



NOTICE TO MEMBERS

No. 2010 – 087

September 29, 2010

REQUEST FOR COMMENTS

AMENDMENT TO SECTIONS A-102, B-201 AND B-307 OF THE RULES OF CDCC AND SECTION 2 OF THE OPERATIONS MANUAL OF CDCC

Summary

The Board of Directors of the Canadian Derivatives Clearing Corporation (CDCC) approved the amendments to Sections A-102, B-201 and B-307 of CDCC's Rules and Section 2 of the Operations Manual of CDCC. The goal of the proposed amendment is to coordinate the Canadian expiration timeline to be consistent with that of the U.S. options clearinghouse.

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

Process for Changes to the Rules

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

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

Comments on the proposed amendments must be submitted within 30 days following the date of publication of the present notice. Please submit your comments to:

Sharon C. Pel
Secretary
Canadian Derivatives Clearing Corporation
Tour de la Bourse
P.O. Box 61, 800 Victoria Square
Montréal, Québec H4Z 1A9
E-mail : legal@m-x.ca

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

Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
Tour de la Bourse, P.O. Box 246
800 Victoria Square, 22nd Floor
Montréal, Québec H4Z 1G3
E-mail : consultation-en-cours@lautorite.qc.ca



AMENDMENT TO SECTIONS A-102, B-201 AND B-307 OF THE RULES OF CDCC AND SECTION 2 OF THE OPERATIONS MANUAL OF CDCC

I. OVERVIEW

Canadian Derivatives Clearing Corporation (CDCC) makes a concerted effort to address its Clearing Members' wish to harmonize processes with that of the Options Clearing Corporation (OCC). CDCC is an observer in the OCC's Expiry Streamline Committee. This OCC committee has been working for a number of years with the aim of eventually performing the Options Expiration process on Friday evening. This OCC committee coordinated the change for the auto exercise thresholds.

Effective on November 2010 expiration process, OCC will move the expiration cut-off from 10:00 a.m. Central Time (11:00 a.m. Eastern) to 9:00 a.m. Central Time (10:00 a.m. Eastern). CDCC has informed its Clearing Members that it will follow the OCC and have the same cut-off time (10:00 a.m. Eastern) in Canada.

A – Proposed Amendments

CDCC proposes to adjust the definition of "Expiration Time" provided for under Section A-102 of the Rules of CDCC (the "**Rules**") to 10:00 a.m. from the existing timeline.

In conjunction with that proposed amendment, CDCC also proposes to amend subparagraph B-307(b)(ii) and subsection B-201(6) of the Rules in order to refer to the definition of "Expiration Time", as provided for under Section A-102 of the Rules,

Additionally, CDCC proposes to make the corresponding changes to Section 2 of the Operations Manual of CDCC.

B – Rationale

The goal of the proposed amendment to Sections A-102, B-201 and B-307 of the Rules and Section 2 of the Operations Manual of CDCC is to coordinate the Canadian expiration timeline to be consistent with that of the U.S. options clearinghouse.

II. ANALYSIS

A – Public Interest

The proposed amendment to the Rules and Operations Manual of CDCC will harmonize the cut-off time for North American options clearinghouses. CDCC's Clearing Members will benefit from this change as the clearinghouse's batch processing will be completed an hour earlier. The earlier completion of CDCC's batch will thereby allow the downstream flows of the Clearing Members to commence an hour earlier.

B – Effectiveness

This proposed amendment is intended for the purpose of harmonization with CDCC's U.S. counterpart.

III. PROCESS

The proposed amendment to the Rules and Operations Manual of CDCC is presented to the Board of Directors of CDCC for approval and will then be transmitted to the AMF in accordance with the self-certification process and to the Ontario Securities Commission (OSC) for information.

IV. ATTACHED DOCUMENTS

- Rule A-1
- Rule B-2
- Rule B-3
- Section 2 of Operations Manual of CDCC

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 acceptable for clearing with the Corporation.

