accomplish this and obtain margin results which are representative of the net Open Position, the following process needs to be followed:

- Define the specifications of the “Virtual Futures Contract(s)” (VFC(s)) that will be used to model the Repo Position;
- Use a «bucketing» process for the future cash flows on the Repo Position. In other words the Repo Position will be divided in one of more equivalent VFC(s), depending on the term of the Repo Position;
- Determine the forward rates that are consistent with the dates assigned to each VFC during the “bucketing process”;
- Determine the net position in the VFC(s) that will be sent to SPAN® on a daily basis;

After the Futures contract equivalency has been determined for a Repo Position, the SPAN® records need to be created for the VFCxx, with xx being the month of the VFC. The business need is to be able to call for Margin Deposits on the following basis:

- Outright futures position on each created VFCxx.
- Intra-Commodity spreads for VFCxx (spreads on long-short combinations for VFCxx positions on different days).
- Inter-Commodity spreads for VFCxx – and other contracts listed at the Montreal Exchange like ONX or BAX

These calculations will follow the same processes the CDCC currently has in place for the Exchange Transactions (Margin intervals and the application to the Margin Deposits and Clearing Fund).

Besides the VFC valuations set forth above, CDCC will also calculate the risk associated to the Security being exchanged. The procedure to calculate this risk will be the same used for “Cash Buy or Sell Transactions”, section “Potential Future Exposure” below.

Cash Buy or Sell Trades

Because settlement of Cash Buy or Sell Trades takes place 1, 2 or 3 Business Days after the Trade Date, depending on the characteristics of the Security being cleared through CDCC, there is a risk that one or both Clearing Members involved in the trade will default and not be able to fulfill their settlement

obligations. To mitigate this risk, CDCC will ask the Clearing Members to deposit Margin between the Trade Date and the relevant Settlement Time. The amount of Margin is composed of two parts:

- Unsettled Items (UI): The difference between the Market Value of the Security and the Purchase Price needs to be collateralized.
- Potential Future Exposure (PFE): This is the SPAN component and it deals with potential movements in the Fixed Income Security's price for the time it would take CDCC to liquidate the entire position in the market.

Unsettled Items Margin

The same process as set forth above in the "Unsettled Items Margin" section of Conventional Repo (2.2.2.1), Unsettled Items Margin shall apply to Cash Buy or Sell Trades between the Trade Date and the date on which it settles (i.e. 1, 2 or 3 Business Days later). It shall be calculated daily as the difference between the Purchase Price and the current Market Value of the Purchased Securities and shall be payable by the Seller to CDCC (which in turn shall credit such amount in favour of the Buyer) if the Market Value goes up or by the Buyer to CDCC (which in turn shall credit such amount in favour of the Seller) if the Market Value goes down.

Potential Future Exposure

Potential Future Exposure (PFE) is used to mitigate the liquidation risk that exists with respect to the number of days it could take to liquidate a given position in the markets. To simplify calculations and allow spreads between Securities, as specified in "Spreads for Fixed Income Securities" below, CDCC will create different buckets of Securities that have similar characteristics. In other words if the buckets are defined as: **Bucket 1:** 0-1 year to maturity date, **Bucket 2:** 1-3 years to maturity date, **Bucket 3:** 3-7 years to maturity date, and **Bucket 4:** 7 and more years to maturity date, and the Security underlying the Repo Position has a maturity of 3.5 years, then the Security will belong to **Bucket 3**.

Therefore all the bonds within one bucket will be treated as if they were one. Margin intervals will be calculated for each bucket, instead of each Security, and the PFE will be equal to the Margin interval, as defined in section 2.2.2, multiplied by the price of the Security.

Spreads for Fixed Income Securities (Inter-commodity Spread)

For Fixed Income Clearing, every Security will be assigned to one bucket. Thus, CDCC will calculate and give a spread (as a percentage) for any combination of a Long Position with a Short Position that belong to two different buckets. Therefore for one member having a Long Position on **Bucket 1** and a Short Position on **Bucket 2** the Margin requirement will be equal to:

$(PFE_{\text{Bucket1}} + PFE_{\text{Bucket2}}) * (1 - \text{Spread})$. The Spread is based on the correlation between the relevant buckets.

Spreads for Fixed Income Securities (Intra-commodity Spread)

For Fixed Income Clearing, CDCC will also apply a spread to Securities within one bucket. Therefore for a Long Position in Security A and a Short Position in Security B both belonging to the same bucket, CDCC will charge a dollar amount of X which is based on the correlation of all the Securities within the bucket.

3. CLEARING FUND DEPOSITS

- The Clearing Fund deposits are set out in Rule A-6.

These provisions aim to distribute each Member's concentration risk adequately. The Clearing Fund is a reserve fund put in place to respond to the deficit that occurs when the collateral deposited by a defaulting Member (according to the provisions of Part 5 of this Manual) no longer cover its market exposure. The Clearing Fund is an obligation shared by all the Members and is designed to mitigate the Uncovered Residual Risk ("URR"). The URR accounts for the fact that extreme market conditions could generate a major loss for certain Members, causing the potential default of a Member

- **Base Deposits**

As prescribed in Section A-601 of the Rules, CDCC imposes Base Deposits in the Clearing Fund, varying according to the Member's type of activities. For Members trading more than one type of Derivative Instrument, the amounts prescribed in Section A-601 are cumulative.

- **Contribution**

For the purposes of application of Rule A-6, CDCC issues a Clearing Fund Margin Call to each Member on the basis of a monthly re-evaluation of the following elements:

- The contribution is based on the concept of URR, the difference between its stress and Base Margin. The two calculations are based on open positions on the preceding day.

$$URR = \text{Stress Margin} - \text{Base Margin}$$

- The URR is calculated each day for each Member for the last 60 days. Then the average of these 60 values will be determined for each Member.

$$\mu_{\text{Clearing Member's URR}_i} = \frac{\sum_{t=1}^{60} URR_t}{60}$$

- CDCC determines the size of the Clearing Fund based on the maximum URR.

$$\text{Size of the Clearing Fund} = \text{Max}_{i=1}^n (\mu_{\text{Member's URR}_i})$$

Where n equals the number of Members

- Each Member's contribution to the Clearing Fund is determined according to the weight of its respective URR in relation to the sum of the URR of all Members.

$$\text{Member's contribution } i = \text{Size of the fund} * \frac{\mu_{\text{Member's URR}_i}}{\sum_{i=1}^n \mu_{\text{Member's URR}_i}}$$

- **Stress Scenarios**

CDCC uses five stress scenarios to evaluate the biggest loss that could occur in order to guide the selection of the size of the Clearing Fund. This size must be, at a minimum, at least equal to the greatest deficit that may be incurred by the Members. The deficit is equal to the difference between the greatest loss incurred under the stress scenarios, minus the required and available Margin of the Member in question.

