NOTICE TO MEMBERS
No. 2011 – 027
February 28, 2011

SELF-CERTIFICATION

OMNIBUS PROJECT
AMENDMENTS TO SECTIONS A-102, A-401, A-402, A-709 AND C-303 OF THE RULES AND TO THE OPERATIONS MANUAL OF CDCC

The Board of Directors of the Canadian Derivatives Clearing Corporation (CDCC) has approved the amendment to Sections A-102, A-401, A-402, A-709 and C-303 of the Rules and to the Operations Manual of CDCC and CDCC wishes to advise Clearing Members that these amendments have been self-certified in accordance with the self-certification process as established in the *Derivatives Act* (R.S.Q., chapter I-14.01).

The purpose of the amendment is to (i) remove letters of credit and bankers' acceptances as acceptable forms of margin deposits; (ii) prohibit pledging of securities of affiliates for purposes of margin deposits; and (iii) limit pledging of equity to a maximum of 15% of the total margin.

Additionally, CDCC amends its rules to clarify the definition of "Netting Cut Off Time" under Section A-102 as well as CDCC's rights relating to close-out netting under Section A-401.

Please find enclosed the amendment which will be in effect and will be incorporated in the version of the Rules of CDCC which will be available on CDCC's web site (www.cdcc.ca) in the morning of March 1st, 2011.

For any question or clarification, Clearing Members may contact the CDCC Member Services.

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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 these Rules the capitalized terms used herein shall have the meanings given them in Section A-102.

Section A-102 Definitions

"Acceptable Instrument Types" or "Acceptable OTCI" – Over-The-Counter Instruments which are determined by the Corporation as acceptable for clearing with the Corporation.

"Acceptable Underlying Interests" – is an Underlying Interest 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 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, a list of which is updated on a bimonthly basis by the Corporation and communicated by notice to Clearing Members.

"Acceptance Criteria" – the criteria established by the Corporation for acceptance or rejection of an OTCI 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 Clearing Member, any Entity controlled, directly or indirectly, by the Clearing Member, any entity that controls, directly or indirectly, the Clearing Member, or any Entity directly or indirectly under common control with the Clearing Member. For this purpose, "control" of any Clearing Member or Entity means ownership of a majority of the voting power of the Clearing Member or Entity.

"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, 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.

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

"Bank Clearing Member" – a 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 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 successor thereof.

"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" – the fund established pursuant to Rule A-6 Clearing Fund Deposits.

"Clearing Member" – an applicant who has been admitted to membership in the Corporation.

"Client" – those customers of a Clearing Member who are not Market Makers 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 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 OTCI transactions.

"Contract Specifications" – the specifications prescribed by the relevant Exchange with respect to a particular Option or Future.

"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.

"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" – Situation resulting from i) 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, Central Securities Depository, Acceptable Marketplace, Market Centre and 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 a Clearing Member, a Central Securities Depository or any other Entity 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 Entity 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 materially affecting the Corporation's operations.

"Entity" - shall include an individual, a corporation, a partnership, a trust and an unincorporated organization or association.

"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 the reduction or elimination of a Long or Short Position in an Option; or

b) 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 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 also known as the "Expiry Workspace" made available to Clearing Members in connection with Rule B-3.

"Failed Delivery" - has the meaning set out (i) in Section A-804(1) with respect to the delivery of an Acceptable Security, (ii) in Section B-407 with respect to the delivery under an Option, (iii) in Section C-512 with respect to the delivery under a Future of an Underlying Interest other than an Acceptable Security, or (iv) in Section D-304 with respect to the delivery under an OTCI that is not a Fixed Income Transaction.

"Firm" - a Clearing Member acting for its own account.

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

"Fixed Income Clearing Member"– has the meaning assigned to this term by Section D-601.

"Fixed Income Transaction" – has the meaning assigned to this term by Section D-601.