“Acceptable Underlying Interests” – is an Underlying Interest deemed acceptable for clearing by the Corporation.

“Acceptable Marketplace” – a marketplace, other than an Exchange, where buyers and sellers conclude transactions in Acceptable Instrument Types and which meets the requirements of the Corporation to be considered for clearing.

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

“Additional Deposit” - the additional amount which may be required to be added to a Clearing Fund deposit pursuant to Section A-606.

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

“Application for Membership” – the Application for Membership, and the Rules, By-Laws and Operations Manual.

“Approved Depository” - a financial institution approved under Section A-613.

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

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

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

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

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

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

“Board” - the Board of Directors of the Corporation.

“Business Day” - any day on which any office of the Corporation is open for business. The term Business Day shall exclude the Expiration Date of any Options which expires on a Saturday.

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

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

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

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

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

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

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

“Client” – those customers of an Ordinary Clearing Member *or* Associated Clearing Member who are not On-Floor Professional Traders or trading on behalf of a broker.

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

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

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

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

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

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

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

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

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

“Consolidated Activity Report” – daily report listing either Options, Futures or OTC DI transactions.

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

“Corporation or CDCC” – Canadian Derivatives Clearing Corporation.

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

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

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

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

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

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

“Emergency” – i) any circumstance that may materially affect the performance of obligations, which may include riot, war or hostilities between any nations, civil disturbance, acts of God, fire, accidents, strikes, earthquakes, labour disputes, lack of transportation facilities, inability to obtain materials, curtailment of or failure in obtaining sufficient power, gas or fuel, computer malfunction (whether mechanical or through faulty operation), malfunction, unavailability or restriction of the payment, computer or bank wire or transfer system and any other cause of inability that is beyond the reasonable control of the Corporation; ii) any action taken by Canada, a foreign government, a province, state or local government or body, authority, agency or corporation, and any Exchange, Acceptable Marketplaces, Market Center and Delivery Agents that may have a direct impact on the Corporation including impossibility for the Corporation to perform its obligations further to any “force majeure” or emergency affecting any Market Center or Delivery Agent; iii) the bankruptcy or insolvency of any Clearing Member or the imposition of any injunction or other restraint by any government agency, court or arbitrator upon a Clearing Member which may affect the ability of that member to perform its obligations; iv) any circumstance in which it appears that a Clearing Member or any other person has failed to perform contracts, is insolvent, or is in such financial or operational condition or is conducting business in such a manner that such person cannot be permitted to continue in business without jeopardizing the safety of assets, of any Clearing Member or the Corporation; or v) any other unusual, unforeseeable or adverse circumstance with respect to which it is not practicable for the Corporation to submit, in timely fashion, a rule amendment to its regulatory authorities for prior review, approval or non-disapproval under the relevant securities legislation.

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

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

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

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

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

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

“Exercised Position” - the position of a Clearing Member in any account in respect of Transactions providing optionality to the holder and which may have been exercised by such Clearing Member in such account.

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

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

“Exercise Settlement Date” - the date specified in Section B-403.

“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.~~ 10:00 a.m. on the Expiration Date.

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

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

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

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

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

“Future” - a contract:

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

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

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

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

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

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

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

“Instrument” shall mean:

- (i) a bill, note or cheque within the meaning of the Bills of Exchange Act (Canada) or any other writing that evidences a right to the payment of money and is of a type that in the ordinary course of business is transferred by delivery with any necessary endorsement or assignment; or
 - (ii) a letter of credit and an advice of credit if the letter or advice states that it must be surrendered upon claiming payment thereunder;
- but does not include a security.

“Joint Regulatory Financial Questionnaire and Report” - the documents required under the Joint Regulatory Audit Instructions of the Exchanges and the Investment Dealers Association.

“Liquidating Settlement Account” - the account created following the default of a Clearing Member to recognize the value of all gains, losses, and expenses due to or from the defaulting clearing member during the liquidation of positions and Margin Deposits.

