



NOTICE TO MEMBERS

No. 2021 - 044

March 15, 2021

SELF-CERTIFICATION

AMENDMENTS TO RULE A-9 AND TO RULE B-3 OF THE CANADIAN DERIVATIVES CLEARING CORPORATION CONCERNING ADJUSTMENTS IN CONTRACT TERMS

On October 29, 2020, the Board of Directors of Canadian Derivatives Clearing Corporation (“CDCC”) approved certain amendments to Rule A-9 and Rule B-3 of CDCC in connection with adjustments in contract terms in order to offer better predictability to Clearing Members and stability in the market when adjustments occur.

CDCC wishes to inform the Clearing Members that these amendments have been self-certified pursuant to the self-certification process set forth in the *Derivatives Act* (C.Q.L.R., c I-14.01) and submitted to the Ontario Securities Commission in accordance with the “Rule Change Requiring Approval in Ontario” process.

You will find attached hereto the amendments set to come into force and to be incorporated into the version of the Rules of CDCC that will be made available on the CDCC website at www.cdcc.ca on **March 19, 2021**, after market close.

The amendments described in the present notice were published for public comment by CDCC on November 3, 2020 (see Notice [2020-145](#)). Further to the publication of this notice, CDCC received comments. A summary of the comments received as well as responses from CDCC to these comments is attached hereto.

If you have any questions or concerns regarding this notice, please contact Sophie Brault at 514-787-6565 or at sophie.brault@tmx.com.

Jean-François Bertrand
Interim President

APPENDIX 2: AMENDED RULES A-9 AND B-3
AMENDED VERSION

RULE A-9
ADJUSTMENTS IN CONTRACT TERMS

Section A-901
APPLICATION

This Rule A-9 is applicable to Transactions where the Underlying Interest is a Security.

Notwithstanding Section A-102, for the purposes of the Rule A-9, the following term is defined as:

“**Similar Instruments**” Over-the-Counter Instruments or any other instruments which are determined by the Corporation as acceptable for clearing.

Section A-902
ADJUSTMENTS IN TERMS

- 1) Whenever there is a dividend, stock dividend, stock distribution, stock split, trust unit split, reverse stock split, reverse trust unit split, rights offering, distribution, reorganization, recapitalization, reclassification or similar event in respect of any Underlying Interest, or a merger, consolidation, dissolution or liquidation of the issuer of any Underlying Interest, the number of contracts of the Derivative Instruments, the Unit of Trading, the Settlement Price, the Exercise Price, and the Underlying Interest, or any of them, with respect to all outstanding Derivative Instruments open for trading in that Underlying Interest may be adjusted in accordance with this Section A-902.
- 2) The Corporation, acting through a committee (“Adjustment Committee”), shall determine whether to make adjustments to reflect particular events in respect of an Underlying Interest, and the nature and extent of any such adjustment, based on its judgment as to what is appropriate for the protection of investors and the public interest, taking into account such factors as fairness to buyers and sellers of the affected Derivative Instruments and to Clearing Members and the Corporation, the maintenance of a fair and orderly market in Derivative Instruments on the Underlying Interest, consistency of interpretation and practice, efficiency of exercise settlement procedures, efficiency of Futures settlement procedures and the coordination with other clearing agencies of the clearance and settlement of transactions in the Underlying Interest. The Adjustment Committee may, in addition to determining adjustments on a case-by-case basis, adopt statements of policy or interpretation having general application to specified types of events. Any such statements of policy or interpretation shall be disseminated to all Clearing Members, Exchanges and securities and/or derivative instruments regulatory authorities having jurisdiction over the Corporation. Every determination by the Adjustment Committee pursuant to this Section A-902 shall be within the sole discretion of the Adjustment Committee, as it deems necessary in such circumstances and at the time of such determination, and shall be conclusive and binding on all investors and Clearing

Members and not subject to review, other than review by securities and/or derivative instruments regulatory authorities having jurisdiction over the Corporation pursuant to applicable provisions of the respective statutes. The Adjustment Committee has the discretion to deviate from policy or precedent when it deems unusual circumstances make such a deviation appropriate. If the Adjustment Committee is not informed of an event, or not informed in a timely manner, and such an event could possibly have required an adjustment, the Corporation will not be liable in any circumstances if i) it does not proceed with such adjustment or ii) it proceeds with an adjustment with a delay.