CDCC applies a stress factor to the Margin intervals to calculate the Stress Margins that will be used to calculate the URRs for each Member.

The five stress scenarios currently used by the CDCC are: Black Monday (1987), the technology bubble (2000), the bond market crash (1994), the Russian default (1998) and the Lehman's Brothers bankruptcy (2008). CDCC regularly assesses whether it is appropriate to add other stress scenarios to the existing scenarios.

The procedure to value the size of the Clearing Fund and the contributions of each Member is performed at each month end, as follows:

- Application of the historical variations of the stress scenarios in order to determine the greatest deficit recorded by the Members;
- Simulation to determine the stress factor that will be applied at the beginning of the next month; and
- Calculation and verification of the adequacy of the size of the Clearing Fund in relation to the greatest loss recorded under a stress scenario.

The first step consists of calculating, at month end, the Margin intervals of the main derivative instruments.

The second step consists of selecting a stress factor ¹, depending on the level of the Margin intervals in force and the stress factors selected in the previous month. The selected stress factor will be used to calculate the Stress Margins. Once the simulated Stress Margin is calculated, the value of the URR makes it possible to determine the size of the Clearing Fund, according to the above-mentioned formula, and verify whether this size is sufficient to cover the greatest deficits (biggest losses – required Margin deposited) recorded for each stress scenario.

¹ The stress factor generally has a value of 1.5, 2, 2.5 or 3.

The stress factor² will be adjusted in accordance with the simulation results. The stress factor generally is revised each month and depends, in particular, on the Members' positions (risk profile of each Member) that vary each day, and the Margin intervals (market conditions) that generally vary each month.

After selecting and setting the stress factor on the first Business Day of the month, the third step is to monitor and control the growth of the Clearing Fund throughout the month. This monitoring essentially serves to ensure that the stress factor set at the beginning of the month was the right choice.

To prevent a negative or zero URR, the stress factor the CDCC uses to determine the size of the Clearing Fund generally does not have a value less than 1, which means that the URR will never be negative.

4. FORMS OF COLLATERAL

- The forms of collateral that may be deposited with CDCC are prescribed in Section A-709 of the Rules.

The different forms of collateral are valued by accounting for their potential loss in the event that liquidation is required. Accordingly, the value of the Margin Deposits is discounted in relation to their market value. This discount, commonly called the margin of safety, applies to Valued Securities, government securities and bankers' acceptances, as prescribed in Section A-709 of the Rules.

For the purposes of application of the provisions of Section A-709 of the Rules, CDC proceeds as follows:

- **Cash**

Cash amounts are accepted only in Canadian dollars.

Letters of Credit and Bankers' Acceptances

CDCC regularly values and adjusts the maximum value of letters of credit and bankers' acceptances. For this purpose, it publishes a list of the approved financial institutions with the maximum value CDCC will accept from each financial institution and the pro rata share of its Members.

CDCC also requires that a special format be used so that these letters of credit and bankers' acceptances are accepted by it, as set out in Appendix 2 of the Operations Manual.

Government Securities

CDCC accepts Government of Canada and United States Government bonds, in addition to the bonds of certain Canadian provinces, as Margin Deposits. For each issue accepted in advance, a concentration limit equal to \$250 million or 10% of the total issue outstanding, whichever is less, applies to each Member. Acceptance of the issues is conditional on the availability of a price from a source that CDCC determines to be acceptable and reliable. The government securities accepted as Margin are reviewed by CDCC on a regular basis.

² The stress factor generally is adjusted by 50% intervals.

Calculating the margins of safety for government securities

The margins of safety are calculated based on the following methodology and assumptions:

- Valuation of the market, credit, liquidity and foreign exchange risks based on historical daily returns;
- Confidence interval over 99% obtained by using 3 standard deviations, and the assumption that the bond can be liquidated at a reasonable price in N days. (N will be determined according to the type of products and prevailing market conditions);
- Liquidity risk valued according to the bid-ask spread of the issues (if this spread is unavailable, the liquidation window will be expanded and will depend on market conditions); and
- Bonds of the same issuer and comparable maturities³.

Once the quantitative analysis is performed, CDCC reserves the right to increase the margins of safety based on qualitative criteria, such as:

- Comparative analysis of CDCC's margins of safety in relation to the margins of safety of the Bank of Canada;
- Comparative analysis of CDCC's margins of safety in relation to the margins of safety of other clearing houses;
- The congruence of the different margins of safety to the credit rating spreads of the different issuers;
- Any other factor considered relevant.

Margin of Safety Policy

The margins of safety are reviewed at least semi-annually and may be reviewed on an *ad hoc* basis if any event occurs. The Members will be informed of these reviews by sending a notice.

5. DEFAULT PROCESS

The Default Process Manual is intended to summarize the Rules of the Corporation and confirm certain details concerning the actions the Corporation can take with respect to Members in financial difficulty and potentially in default. This manual describes the Corporation's possible course of action, including management of a default situation, authority, communication with a Member and implementation.

A fundamental objective of a central counterparty is to ensure the integrity of payments and processes, even if a Member defaults. Since the default of one or more Members may have an impact on the continuity of clearing operations, the Corporation must ensure that efficient mechanisms and processes are in place, capable of limiting the adverse impacts of such an event, with respect to monitoring and the determination of a Member's Non-Conforming status and a Member's suspension. A Member's default can result in losses and pressure on liquidity. The Corporation must have adequate financial resources and

³ CDCC classifies an issuer's bonds according to their maturities. Any bonds classified in the same category then have a "similar maturity" and will share the same margin of safety. This includes real return Canadian bonds and inflation-indexed US bonds.

be able to respond quickly and appropriately to preserve the confidence of the Corporation's Members and financial markets.

First, the Corporation must ensure that the Members meet all standards of membership. Such oversight permits the Corporation to ensure that Members are able to honour their obligations and allows the Corporation to react to early warning signals of the financial deterioration of one of its Members.