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

"Futures Sub-Accounts 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~~:~~

~~a)~~ 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~~

~~b) 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 applicable rules of the Investment 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 Non-Conforming Member during the liquidation of positions and Margin Deposits, in accordance with Section A-402.

"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 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 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 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

c) any and all securities pledged or assigned to the Corporation through the facilities of a Central Securities Depository;

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 Maker" - 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 trader, an options trader, a trader member, a market maker and a market specialist.

"Market Maker Account" - the account or accounts required to be established for Exchange Transactions of the Clearing Member's Market Makers pursuant to Sections B-102, B-103, C-102 and C-103.

"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 OTCI.

"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.

"Multi-Purpose Account" – a Market Maker Account and/or a Netted Client Account.

"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" – with respect to Acceptable Securities, the quantity thereof required to be physically delivered through a Central Securities Depository by or to a Clearing Member, expressed on a net basis, in accordance with Paragraph A-801(2)(c); and with respect to any Underlying Interest of an OTCI that physically settles other than Acceptable Securities, the quantity of such Underlying Interest needed to be delivered through the relevant Delivery Agent by or to a Clearing Member, expressed on a net basis, in accordance with Section D-303.

"Net Payment Against Delivery Requirement" – the amount required to be paid against physical delivery through a Central Securities Depository by or to a Clearing Member, expressed on a net basis, in accordance with Paragraph A-801(2)(b).

"Netted Client Account" – a type of Client Account that requires specific documentation be signed between the Clearing Member and the Corporation, in which the Transactions of a sole Client are held on a net basis.

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

"Non-Conforming Member" – the meaning assigned to this term by Section A-1A04.

"Notional Quantity" - the size of the OTCI transaction expressed either outright, or in accordance with the Unit of Trading and the number of contracts underlying the OTCI transaction.

"Open Interest" or "Open Position" - the position of a buyer or a seller of an Option, of a Future or of an OTCI.

"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 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.

"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.

"Over-The-Counter Instrument" or "OTCI" – refers to any bilaterally negotiated transactions as well as any transactions concluded on any Acceptable Marketplaces.

"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 OTCI which describes the rights and obligations of the counterparties involved in the transaction insofar as cash flows are concerned.

"Provider of Securities" - a Clearing Member who owes a net amount of an Acceptable Security to the Corporation in accordance with Subsection D-606(3) and Paragraph A-801(2)(c).

"Receiver of Securities" - a Clearing Member who is owed a net amount of an Acceptable Security by the Corporation in accordance with Subsection D-606(3) and Paragraph A-801(2)(c).

"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 (CO_2e) Units, has been established in order to ensure the accurate accounting of holding, transfer, acquisition, surrender, cancellation and replacement of the Carbon Dioxide Equivalent (CO_2e) Units.

"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 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" - a Clearing Member that is within the audit jurisdiction of the Investment Industry Regulatory Organization of Canada.

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

"Security" - shall mean a document that is

(a) issued in bearer, order or registered form;

(b) 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;

(c) one of a class or series or by its terms is divisible into a class or series of documents; and

(d) 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-217.

"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, all Margin requirements and all other payments in respect of such Business Day, trade day, calculation date or Coupon Payment Date must be submitted to the Corporation.

"Short Position" - a Clearing Member's obligation as:

a) the writer of one or more Options of a Series of Options; or

b) the seller of one or more Futures in a Series of Futures; or

c) the seller of an Over-The-Counter 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 OTCI 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 Instruments which are determined by the Corporation as acceptable for clearing.

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

"Uncovered Residual Risk" – The amount of risk 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" - Asset which underlies and determines the value of a Derivative Instrument or of an OTCI. 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.

"Underlying Interest Equivalent" - the items specified in Section A-708.

"Unit of Trading" – in respect of any Series of Futures and Series of Options and any Fixed Income Transaction 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 applicable) as the number to be the subject of a single Future or Option contract or of the Acceptable Security, as applicable.