- 3) It shall be the general rule that there will be no adjustments of Options and ~~s~~Similar ~~i~~struments to reflect ordinary cash dividends or distributions, or ordinary stock dividends or distributions, or ordinary trust unit dividends or distributions declared by the issuer of the Underlying Interest, or any cash dividend or distribution declared by the issuer of the Underlying Interest if such dividend or distribution is less than ~~\$12.50 per contract.~~ the Canadian dollars equivalent of US\$ 0.125 per share provided that, in the case of a contract that is listed with a unit of trading greater than 100 shares, the applicable threshold shall be the Canadian dollars equivalent of US\$ 12.50 per contract.
- 4) It shall be the general rule that there will be no adjustments of ~~Futures and Transactions other than Options and~~ ~~s~~Similar ~~i~~struments to reflect ordinary cash dividends or distributions, or ordinary stock dividends or distributions, or ordinary trust unit dividends or distributions declared by the issuer of the Underlying Interest if such dividend or distribution is less than ~~\$12.50 per contract~~ the Canadian dollars equivalent of US\$ 0.125 per share provided that, in the case of a contract that is listed with a unit of trading greater than 100 shares, the applicable threshold shall be the Canadian dollars equivalent of US\$ 12.50 per contract.
- 5)
 - i) For all Options and ~~s~~Similar ~~i~~struments it shall be the general rule that in the case of a stock dividend, stock distribution, stock split, trust unit dividend, trust unit distribution, trust unit split or similar event whereby one or more whole number of additional shares of the Underlying Interest are issued with respect to each outstanding share, each Option ~~and~~ ~~or~~ ~~s~~Similar ~~i~~struments covering that Underlying Interest shall be increased by the same number of additional contracts as the number of additional shares issued with respect to each share of the Underlying Interest, and the Exercise Price per share in effect immediately prior to such event shall be proportionately reduced, and the Unit of Trading shall remain the same.
 - ii) For all Options and ~~s~~Similar ~~i~~struments it shall be the general rule that in the case of a stock dividend, stock distribution, stock split, trust unit dividend, trust unit distribution, trust unit split or similar event whereby other than a whole number of shares of the Underlying Interest is issued in respect of each outstanding share, the Exercise Price in effect immediately prior to such event shall be proportionately reduced, and the Unit of Trading shall be proportionately increased.
 - iii) For all Options and ~~s~~Similar ~~i~~struments it shall be the general rule that in the case of a reverse stock split, consolidation or combination of shares, or similar event, each Option and ~~s~~Similar ~~i~~struments covering the affected Underlying Interest shall be adjusted, solely for purposes of determining the property deliverable upon exercise of the Option ~~or~~ ~~and~~ ~~s~~Similar ~~i~~struments, by decreasing the Unit of Trading to reflect the number of shares eliminated. If an adjustment is made in

accordance with the preceding sentence, the Unit of Trading for all such adjusted series of Options ~~or and~~ sSimilar instruments shall remain unchanged for purposes of determining the aggregate Exercise Price of the Option ~~or and~~ sSimilar instruments and for purposes of determining the premium for any such Option and Similar instruments purchased and sold.