Beyond this oversight stage and the potential actions that may be taken, if a Member breaches its commitments, the Corporation may declare that Member to be Non-Conforming or suspend the Member. However, suspension status must be ratified by the Board.

To deal with these potential situations, the Corporation has mechanisms and resources that allow it to minimize the losses that could be incurred in a Non-Conforming or suspension situation. The Members make Margin Deposits with the Corporation in order to be in a position to react to potential difficulties.

- Base Margin (including the capital Margin for certain Members);
- The Member's Clearing Fund;
- The Clearing Fund of Members which are not in difficulty;
- The Corporation's financial resources (capital and line of credit)

The Margin Deposits made directly by the Member may be used in any manner the Corporation deems appropriate. In the event that the defaulting Member's resources are inadequate, the Corporation may call on the Clearing Fund of the Members which are not in difficulty and on the Corporation's financial resources.

The measures stipulated in the Rules regarding Non-Conforming or Suspended Members may be taken in the order as the Corporation deems appropriate.

The Corporation regularly updates a list of the Members' contacts and the other entities that may be involved in case of default. The Corporation's Members must be reachable from 8:00 a.m. to 5:30 p.m. Monday to Friday.

CDCC has produced a Default Process Manual, which details the actions it can take regarding Non-Conforming or Suspended Members.

6. ADJUSTMENTS

- Section A-902 of the Rules prescribes the cases in which an adjustment may be made.

CDCC is responsible for monitoring and identifying the corporate events that may result in an adjustment. It interprets the information and communicates it to the Members of the Adjustments Committee as soon as possible. The Adjustments Committee acts in accordance with the provisions of Rule A-9. A meeting of the Adjustments Committee is called by CDCC, whenever circumstances require. The Committee is responsible for preparing the draft notices to the Members which, once approved by the Committee members, are published to the attention of the Members and the market participants.

7. CRITERIA OF ELIGIBILITY AND DEFICIENCY OF UNDERLYING INTERESTS

Eligibility of Underlying Interests of Exchange-Traded Derivatives

- Section B-603 of the Rules sets out the criteria for eligibility of stock options.
- Section B-604 of the Rules sets out the deficiency criteria for stock options.

CDCC reviews and publishes quarterly on its website a list of the stock options eligible for CDCC's clearing services.

Acceptability of OTC DI underlying assets

- Section D-104 of the Rules sets out the acceptance criteria for OTC DI Underlying Interests.

CDCC reviews and publishes quarterly on its website a list of OTC DI Underlying Interests acceptable for CDCC's clearing services.

Between the quarterly publication for the list of acceptable Underlying Interests, a Member wishing to clear OTC DI transactions for which an Underlying Interest is not included on the list must obtain the Corporation's prior authorization. The Underlying Interest must at least meet the acceptance criteria prescribed in Section D-104 of the Rules.

Eligibility of OTC DI Underlying Foreign Currencies

For the application of the provisions of Section D-104 of the Rules, the OTC DI Underlying Foreign Currencies must meet the following criteria:

- Be the currency of one of the G7 Member Countries, Australia or Switzerland;
- Have at least an AA credit rating issued by a rating agency which CDCC determines to be acceptable;
- Be the currency of a country with a relatively clear and stable monetary policy; and
- Be the object of a floating exchange rate policy.

Eligibility of Fixed Income Securities to Clear Put Cash Buy or Sell Trades

For the application of Sections D-104 and D-603 of the Rules, Fixed Income Securities are eligible for Cash Buy or Sell Trades clearing if they meeting the following criteria:

- The issuer must be eligible, which includes the following issues:
 - Bonds and Treasury bills issued by the Government of Canada, including real return issues;
 - Canada Mortgage and Housing Corporation debt securities;
 - Canada mortgage bonds;
 - Bonds issued by Business Development Bank of Canada;
 - Bonds issued by Export Development Canada;

- Bonds issued by Farm Credit Canada;
 - Bonds issued by Canada Post; and
 - Bonds issued by the Canadian Wheat Board;
- The bonds must be repayable at maturity;
- The bonds must be denominated in Canadian dollars;
- The coupon type must be fixed, real return or zero (Treasury bills are eligible);
- The net amount outstanding⁴ must be greater than or equal to \$250 million;
- The bonds must have a price issued by a source that CDCC will determine is acceptable.

Eligibility of Fixed Income Securities to Clear Repurchase Agreements

For the application of the provisions of Sections D-104 and D-603 of the Rules, Fixed Income Securities are eligible for clearing of Repurchase Agreements if they meet the following criteria:

- The security must be an acceptable bond;
- The starting date of the Repurchase Agreement must be no earlier than the date of the transaction; and
- The expiry date of the Repurchase Agreement must not be more than 365 days later than the starting date of the Repurchase Agreement and must be no later than the maturity date of the Underlying Instrument.

⁴ The net outstanding amount is defined as the outstanding amount issued on the market minus the stripped coupon bonds and issuer repurchases.

APPENDIX 1: DEFAULT PROCESS MANUAL

1. DEFAULT PROCESS

This Default Process Manual is intended to summarize the Rules of the Corporation and confirm certain details concerning the actions the Corporation can take with respect to Members in financial difficulty and potentially in default. This manual describes the Corporation's possible course of action, including management of a default situation, authority, communication with a Member and implementation. In case of conflict between the provisions set out in this Manual and the Rules of the Corporation, the Rules of the Corporation will prevail.

A fundamental objective of a central counterparty is to ensure the integrity of payments and processes, even if a Member defaults. Since the default of one or more Members may have an impact on the continuity of clearing operations, the Corporation must ensure that efficient mechanisms and processes are in place, capable of limiting the adverse impacts of such an event, with respect to monitoring and the determination of a Member's Non-Conforming status and a Member's suspension. A Member's default can result in losses and pressure on liquidity. The Corporation must have adequate financial resources and be able to respond quickly and appropriately to preserve the confidence of the Corporation's Members and financial markets.

First, the Corporation must ensure that the Members meet all standards of membership. Such oversight permits the Corporation to ensure that Members are able to honour their obligations and allows the Corporation to react to early warning signals of the financial deterioration of one of its Members.

Beyond this oversight stage and the potential actions that may be taken, if a Member breaches its commitments, the Corporation may declare that Member to be Non-Conforming or suspend the Member. However, suspension status must be ratified by the Board.