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

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 (or closing out on behalf of such Clearing Member) existing Transactions in such Clearing Member's accounts with the Corporation and, upon such close out, converting all amounts into Canadian currency and calculating one net amount (taking into account the Corporation's rights with respect to the Margin Deposit of such Clearing Member) owing to such Clearing Member by the Corporation or by such Clearing Member to the Corporation;

(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 Margin Deposit (including, without limitation, Margin and Clearing Fund) of the Non-Conforming Member, subject to Subsection A-402(3);

(e) sanctioning, reprimanding, fining or imposing a penalty on it;

(f) prevent or restrict the Clearing Member's right to withdraw any excess in Margin Deposits pursuant to Section A-607 or Section A-704; and

(g) suspending the Non-Conforming Member.

(2) The actions contemplated by the Rules in respect of Non-Conforming Members may be taken in any sequence the Corporation deems appropriate.

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) including 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, for the purposes hereinafter specified.

(2) Notwithstanding the provisions of 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 Subsection shall be reported to the Board within 24 hours.

(3) Notwithstanding the provisions of Subsection A-402(1) and Subsection A-402(2), Margin Deposits with respect to a Client Account shall only secure the performance by the Clearing Member of its obligations in respect of that Client Account, and Margin Deposits with respect to a Market Maker Account shall only secure the performance by the Clearing Member of its obligations in respect of that Market Maker Account; provided, however, that if the Clearing Member does not identify its Deposits with respect to each of its accounts, the Corporation shall use Margin Deposits without distinction as securing all the obligations of the Clearing Member in respect of all its accounts.

Section A-403 Pending Transactions

(1) Transactions submitted by a Clearing Member after it has been suspended shall be accepted or rejected by the Corporation in accordance with the regulations, rules and policies 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 Rules or in accordance with the regulations, rules and policies 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 Market Maker 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 Market Maker 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 Market Maker 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 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 consistent with the Transaction from which the Settlement Amounts were derived.

Section A-404 Open Positions

(1) Open Positions of a suspended Clearing Member, may, 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 a Market Maker 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 Client having a Long Position in such account, to transfer each such Client's Long Position to another Clearing Member, and to notify each such Client 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 Market Maker 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 Market Maker Account Agreement;

(c) Open Long Positions in a suspended Clearing Member's Firm 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, 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 a Market Maker 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 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 Subsection 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 Subsection A-404(4) not to close out any such Transactions or pursuant to 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. 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 a Market Maker Account or a Client 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.

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 a Market Maker 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.

Section A-406 Amounts Payable to the Corporation

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

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.

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-7 MARGIN REQUIREMENTS

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 Deposit (including, without limitation, Margin and Clearing Fund), subject to Subsection A-701(3), 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 OTCI 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, Futures and OTCI;

(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 OTCI; 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 Deposit (including, without limitation, Margin and Clearing Fund) deposited by the Clearing Member with the Corporation or which may, from time to time be in the possession or control of the Corporation, or in the possession or control of a person acting on behalf of the Corporation, to secure the performance by the Clearing Member of all of its obligations to the Corporation, provided, however, that Margin Deposits with respect to a Client Account shall only secure the performance by the Clearing Member of its obligations in respect of that Client Account, and Margin Deposits with respect to a Market Maker Account shall only secure the performance by the Clearing Member of its obligations in respect of that Market Maker Account. Notwithstanding the foregoing, if the Clearing Member does not identify its Deposits with respect to each of its accounts, the Corporation shall use all Margin Deposits without distinction as securing all the obligations of the Clearing Member in respect of all its accounts. 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.

(4) Without limiting the rights of the parties under Subsection A-701(2) and Section A-704, at the sole discretion of the Corporation, all property deposited with the Corporation as Margin Deposit (including, without limitation, Margin and Clearing Fund) by the Clearing Member may be pledged, repledged, hypothecated, rehypothecated or transferred by the Corporation as security for, or in connection with, the Corporation's own obligations to any person. The Corporation shall be deemed to continue to hold all Margin Deposit deposited with the Corporation, regardless of whether the Corporation has exercised its rights under this Subsection 701(4).