- iv) For all ~~Transactions other than those covering Options and s~~ Futures and Similar instruments it shall be the general rule that in the case of a stock dividend, stock distribution, stock split, trust unit dividend, trust unit distribution, trust unit split or similar event whereby one or more whole number of additional shares of the Underlying Interest are issued with respect to each outstanding share, each Futures and Similar Instruments ~~Derivative Instrument~~ covering that Underlying Interest shall be increased by the same number of additional contracts as the number of additional shares issued with respect to each share of the Underlying Interest, the last Settlement Price established immediately before such event shall be proportionately reduced, and the Unit of Trading shall remain the same.
- v) For all ~~Transactions other than those covering Options and Futures and s~~ Similar instruments it shall be the general rule that in the case of a stock dividend, stock distribution, stock split, trust unit dividend, trust unit distribution, trust unit split or similar event whereby other than a whole number of shares of the Underlying Interest is issued in respect of each outstanding share, the last Settlement Price established immediately before such event shall be proportionately reduced, and the Unit of Trading shall be proportionately increased.
- vi) For all ~~Transactions other than those covering Options Futures and s~~ Similar instruments it shall be the general rule that in the case of a reverse stock split, consolidation or combination of shares, or similar event, each Futures and Similar Instruments ~~Derivative Instrument~~ covering the affected Underlying Interest shall be adjusted, solely for purposes of determining the property deliverable in respect of such Futures and Similar Instruments ~~upon exercise of the instrument~~, by decreasing the Unit of Trading to reflect the number of shares eliminated. If an adjustment is made in accordance with the preceding sentence, the Unit of Trading for all such adjusted ~~series of Futures and Similar Instruments~~ Derivatives Instruments shall remain unchanged for purposes of determining the aggregate ~~Settlement value Price~~ of the Futures and Similar Instruments ~~Derivatives Instrument payable upon delivery~~ and for purposes of determining the ~~premium settlement value~~ for any such Futures and Similar Instruments purchased and sold.

6) It shall be the general rule that in the case of any distribution made with respect to shares of an Underlying Interest, other than ordinary dividends or distributions subject to Subsection (3) and (4) of this Section A-902 and other than dividends or distributions for which adjustments are provided in Subsection (5) of this Section A-902, if an adjustment is determined by the Adjustment Committee to be appropriate, for Options and sSimilar instruments:

- i) the Exercise Price in effect immediately prior to such event shall be reduced by the value per share of the distributed property, in which event the Unit of Trading shall not be adjusted, or
- ii) the Unit of Trading in effect immediately prior to such event shall be adjusted so as to include the amount of property distributed with respect to the number of shares

of the Underlying Interest represented by the Unit of Trading in effect prior to such adjustment, in which event the Exercise Price shall not be adjusted;

for all other Futures and Similar Instruments ~~Transactions for which an Exercise Price is not available:~~

- i) the last Settlement Price established immediately before such event shall be reduced by the value per share of the distributed property, in which event the Unit of Trading shall not be adjusted, or
 - ii) the Unit of Trading in effect immediately prior to such event shall be adjusted so as to include the amount of property distributed with respect to the number of shares of the Underlying Interest represented by the Unit of Trading in effect prior to such adjustment, in which event the Settlement Price shall not be adjusted.
 - iii) The Adjustment Committee shall, with respect to adjustments under this Subsection or any other Subsection of this Section A-902, have the authority to determine the value of distributed property.
- 7) In the case of any event for which adjustments are not provided in any of the foregoing Subsections of this Section A-902, the Adjustment Committee may make such adjustments, if any, with respect to the characteristics of the Derivative Instrument affected by such event as the Adjustment Committee determines.
 - 8) Adjustments pursuant to this Section A-902 as a general rule shall become effective in respect of Derivatives Instruments ~~Transactions~~ outstanding on the “ex-dividend date” established by the exchange or exchanges on which the Underlying Interest is traded. In the event that the “ex-dividend date” for an Underlying Interest traded on exchanges differs from one exchange to another, the Corporation Adjustment Committee shall deem the earliest date to be the “ex-dividend date” for the purposes of this Section A-902. “Ex-dividend dates” established by any other exchange or exchanges on which an Underlying Interest may be traded shall be disregarded.
 - 9) It shall be the general rule that (i) all adjustments of the Exercise Price of an outstanding Option ~~and of s~~Similar i~~nstruments~~ shall be rounded to the nearest adjustment increment, (ii) when an adjustment causes an Exercise Price to be equidistant between two adjustment increments, the Exercise Price shall be rounded up to the next highest adjustment increment, (iii) all adjustments of the Unit of Trading shall be rounded down to eliminate any fraction, and (iv) if the adjustment is made pursuant to subparagraph (5)(iii) above, and the Unit of Trading is rounded down to eliminate a fraction the value of the fractional share so eliminated as determined by the Corporation Adjustment Committee shall be added to the Unit of Trading, or if the adjustment is made pursuant to subparagraph (5)(ii) above, ~~and if~~ the Unit of Trading is rounded down to eliminate a fraction, the adjusted Exercise Price may be further adjusted, to the nearest adjustment increment, to reflect any diminution in the value of the Option ~~or and s~~Similar i~~nstruments~~ resulting from the elimination of the fraction.
 - 10) It shall be the general rule that (i) all adjustments of the Settlement Price of an outstanding ~~transaction other than those covering an Option or Futures and s~~Similar i~~nstruments~~ shall be rounded to the nearest adjustment increment, (ii) when an adjustment causes a Settlement Price to be equidistant between two adjustment increments, the settlement price shall be rounded up to the next highest adjustment increment, (iii) all adjustments of the Unit of Trading shall be rounded down to eliminate any fraction, and (iv) if the adjustment is made pursuant to subparagraph (5)(v) above, and the Unit of Trading is rounded down to eliminate a fraction, the value of the fractional share so eliminated as determined by the Corporation Adjustment Committee shall be added to the