To deal with these potential situations, the Corporation has mechanisms and resources that allow it to minimize the losses that could be incurred in a Non-Conforming or suspension situation. The Members make Margin Deposits with the Corporation so in order to be in a position to react to potential difficulties.

- Base Margin (including the capital Margin for certain Members);
- The Member's Clearing Fund;
- The Clearing Fund of Members which are not in difficulty;
- The Corporation's financial resources (capital and line of credit)

The Margin Deposits made directly by the Member may be used in any manner the Corporation deems appropriate. In the event that the defaulting Member's resources are inadequate, the Corporation may call on the Clearing Fund of the Members which are not in difficulty and on the Corporation's financial resources.

The measures stipulated in the Rules regarding Non-Conforming or Suspended Members may be taken in the order as the Corporation deems appropriate.

The Corporation regularly updates a list of the Members' contacts and the other entities that may be involved in case of default. The Corporation's Members must be reachable from 8:00 a.m. to 5:30 p.m. Monday to Friday.

1.1 Actions That Can be Taken Before a Member is Declared Non-Conforming or is Suspended

Certain events may lead the Corporation to take the actions described below. Although these circumstances will not necessarily result in a declaration that the Member is Non-Conforming or suspended, the Corporation takes these situations seriously.

- Violation of Standards of Membership

Rules A-1A and A-3 establish the standards of membership and the minimum capital requirements that must be respected at all times.

The Corporation may address Members' breaches of standards of membership without declaring a Member to be Non-Conforming or suspended by, for example, making an additional Margin call and/or imposing clearing restrictions.

- Defaults Concerning Failed Deliveries and Partial Deliveries

Section A-804 addresses failed deliveries and partial deliveries. Failed deliveries and partial deliveries do not automatically trigger Non-Conforming status or a suspension. Section A-804 sets out the applicable mechanisms for this type of situation. Ultimately, if the Member is not in good standing with the Corporation, the Corporation may consider it necessary to declare the Member to be in default.

1.1.1 Additional Margin Call

In accordance with Section A-702, the Corporation may, without advance notice and at its sole discretion, impose an additional Margin Call on a Member for an indeterminate period.

Authority:

Management of the Corporation

Communication:

In this context, the Corporation will notify the regulatory authorities. The Member will be informed and will have to meet its additional Margin requirements within the same deadlines as regular Margin calls.

Moreover, in accordance with Section A-303, the Member must notify the Corporation if it does not meet the Corporation's capital requirements and those imposed by the Investment Industry Regulatory Organization of Canada ("IIROC") and the Participating Exchanges or the Office of the Superintendent of Financial Institutions. Ultimately, if this situation is not resolved, the Corporation reserves the right to suspend the Member after receiving the approval of the Board. For more details, please refer to the section below on Member suspension.

Implementation:

This additional Margin will be added to the amount of Base Margin.

1.1.2 Clearing Restrictions

In accordance with Section A-308 - Restrictions on Certain Transactions and Positions, the Corporation may impose clearing restrictions on a Member considered to be in difficulty.

When the decision takes effect, the Corporation will notify the Member or Members of restrictions that will be applied immediately. However, the Member may execute certain transactions, with the Corporation's consent, to maintain its position in good standing.

Authority:

Board of Directors of the Corporation

Communication:

The Member will be informed and must conform to the clearing restrictions within reasonable deadlines.

Ultimately, if the situation is not resolved, the Corporation reserves the right to suspend the Member after approval by the Board. For further information, please consult the section below on Member suspension.

Implementation:

The Corporation may establish clearing restrictions on certain transactions, and, where appropriate, ask the Montréal Exchange to freeze the transactions of an approved participant. This is done with the cooperation of the Market Operations Department of the Montréal Exchange.

1.1.3 Penalties

Paragraphs A-804(4) and (5) stipulate that the Corporation may impose costs on a Member for failed deliveries and partial deliveries. The Corporation will reimburse direct costs to net buyers, provided that the Corporation is able to recover direct costs from net sellers.

1.2 Declaration of Non-Conformity

The Corporation's Rules provide for two categories of default for a Member: Non-Conforming and suspension. Non-Conforming Member status can be determined by the Corporation's management, while a suspension must be ratified by the Board.

Rule A-1A04 addresses Non-Conforming Member status.

The characteristics of a Non-Conforming member are set out in Rule A-1A04 3). The next step following Non-Conforming Member status is suspension. The events described in Rule A-1A04 3) constitute reasonable grounds, but are not exhaustive.

With the Board's consent, the Corporation may suspend a Member which does not adhere to Settlement Times. The actions the Corporation may take are set out below.

A Member who is or may become insolvent or is unable to meet its obligations shall immediately inform the Corporation and all Related Members of this situation by telephone. Alternatively, the Corporation must inform the Member in writing or by telephone when it has become a Non-Conforming Member.

The measures prescribed by the Corporation's Rules regarding Non-Conforming Members may be taken in the order that the Corporation considers appropriate. The measures are set out in Rule A-401 and include:

- Prohibiting and/or imposing limitations on the acceptance and/or clearance of Transactions by the Member of the Corporation;
- Requiring this Member to reduce or close out existing Transactions in such Member's accounts with the Corporation;
- Requiring the Member to transfer to another Member any account it holds with the Corporation, any position maintained in such account, or any account established by the Member;
- Applying the Clearing Fund and Margin Deposit of the Non-Conforming Member*;
- Sanctioning, fining or imposing a penalty on the Non-Conforming Member;
- Suspending the Non-Conforming Member.

* The Corporation may only use the Clearing Fund and the Margin Deposits of the Non-Conforming Member in accordance with Section A-609.

Authority:

The Corporation may decide on Non-Conforming Member status.

Communication:

The Member should notify the Corporation if it is unable to honour its obligations to the Corporation and the other Members. The Corporation will notify the regulatory authorities.

However, in the event that the Member is defined as Non-Conforming by the Corporation, the Corporation must inform the Member in writing or by telephone.

Implementation:

The Corporation must work in concert with the Non-Conforming Member and the appropriate regulatory authorities to rectify the Member's Non-Conforming status.

These actions are not exhaustive, are not necessarily presented in chronological order, and can be adapted as required by the Corporation according to the circumstances that prevail during period the Member is a Non-Conforming Member.