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.

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.

Section A-704 Withdrawals of Margin

(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 respect of 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 or Market Maker Account. If a Clearing Member has excess Margin deposited in respect of any Client Account or any Market Maker 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; provided, however, that if the Clearing Member does not identify its Deposits with respect to each of its accounts, the Corporation shall apply the Margin deposited by a Clearing Member indistinctively to meet the Margin requirements in respect of all its accounts.

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 as soon as practicable of such application. If there is no excess Margin then on deposit, the Corporation will notify the Clearing Member 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.

Section A-706 Margin Calculations

Corporation uses SPAN® 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 determined prudent, the Corporation may reduce its Margin requirements.

The Corporation uses a proprietary margining system for the purposes of margining any OTCI transactions presented to the Corporation for clearing. The components of margin for all OTCI 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 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.

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.

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 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 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 determined acceptable by the Corporation.

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) **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. 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, as determined 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 Subsection 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 as determined by the Corporation from time to time in accordance with the Operations Manual. 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 duly recognized Canadian Exchange (such Security, ~~(~~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 applicable Exchange, the previous closing price is less than $10 on any applicable 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.

(e) For each Clearing Member, no more than 15% of the total Margin required against all of its accounts combined may be covered by Valued Securities.

(f) No value will be given for any Valued Securities deposited by a Clearing Member if such Valued Securities are issued by an Affiliate of such Clearing Member.

~~(6)~~(4) **Other Forms of Margin Deposit** - The Corporation may from time to time accept other forms of Margin deposit as determined in 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.

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.

RULE C-3 SETTLEMENT

Section C-301 Settlement Price

The Settlement Price of a Series of Futures for each day shall be the amount determined by the Exchange on which the Future trades taking into account the closing prices of the series for that day and, where there is not a closing price for that day, the average of the closing bid and asked prices of that series for that day and such other information as the Exchange considers relevant.

Section C-302 Settlement of Gains and Losses

(1) The gain or loss on a Futures position which was opened on that Business Day shall be the difference between the Trade Price and the Settlement Price of that Series of Futures for that day.

(2) The gain or loss on a Futures position which was both opened and closed on that Business Day shall be the difference between the two Trade Prices.

(3) The gain or loss on a Futures position which was opened on a previous Business Day shall be the difference between the Settlement Price of that Series of Futures for the immediately preceding Business Day and the Settlement Price of that Series of Futures for that day.

Section C-303 Advance Call for Settlement of Losses

If the market conditions or price fluctuations are such that the Corporation deems it necessary, it may call upon any Clearing Member which in its opinion is affected to deposit with the Corporation by such time as it shall specify, a certified cheque, bank transfer~~,~~ or wire transfer of funds ~~or letter of credit (to the order of the Corporation in a form and from an issuer acceptable to the Corporation)~~, for the amount of funds that it estimates will be needed to meet such losses as the Corporation considers may be necessary or advisable. Credit shall be given to the Clearing Member for all such funds on the following Business Day.

TMX | CDCC

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SCHEDULE A
RISK MANUAL

- Application of the historical variations of the stress scenarios in order to determine the greatest deficit recorded by the Clearing 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 a[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.

The stress factor[2] will be adjusted in accordance with the simulation results. The stress factor generally is revised each month and depends, in particular, on the Clearing Members' positions (risk profile of each Clearing 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~~,~~ and 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, CDCC proceeds as follows:

Cash

Cash amounts are accepted only in Canadian dollars.

[1] The stress factor generally has a value of 1.5, 2, 2.5 or 3.
[2] The stress factor generally is adjusted by 50% intervals.

SCHEDULE A
RISK MANUAL

~~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 Clearing 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 Clearing 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.

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 maturities[3].