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

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

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

“Margin Deposit” – means, collectively,

- a) any and all Securities, Money, Instruments, cheques, Underlying Interest, Underlying Interest Equivalent, Long Positions and Short Positions;
- b) any and all of the deposits required or made pursuant to Rule A-6 Clearing Funds Deposits, Rule A-7 Margin Requirements, and Rule B-4 Delivery and Payment with Respect to Options Exercised, Rule C-5 Delivery of Underlying Interest of Futures and Rule D-3 Physical Delivery of Underlying Interest on Over-the-Counter Derivative Instruments, including Margin, Base Deposit, Additional Deposit, Variable Deposit, Safe Custody Receipts, Escrow Receipts, Futures Margin Receipts, letters of credit, puts and any other form of deposit as from time to time are accepted by the

Corporation; and Rule D-3 Physical Delivery of Underlying Interest on Over-The-Counter Derivative Instruments; and

- c) any and all securities pledged or assigned to the Corporation through the facilities of The Canadian Depository for Securities Limited;
deposited by or on behalf of the Clearing Member with the Corporation.

“Mark-to-Market Valuation” – the value determined by the Corporation representing the liquidation value of a Transaction or account held by a Clearing Member as defined in Section D-202.

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

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

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

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

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

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

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

“Net Daily Settlement” – the amount shown on a report (“Daily Settlement Summary Report”).

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

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

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

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

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

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

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

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

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

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

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

“Option” - a contract which, unless otherwise specified, gives the buying Clearing Member the right to buy (a call) or sell (a put) a specified quantity of an Underlying Interest at a fixed price during a specified time period and which obligates the writing Clearing Member to sell (a call) or buy (a put) the Underlying Interest, pursuant to standardized terms and conditions set forth by the Exchange where the contract is concluded or to the terms deemed acceptable by the Corporation 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 and a Bank Clearing Member, that is not also an Associated Clearing Member.

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

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

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

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

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

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

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

“Registry” - any registry designated by the Corporation which, for the purpose of clearing Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units, has been established in order to ensure the accurate accounting of holding, transfer, acquisition, surrender, cancellation and replacement of the Carbon Dioxide Equivalent (CO₂e) Units.

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

“Risk Limits” – refers to the set of risk management limits imposed by the Corporation on Clearing Members’ clearing activities as updated from time to time by the Corporation.

“Rules” - the Rules of the Corporation as the same may be amended from time to time.

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

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

“Security” - shall mean a document that is

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

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

“Series of Futures” - all Futures of the same class covering the same quantity of an Underlying Interest and having the same delivery month.

“Series of Options” - all Options of the same class, the same type, covering the same quantity of an Underlying Interest and having the same Exercise Price and Expiration Date.

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

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

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

“Settlement Time” - means, with respect to a Transaction, the time established by the Corporation on the Business Day immediately following a trade day, by which time Settlement of Gains and Losses, premium payments and all margin requirements in respect of such trade day 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 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 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 B-2 TRADE REPORTING