- The situation has been confirmed with the Member;
- The Corporation may seize the Member's Margin Deposits;
- The Corporation may on its own accord, and, if applicable, through the Montréal Exchange, restrict the transactions of the Non-Conforming Member and the Member's approved participants. However, the Corporation may accept transactions from the approved participant if it can execute the transactions with another Clearing Member of the Corporation in good standing;
- If payments are to be made by the Non-Conforming Member to the Corporation, the Corporation may apply the seized Margin Deposits if it deems that they must be paid before the Member is suspended;
- The Corporation may also ask the Non-Conforming Member to close out its market positions and, for this purpose, the Corporation may ask the Montréal Exchange to open the trading window only to close out the positions;

- The Corporation may also require the Non-Conforming Member to transfer its clients' positions;
- If the Member must execute deliveries, then the Corporation could make an agreement with the receiving Member and the Non-Conforming Member or take any other appropriate action so that the Member's obligations are honoured;
- Assign the Clearing Fund and the Margin Deposit of the Non-Conforming Member;
- Impose sanctions, fines or penalties on the Non-Conforming Member of the Corporation;
- The Corporation will call an emergency meeting of the Board to determine whether a Non-Conforming Member warrants suspension.

1.3 Declaration of a Suspension

Subject to the discretion and approval of the Board, a Member may be suspended if it defaults in accordance with Section A-1A04 or any other conditions that the Corporation may deem relevant. These rules relate to Non-Conforming Member situations, but can also be applied to any situation involving a suspension.

Once Board approves a suspension, the Corporation ceases to act on behalf of the Member.

Authority:

The Board has the authority regarding the suspension and lifting of a Member's suspension.

Communication:

The Corporation will notify the other Members, the regulatory authorities and the other Exchanges upon imposition of a suspension. The Exchanges will be notified by way of a "Memorandum of Understanding" managed by the Chicago Mercantile Exchange if the suspended Member is also a Member of another clearing house.

The President of the Corporation, the Director of Operations and the Director of Risk Management will be called upon to coordinate the actions taken by the Corporation and the supervision of the Member in difficulty. They will also recommend action to the Board. As mentioned, the Board is ultimately responsible for the suspension of the Member and the lifting of the suspension.

Implementation:

According to paragraph A-1A05 2), the Corporation ceases to act on behalf of the suspended Non-Conforming Member and the suspended Related Member.

As mentioned in paragraph A-1A05 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.

The Board may lift a Member's suspension at any time. As mentioned in Section A-1A07, the Member may appeal its suspension.

When the Member is suspended, the Corporation will oversee using various measures the management of the suspended Member's activities.

Once the Board decides on the Member's status, the Corporation may take several courses of action. The list set out below is neither exhaustive nor in chronological order, and the actions can be adapted by the Corporation according to the circumstances prevailing at the time of a suspension.

- The Member is notified of its suspension;
- The Corporation will open a liquidating settlement account to manage the positions and the Margin Deposits of the suspended Member;
- The Corporation may restrict the transactions of the suspended Member and the Member's approved participants, if applicable. However, the Corporation may accept transactions from the approved participant if it can execute the transactions with another Member of the Corporation in good standing;
- The Corporation may seize the Member's Margin Deposits, and the positions will be transferred to the liquidating settlement account. The Corporation, at its discretion, may send only the net positions to the liquidating settlement account;
- The Corporation may convert the suspended Member's deposits into cash in order to cover any loss or amount owed by the defaulting or suspended Member. The order of liquidation of these deposits is mentioned at the end of this manual;
- The Corporation may liquidate, transfer or maintain the Member's positions, depending on the market conditions. The positions may be liquidated directly on the market or among the offers received from Members contacted in advance by the Corporation, and transmitted to the Corporation regarding the portfolios to be liquidated;
- For its clients' positions:
 - The client positions will be transferred to a non-defaulting Member and the clients will be notified under Subsection A-404 2);
 - The Corporation will have the choice of closing out the positions or maintaining them, depending on market conditions, the risk associated with its positions and the market impact of closing the positions;
 - If it decides to close out the positions, the Corporation, to reduce the number of long and/or short contracts, may execute closing transactions on these transactions. The Corporation may also consider it suitable to maintain the positions, hedge them or close them out at a price it deems reasonable;
 - The Corporation must honour the transactions in specified situations and if a position is assigned and/or is subject to delivery.

For any transfer or liquidation realized by the Corporation, the clients must be notified as soon as possible.

- Impose sanctions, fines or penalties on the Member of the Corporation.

The Corporation shall report to the Board on a daily basis on the transactions realized for the Member.

As mentioned previously, the Corporation has access to a liquidating settlement account. The liquidating settlement account is used when necessary to transfer, close out or hedge positions.

- First, Section A-402 specifies that the Margin Deposits will be converted into cash and maintained in the liquidating settlement account;
- The Corporation will initiate the process of conversion of letters of credit into cash;
- The Corporation will liquidate the assets held by the suspended Member in the Clearing Fund;

Schedule A

Date: June 2010

- If necessary, the Corporation will call for contributions to the Clearing Fund from the other non-defaulting Members;
- If necessary, the Corporation will call for a second contribution to the Clearing Fund by the other non-defaulting Members;
- Finally, the Corporation has access to a credit facility, which may cover the resulting losses.

For the actions described above and in the perspective of efficient management of the default process, the Corporation may judge that conversion into cash is not in the Corporation's best interest.

The Corporation shall report to the Board on a daily basis on the transactions realized for the Member.

DEPOSITORY AGREEMENTS**Copy of Agreements accepted by the Corporation****ARRANGEMENTS FOR THE HOLDING OF SECURITIES BY A DEPOSITORY
APPROVED BY CANADIAN DERIVATIVES CLEARING CORPORATION**

Canadian Derivatives Clearing Corporation ("CDCC") guarantees Options and Futures contracts traded on Bourse de Montréal Inc. To ensure that CDCC is able to meet its obligations, CDCC requires that its Members make deposits to a Clearing Fund and Margin Fund. Members and investors are permitted to place an Underlying Interest and Underlying Interest Equivalent with a depository approved by CDCC providing that these securities are held to the order of CDCC.

Members wishing to deposit acceptable securities may do so by depositing the securities with an Approved Depository, which will then issue a Safe Custody Receipt to the order of CDCC.

Financial institutions and investors who wish to write Options providing that they are able to deposit the Underlying Interest with an Approved Depository may do so by the use of Escrow Deposits.