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 Clearing Members will be informed of these reviews by written notice.

[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.

APPENDIX 1
DEFAULT MANUAL

- The Corporation may convert the suspended Clearing Member's deposits into cash in order to cover any loss or amount owed by the defaulting or suspended Clearing Member. The order of liquidation of these deposits is mentioned at the end of this manual;
- The Corporation may liquidate, transfer or maintain the Clearing Member's positions, depending on the market conditions. The positions may be liquidated directly on the market or among the offers received from Clearing 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 Clearing 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 Clearing Member.

The Corporation shall report to the Board on a daily basis on the transactions realized for the Clearing 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 Clearing Member in the Clearing Fund;
- If necessary, the Corporation will call for contributions to the Clearing Fund from the other non-defaulting Clearing Members;
- If necessary, the Corporation will call for a second contribution to the Clearing Fund by the other non-defaulting Clearing 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 Clearing Member.

SCHEDULE B
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 Clearing Members make deposits to a Clearing Fund and Margin Fund. Clearing 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.

Clearing 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) 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 any province of Canada similar to the Loan and Trust Corporations Act (Ontario) or the Trust Companies Act (Quebec) which has minimum paid up capital and surplus of $25,000,000, and for which current audited financial statements are available;

c) the Corporation and any subsidiary of the Corporation;

d) securities depositories;

e) such other institution as the Board may, in its 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.

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. 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 Clearing 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:

SCHEDULE B
DEPOSITORY AGREEMENTS

1. Safe Custody Agreement Between Securities Firm and Approved Depository

2. Escrow Receipt Agreement

3. Futures Margin Receipt Agreement

4. Depository Agreement Between Canadian Derivatives Clearing Corporation and a Financial Institution

5. Calls Guaranty Letter

6. Puts Guaranty Letter

7. Futures Margin Receipt

~~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.~~

SCHEDULE B
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 _____ (depositing Clearing Member) (hereinafter called the "Clearing Member"), to hold in safe custody on behalf of the Clearing 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 Clearing Member for the purposes hereof.

1. The Depository will issue and deliver to the Clearing 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 Clearing 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 Clearing 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 Clearing Member acknowledges that the Depository has agreed with the Corporation to ensure that all securities deposited by the Clearing Member meet the general rules of negotiability by delivery. The Clearing Member represents and warrants that all securities deposited by the Clearing Member with the Depository will in all respects meet such general rules of negotiability and the Clearing 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 Clearing Member do not meet such general rules of negotiability by delivery.

AGREED	AGREED
_____	_____
(Depositing Clearing Member)	(Depository)
By: _____	By: _____
(Authorized Signature)	(Authorized Signature)

SCHEDULE B
DEPOSITORY AGREEMENTS

By: _____ By: _____
(Authorized Signature) (Authorized Signature)

(No copy of this agreement is required by the Corporation.)

SCHEDULE B
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	ACCEPTED
_____	_____
(Depositor)	(Depository)
By: _____	By: _____
(Authorized Signature)	(Authorized Signature)
By: _____	By: _____
(Authorized Signature)	(Authorized Signature)

(No copy of this agreement is required by the Corporation.)

SCHEDULE B
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 _____ (hereinafter called the "Depositor") and 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	ACCEPTED
_____	_____
(Depositor)	(Depository)
By: _____	By: _____
(Authorized Signature)	(Authorized Signature)
By: _____	By: _____
(Authorized Signature)	(Authorized Signature)

SCHEDULE B
DEPOSITORY AGREEMENTS

(No copy of this agreement is required by the Corporation.)

SCHEDULE B
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 Clearing 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 Clearing 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 Clearing 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 Clearing 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 Clearing 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.

SCHEDULE B
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 Clearing 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 Clearing 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~~ Guaranty issued by any office or branch of this institution.

Yours truly,

(Name and title)

SCHEDULE B
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,

SCHEDULE B
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
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.

SCHEDULE B
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.~~