Section B-201 Trade Reporting of Options Transactions

- (1) Prior to the Settlement Time on each Business Day, the Corporation shall issue to each Clearing Member a Consolidated Activity Report for each account maintained by the Clearing Member with the Corporation. The Consolidated Activity Report shall list, among other things, all Exchange Transactions of the Clearing Member in such account effected on the previous Business Day.
- (2) On each Expiration Date the Corporation shall issue to each Clearing Member a report ("Daily Transaction Report") which shall list all Exchange Transactions of the Clearing Member in such account effected on the last day of trading in Options which are expiring on such Expiration Date.
- (3) On every Business Day and Expiration Date the Corporation shall issue a transaction report to each Ordinary Clearing Member of each Exchange.
- (4) Every Consolidated Activity Report shall show for each Exchange Transaction in Options listed thereon:
 - (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.
- (5) It shall be the responsibility of each Clearing Member to ensure that any report issued to it pursuant to subsections (1) or (2) is correct. If an error is thought to exist it shall be the further responsibility of each Clearing Member, where possible, to reconcile such error with the Clearing Member on the opposite side of the Exchange Transaction and such Clearing Members shall jointly report the corrected information to the Corporation. If the difference cannot be reconciled, the trade must be jointly reported to the Corporation as a rejected trade by both Clearing Members participating in it.
- (6) Each Clearing Member shall have until ~~11 a.m.~~ the Expiration Time on the Expiration Date for expiring Series of Options (or such other time as may be specified) and until 1.5 hours prior to the Close of Business on the Business Day following the day on which the Exchange Transaction took place for non-expiring Series of Options to notify the Corporation, in the form prescribed, of any error. Unless such notification is received by the established deadline, and unless the correction of such error is rejected by the Corporation which is entitled to do so if it deems appropriate, the Exchange Transactions accepted by the Corporation as contained in the report shall be final and binding upon the Clearing Members reported as parties to such transaction.
- (7) Each Clearing Member shall be responsible to the Corporation in respect of each Exchange Transaction reported to the Corporation by an Exchange in which such Clearing Member is identified as a purchasing Clearing Member, writing Clearing Member or the Associate Clearing House responsible for such Exchange Transaction whether or not such Exchange report was correct, unless the Corporation is notified of any errors in compliance with this Rule.

Amended 6/89, 5/90, 4/91, 6/91, 9/98, 3/99, 07/10

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 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 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 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 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 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.~~ the Expiration Time 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 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 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 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 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 (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



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	7:55 a.m.
Fixed Income Transactions – Same day trades	1:00 p.m.
Fixed Income Transactions – Revisions for items that settle on current Business Day	1:00 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 10:00 a.m.
CDCC Clearing Application shutdown: <ul style="list-style-type: none"> ➤ CDCC processes expiry entries 	11 10:01 a.m.
Reports available (FTP Download): <ul style="list-style-type: none"> ➤ List of Expiry Adjustments Report (MX02) ➤ Expiry Difference Report (MX03) 	11 10:15 a.m. to 11 10:30 a.m.
CDCC Clearing Application available again for: <ul style="list-style-type: none"> ➤ Review of expiry entries ➤ Corrections to expiry entries 	11 10:15 a.m. to 11 10:30 a.m.
CDCC Clearing Application shutdown <ul style="list-style-type: none"> ➤ Close of Business 	11 10:30 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 11:45 p.m. a.m.

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



Section: 2 - 5
Date: June 2010

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.



THE OPTIONS CLEARING CORPORATION

#27212

TO: ALL CLEARING MEMBERS

FROM: DAVID H. HARRISON — VICE PRESIDENT, MEMBER SERVICES

DATE: APRIL 26, 2010

SUBJECT: EXPIRATION ENCORE WINDOW CHANGE – NOVEMBER 2010

The Options Clearing Corporation's (OCC) long term goal is to process Equity expiration on Friday evening. In addition to this goal, OCC is looking to reduce processing times in order to produce Clearing Member expiration data earlier in the processing cycle. The OCC has been working with exchanges and Clearing Members over the last several years to reduce input times and improve the flow of information.

One of the short term goals is to streamline the Saturday expiration process and improve processing time frames. Several enhancements have been installed over the past years, which include the elimination of trades on expiration Saturday, the reduction of equity thresholds to \$.01, and the distribution of a Best Practices document produced by the Options Operations Committee.

In order to continue to reduce processing time frames, the OCC will be moving the expiration ENCORE window close from 10:00 a.m. to 9:00 a.m. CT starting with the November 2010 Equity/Index standard expiration. This change will allow OCC to produce critical DDS files earlier in the day on expiration Saturday to facilitate Clearing Member balancing. All Clearing Members are encouraged to review their expiration processes and procedures in order to meet this new time frame.

If you have any questions, please contact your Clearing Member representative or the Member Services Help Desk at the following numbers: 800-621-6072 or 800-544-6091. Within Canada, please call 800-424-7320. Clearing Members may also e-mail us at memberservices@theocc.com.