To become an Approved Depository, a financial institution must apply to CDCC. The institution agrees to meet the conditions prescribed by the Corporation. CDCC considers all offices and branches of an approved institution to be Approved Depositories although the institution may place restrictions on its own offices and branches.

The following financial institutions may apply for recognition as an Approved Depository:

- a) a bank to which the Bank 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 any province of Canada similar to the Loan and Trust Corporations Act (Ontario) or An Act respecting trust companies and savings companies (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 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.

Members may enter into a safe custody agreement, in a form approved by the Corporation, with an Approved Depository for the safekeeping of securities. Such agreements must include the conditions shown in the sample attached. CDCC does not require copies of Safe Custody Agreements.

Escrow Receipt Agreements are signed between Depositories and institutional and investors. Such agreements must contain the conditions shown in the sample attached. CDCC does not require copies of Escrow Receipt Agreements.

Neither Safe Custody Receipts nor Escrow Receipts require the signature of Member firms or investors. Such receipts require only the authorized signature of the Approved Depository.

To assist financial institutions in their understanding of the depository system the following documents are attached:

DEPOSITORY AGREEMENTS

1. Excerpts from the CDCC Rules relating to the depository system and providing a guide as to the use of the following documents.
2. Safe Custody Agreement and Receipt.
3. Escrow Receipt Agreement and Receipt.
4. Calls Letter of Guaranty.
5. Puts Guaranty Letter.
6. Futures Margin Receipt Agreement and Receipt.
7. Letter of Credit.
8. Suggested form of the Letter of Agreement between the financial institution and CDCC.

DEPOSITORY AGREEMENTS

SAFE CUSTODY AGREEMENT BETWEEN SECURITIES FIRM AND APPROVED DEPOSITORY

_____, 20_____

The _____

(name and address of receiving institution)

(hereinafter called the "Depository" agrees with _____ (hereinafter called the "Member"),

(depositing Member)

to hold in safe custody on behalf of the Member but to the order of Canadian Derivatives Clearing Corporation (hereinafter called the "Corporation") and upon the terms and conditions herein set out all securities delivered from time to time to the depository by the Member for the purposes hereof.

1. The Depository will issue and deliver to the Member Safe Custody Receipts for such securities in substantially the form agreed to from time to time between the Corporation and the Depository.
2. Upon the surrender to the Depository of the original copy of the Safe Custody Receipt, the Depository will deliver the securities covered thereby in accordance with the written instructions of the Corporation endorsed on or appended to such original copy.
3. The Depository agrees to provide written confirmation of securities held in safe custody to the Corporation and/or to the Member if and when requested by the Corporation.
4. The Depository's responsibility for securities shall be limited to providing the same degree of care for the securities as is provided for the Depository's own securities lodged at the same location.
5. In consideration of its services the Depository will be entitled to remuneration from the Member in such amounts as may be agreed upon from time to time.
6. This Agreement may be terminated by either party upon thirty days notice in writing given to the other party, provided that any securities held by the Depository at the expiration of such thirty days shall only be released in accordance with the written instruction of the Corporation.
7. For the purposes of paragraphs 2. and 6. above and for any other purpose relating to this Agreement, the Depository will be entitled to reply and act upon written instructions signed or purporting to be signed on behalf of the Corporation by any one of its authorized signatories named on any list of authorized signatures furnished by the Corporation to the Depository at any time or from time to time.

The Depository will be under no obligation to ensure the genuineness or validity of any signature purporting to be that of an authorized signatory of the Corporation and the Depository will have no responsibility in the event that any such signature is forged or unauthorized or in the event that the written instructions signed or purporting to be signed on behalf of the Corporation are otherwise invalid or ineffective.

8. The Member acknowledges that the Depository has agreed with the Corporation to ensure that all securities deposited by the Member meet the general rules of negotiability by delivery. The Member represents and warrants that all securities deposited by the Member with the Depository will in all respects meet such general rules of negotiability and the Member agrees to indemnify and save harmless the Depository against any claim, action, demand, loss or expense which may be made against or suffered or incurred by the Depository in the event that any securities deposited by the Member do not meet such general rules of negotiability by delivery.

DEPOSITORY AGREEMENTS

AGREED

AGREED

(Depositing Member)

(Depository)

By _____
(Authorized Signature)

By _____
(Authorized Signature)

By _____
(Authorized Signature)

By _____
(Authorized Signature)

(No copy of this agreement is required by the Corporation.)

DEPOSITORY AGREEMENTS

ESCROW RECEIPT AGREEMENT

_____, 20____

In consideration of the fact that Options may be written by _____ (hereinafter called the "Depositor"), _____ (hereinafter called the "Depository"), agrees with the Depositor to hold on behalf of the Depositor but to the order of Canadian Derivatives Clearing Corporation (hereinafter called "the Corporation") and upon the terms and conditions herein set out, all the securities delivered from time to time to the Depository by the Depositor for the purposes hereof:

1. The Depository agrees to act as safekeeping agent and will issue and deliver, in accordance with the Depositor's instructions, Escrow Receipts for such securities in substantially the form agreed to from time to time between the Corporation and the Depository.
2. The Depository will hold the securities until the happening of any one of the following events:
 - a) The Assignment to the broker on behalf of the Depositor of an Exercise Notice when the Option has been Exercised or the giving of a delivery order to the Depository by the Corporation at any time it holds the Escrow Receipt. In either of these events the Depository will deliver the securities covered by the Escrow Receipt to the Corporation or as directed by it, against full payment to the Depository for account of the Depositor of the net aggregate exercised price minus all applicable commissions or other charges and adjusted for any non-cash dividend, stock distribution, stock split, rights offering distribution, reorganization or reclassification or any other similar event in accordance with the terms of the Option or the delivery order and the By-laws and Rules of the Corporation or of the Exchange upon which the Options are traded.
 - b) The termination of the Escrow Receipt as indicated by the return of the Escrow Receipt to the Depository. In this event the Depository undertakes to deliver the securities to the Depositor or a designated agent, free of cost.
3. The Depository agrees to provide written confirmation of securities held to the Corporation and/or the broker when requested and in the form specified by the Corporation.
4. The Depository's responsibility for securities shall be limited to providing the same degree of care for the securities as is provided for the Depository's own securities lodged at the same location.
5. In consideration of its services the Depository will be entitled to remuneration from the Depositor in such amounts as may be agreed upon between them from time to time.
6. This agreement may be terminated by either party upon thirty days notice in writing given to the other party provided that any securities held by the Depository at the expiration of such thirty days shall only be released in accordance with the terms and conditions herein.

