



NOTICE TO MEMBERS

No. 2020 - 088

June 26, 2020

Removal of the Covid-19 Discretionary Initial Margin Requirement

Further to the Covid -19 Discretionary Initial Margin Requirements notice numbered 046-20 dated from April 2nd, 2020, CDCC would like to notify the Clearing Members of the removal of the Covid-19 Discretionary Initial Margin Requirement effective as of **Thursday, July 2nd, 2020** on the **10:30 am margin run**. Accordingly, the daily Risk Parameters for Options and Futures contracts as well as Initial Margin for Fixed Income Transactions will no longer be increased by 15%.

In order to maintain an adequate Margin Interval (MI) used to determine the Base Initial Margin for Options, Futures and Unsettled Items, CDCC will temporarily increase by 25% the level of the current volatility floor ('the new floor'). The current volatility floor is calculated as an average of the daily Exponentially Weighted Moving Average(EWMA) volatility estimators observed over the last 10 years. Therefore, from July 2nd onward, the volatility estimator that will be used to calculate the Margin Interval for Index, Short Term Interest Rates and Government of Canada Bond Futures Products will effectively be no lower than the calculated new floor. For remaining Exchange-Traded Derivatives products, the new floor is targeted to be implemented July 31st, 2020.

Liquidity risk exposures to be considered for discretionary Clearing Fund sizing

CDCC hereby provides notification that under the provisions of Rule A-603 (2), CDCC will use its discretion in the determination of the size of the Clearing Fund ("CF" hereafter) to ensure it has adequate liquid resources. This discretion will come into effect on the upcoming scheduled CF resizing date, Thursday, **July 2nd, 2020**. This measure addresses recently observed liquidity risk exposures arising from the derivatives clearing service and will remain in effect for an indefinite period.

Commencing July 2nd, 2020, the CF size will be supplemented, when necessary, to ensure that CDCC has sufficient qualifying liquid resources (QLR) to maintain a liquidity Cover 1 status. Since the residual uncovered liquidity exposures are related to the derivatives clearing service, the supplemental CF requirement will be allocated to Derivatives Clearing Members pro rata to their derivatives exposures. The "CDCC Required" amount reported on Clearing Members' Clearing Fund Statements **will be inclusive** of any supplemental CF requirement.

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

Anne Fiddes
Vice President, Integrated Operations CDCC