ACCEPTED

(Depositor)

(Authorized Signature)

(Authorized Signature)

ACCEPTED

(Depository)

(Authorized Signature)

(Authorized Signature)

(No copy of this agreement is required by the Corporation.)

DEPOSITORY AGREEMENTS

FUTURES MARGIN RECEIPT AGREEMENT

_____, 20____

Whereas exchange traded Futures guaranteed by Canadian Derivatives Clearing Corporation (hereinafter called the "Corporation") may be traded by _____, and

(hereinafter called the "Depositor")

whereas in order to facilitate such trading the Depositor has requested _____

(hereinafter called the "Depository")

to enter into this Agreement, now therefore in consideration of the premises and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the Depository hereby agrees with the Depositor as follows:

1. To hold on behalf of the Depositor, but to the order of the Corporation, and upon the terms and conditions set out below, all securities delivered from time to time to the Depository by the Depositor for the purposes hereof.
2. The Depository agrees to act as safekeeping agent and will issue and deliver, in accordance with the Depositor's instructions, Futures Margin Receipts for such securities.
3. Upon the surrender to the Depository of the original copy of the Futures Margin Receipt, the Depository will deliver the securities covered thereby in accordance with the written instructions of the Corporation endorsed on or appended to such original copy.
4. The Depositor agrees with the Depository that the securities shall remain in safekeeping until the return to the Depository of the original Futures Margin Receipt or a release signed by the Corporation.
5. The Futures Margin Receipt shall be strictly in the form approved to from time to time by the Corporation without any deviation therefrom.
6. The Depository agrees to provide written confirmation of securities held to the Corporation when requested and in the form specified by the Corporation.
7. The Depository's responsibility for securities shall be limited to providing the same degree of care for the securities as is provided for the Depository's own securities lodged at the same location.
8. In consideration of its services the Depository will be entitled to remuneration from the Depositor in such amounts as may be agreed upon between them from time to time.
9. This agreement may be terminated by either party upon thirty days notice in writing given to the other party provided that any securities held by the Depository at the expiration of such thirty days shall only be released in accordance with the terms and conditions herein.

ACCEPTED

(Depositor)

(Authorized Signature)

(Authorized Signature)

ACCEPTED

(Depository)

(Authorized Signature)

(Authorized Signature)

(No copy of this agreement is required by the Corporation.)

DEPOSITORY AGREEMENTS**DEPSITORY AGREEMENT BETWEEN CDCC and a Financial Institution**

(DEPOSITORY LETTERHEAD)

DEPOSITORY AGREEMENT - BETWEEN Canadian Derivatives Clearing Corporation and a Financial Institution

Canadian Derivatives Clearing Corporation
65 Queen St. West, Suite 700
Toronto, Ontario M5H 2M5

Gentlemen,

We apply for approval as an Approved Depository for purposes of holding to your order, securities lodged by your Members and institutional or individual investors in connection with Exchange Traded Options and Futures which are issued by Canadian Derivatives Clearing Corporation

In consideration of your approval, this institution agrees to provide safe custody services on the terms and conditions as follows:

1. Hold in safe custody to your order on behalf of your Members, institutional or individual investors, securities against which Options have been issued. These equities are termed "underlying securities".
2. Hold in safe custody to your order on behalf of your Members, institutional or individual investors, securities other than underlying securities which you approve as qualified for Margin purposes or for the Clearing Fund.
3. Issue Safe Custody Receipts in the form approved by you for securities lodged by Members and issue Escrow Receipts in the form approved by you for securities lodged by institutional and individual investors. Neither of these receipts may be amended as to contents.
4. Sign a Safe Custody Agreement with Members lodging securities to your order. This Safe Custody Agreement to contain as a minimum all the conditions stipulated in your approved Safe Custody Agreement.
5. Sign an Escrow Agreement with institutional and individual investors lodging securities to your order. This Escrow Agreement to contain, as a minimum, all the conditions stipulated in your approved Escrow Agreement.
6. Hold in safe custody on behalf of investors, but to the order of Canadian Derivatives Clearing Corporation securities deposited in connection with trading in the Canadian Futures markets.
7. Execute a Futures Margin Receipt Agreement in the form approved to Canadian Derivatives Clearing Corporation with all investors wishing to deposit securities in connection with trading in the Canadian Futures market.
8. Issue Futures Margin Receipts in the form approved by you upon the receipt from investors of securities deposited in connection with trading in the Canadian Futures markets. Such receipts may not be amended or supplemented in any way without the written consent of the President of Canadian Derivatives Clearing Corporation as to contents.

DEPOSITORY AGREEMENTS

9. Issue your approved Puts Guaranty Letters in accordance with CDCC's Rules.
10. Issue your approved Special Letters of Guaranty in accordance with CDCC's Rules.
11.
 - (a) Release securities lodged under a Safe Custody Agreement only on the written approval of an authorized signing officer of Canadian Derivatives Clearing Corporation and in accordance with your instructions.
 - (b) Release securities lodged under an Escrow Agreement to Canadian Derivatives Clearing Corporation on receipt of written instructions from an authorized signing officer of Canadian Derivatives Clearing Corporation in accordance with the terms of the escrow Agreement or release the securities to the Depositor on return of the Escrow Receipt to the Depository.
 - (c) Release securities lodged under a Futures Margin Receipt Agreement only on the written approval of an authorized signing officer of Canadian Derivatives Clearing Corporation and in strict accordance with your written instructions.
12. Ensure that all securities lodged for safe custody meet the general rules of negotiability for delivery.
13. Receive compensation for our services from members, institutions and individual investors as agreed to with them from time to time.
14. This agreement may be terminated by either party on receipt of thirty days notice, in writing, by the other party. In this event, any securities we hold will be dealt with in accordance with your instructions.
15. In addition, this institution will issue on behalf of your Members, Letters of Credit which comply with CDCC's Rules. Such Letters of Credit may not be amended as to contents.
16. We agree to honour any approved Safe Custody Receipt, Escrow Receipt, Futures Margin Receipt, Letter of Guaranty or Letter of Credit issued by any office or branch of this institution.

Yours truly,

(Name and title)

DEPOSITORY AGREEMENTS**LETTERS****CALLS GUARANTY LETTER**

(TO BROKER OF CALL OPTIONS WRITER)

DATE

Dear Sirs,

We confirm that (CLIENT) has provided us with instructions to pay you the sum of (\$) CDN funds against delivery of (NO. OF SHARES) you have purchased on their behalf.

As these shares are not readily available we have been instructed by your client to hold the above-mentioned sum of money to your order subject to the following conditions.

In consideration of the fact that a Call Option has been sold by you on behalf of your client on the shares of (NAME OF SECURITY), we agree to hold the above-mentioned sum of money to your order for up to one calendar month or until the happening of any one of the following events:

- (i) The issuance by us to you of an Escrow Receipt upon delivery of the said shares to replace this Letter of Guaranty which then becomes null and void and returned to us;
- (ii) The Assignment to you on behalf of your client of an Exercise Notice when the Call Option has been Exercised or, pursuant to its Rules and By-laws, the giving by Canadian Derivatives Clearing Corporation (the Corporation) of an order to us to pay these funds at any time to the Corporation during the period it holds this Letter of Guaranty;
- (iii) The confirmation to us from the Corporation that the obligation has been terminated by virtue of a Closing Purchase Transaction of a Call Option;
- (iv) The expiry of the Call Option.
and to act as depository for said sum of money.

Should the Option be called (Exercised) or the delivery order of the Corporation be given before the delivery to us of the said shares, we further agree to deliver to the Corporation, or as directed by it, the above-mentioned sum of money against full payment to us for the account of your client of the net aggregate Exercise Price minus all applicable commissions and other charges. You, the Broker, will be required to provide the Corporation with the difference between the said sum of money and the then prevailing Marking Price of the underlying securities and to adjust for any non-cash dividend, stock distribution, stock split, rights offering, distribution, reorganization, or reclassification or other similar event in accordance with the terms of the call or delivery order and the By-laws and Rules of the Corporation or of the Exchange upon which the Option traded.

Should the Call Option expire uncalled or should we be advised by the Corporation that the obligation is terminated by virtue of a Closing Purchase Transaction of an equivalent Call Option, we undertake to deliver the said sum of money, if not already delivered by us pursuant to the preceding paragraph, to your client or to his designated agent, free of cost against receipt of this Letter of Guaranty which will then have expired and be of no further effect.

Yours truly,

DEPOSITORY AGREEMENTS

PUTS GUARANTY LETTER

Approved Depository Letterhead (Branch and Address)

To: BROKER OF PUT OPTION WRITER and CANADIAN DERIVATIVES CLEARING CORPORATION

Gentlemen,

RE: Customer	_____	Exercise Price	_____
Expiry Date	_____	Underlying	_____
		Security	_____
No. of Shares	_____	Aggregate	_____
		Exercise Price	_____
Clearing Member	_____		

We understand that the Customer has written a Put Option expiring on the Expiry Date pursuant to which he may be obligated to accept delivery from Canadian Derivatives Clearing Corporation (CDCC) of the Underlying Security at the Aggregate Exercise Price at any time after the date hereof up to and including the Expiry Date.

We certify that we are authorized by CDCC to issue Escrow Receipts and for the purpose of satisfying the requirements of Bourse de Montréal Inc. we hereby:

(Strike out whichever of paragraph (a) or paragraph (b) does not apply)

(a) Certify that we hold on deposit and will continue to hold on deposit as hereinafter provided, cash equal to the aggregate Exercise Price and we unconditionally and irrevocably guarantee to pay as hereinafter provided such amount to CDCC against delivery by CDCC to us of the Underlying Security; or

(b) Unconditionally and irrevocably guarantee to pay as hereinafter provided to CDCC the Aggregate Exercise Price against delivery by CDCC to us of the Underlying Security regardless of the market price of the Underlying Security at the time of delivery.

In connection with the foregoing, we acknowledge and agree that payment will be effected by us as guarantor against delivery of the Underlying Security at the Option of CDCC provided that any demand by CDCC for payment must be in written form and received by us not later than 3 p.m. local time on the tenth Business Day following the Expiry Date at which time this guaranty will be null and void.

This letter is being deposited to serve as Margin for Put positions in an account maintained by the Clearing Member for the Put account of the Customer. This letter shall not constitute Margin for another account maintained by the Clearing Member.

Yours truly,
Authorized Signing Officer



Schedule B
Date: June 2010

DEPOSITORY AGREEMENTS

FUTURES MARGIN RECEIPT

TO: Canadian Derivatives Clearing Corporation
65 Queen St. West, Suite 700
Toronto, ON M5H 2M5

The undersigned approved Depository hereby acknowledges receipt from:

(Name of Depositor)

of the following securities to be held in safe custody to your order under the terms and conditions of the Futures Margin Receipt Agreement existing between the Depositor and the Depository.

Full Description of Security:

Face Value:

(Date)

(Depository)

(Authorized Signature)

TO THE ABOVE-NAMED DEPOSITORY:

Please release free, the above-described securities to the Depositor or as directed in the attached letter.

(CDCC RELEASE STAMP)

Note: Each Futures Margin Receipt may cover ONE SECURITY ONLY.

DEPOSITORY AGREEMENTS**LETTER OF CREDIT ISSUED BY APPROVED BANK**

Canadian Derivatives Clearing Corporation
Toronto, Montréal

Dear Sirs,

Revocable Letter of Credit No.
(Clearing Member Name)

As arranged with our customer, (Clearing Member's name), we hereby establish a revocable Letter of Credit in your favour in the total amount of (DOLLARS - words and figures) on which you may draw to the extent required to cover Margin owed to you by (Clearing Member's name) on transactions under its terms of Membership in your corporation.

Drawings under this Letter of Credit shall be in the form of a written demand for payment by Canadian Derivatives Clearing Corporation and should refer to the captioned Letter of Credit number.

This Letter of Credit will expire at 3 p.m. Eastern Time on March *, 20xx, or September *, 20xx* but it may be revoked at any time prior to expiry, at the sole Option of the bank, on two full Business Days' notice in writing to Canadian Derivatives Clearing Corporation and (Clearing Member's name).

Yours truly,

(Name & Title)

* All Letters of Credit are to expire on the first bank Business Day of March or September to facilitate expiry control.