Unit of Trading, or if the adjustment is made pursuant to subparagraph (5)(iv) above, ~~if and~~ the Unit of Trading is rounded down to eliminate a fraction, the adjusted Settlement Price may be further adjusted, to the nearest adjustment increment, to reflect any diminution in the value of the Futures and Similar Instruments ~~Derivative Instrument~~ resulting from the elimination of the fraction.

- 11) Notwithstanding the general rules set forth in Subsections (3) through (9) of this Section A-902 or which may be set forth as interpretations and policies under this Section A-902, the Adjustment Committee shall have the power to make exceptions in those cases or groups of cases in which, in applying the standards set forth in Subsection (2) thereof the Adjustment Committee shall determine such exceptions to be appropriate. However, the general rules shall be applied unless the Adjustment Committee affirmatively determines to make an exception in a particular case or group of cases.

INTERPRETATIONS AND POLICIES

1)

- i) Cash dividends or distributions (regardless of size) declared by the issuer of the Underlying Interest which the Adjustment Committee Corporation considers to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis, or which the Adjustment Committee considers to represent an acceleration or deferral of such payments as well as resumption of dividends or distributions will, as a general rule, be deemed to be “ordinary cash dividends or distributions” within the meaning of Subsection A-902(3). ~~Cash dividends or distributions declared by the issuer of the Underlying Interest which are declared outside of a policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis will be deemed to be “special cash dividends or distributions” if they exceed the threshold of \$12.50 per contract.~~
- ii) Stock dividends or distributions, or trust unit dividends or distributions declared by the issuer of the Underlying Interest in an aggregate amount that per dividend or distribution does not exceed 10% of the number of shares or other units of the Underlying Interest outstanding as of the close of trading on the declaration date, and which the Adjustment Committee Corporation considers to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis ~~;~~ or which the Adjustment Committee considers to represent an acceleration or deferral of such payments will, as a general rule, be deemed to be “ordinary stock dividends or distributions” or “ordinary trust unit dividends or distributions” within the meaning of Subsection A-902(3).
- iii) Cash dividends or distributions declared by the issuer of the Underlying Interest which the Adjustment Committee Corporation considers to have been declared outside of a regular policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis ~~and that exceeds \$12.50 per contract~~ will be deemed to be “special cash dividends or distributions” within the meaning of Subsections A-902(3) and A-902(4).
- iv) Stock dividends or distributions, or trust unit dividends or distributions declared by the issuer of the Underlying Interest which the Adjustment Committee Corporation considers to have been declared outside of a regular policy and that exceeds 10% of

- the number of shares or other units of the Underlying Interest will be deemed to be “special stock dividends or distributions” or “special trust unit dividends or distributions” within the meaning of Subsections A-902(3) and A-902(4).
- v) Cash dividends or distributions declared by the issuer of the Underlying Interest which the Adjustment Committee Corporation considers to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis, or which the Adjustment Committee considers to represent an acceleration or deferral of such payment as well as resumption of dividends or distributions will, as a general rule, be deemed to be “ordinary cash dividends or distributions” within the meaning of Subsection A-902(4). ~~The Corporation will determine on a case-by-case basis whether other dividends or distributions are “ordinary distributions” or whether they are dividends or distributions for which an adjustment should be made.~~
- vi) Stock dividends or distributions or trust unit dividends or distributions by the issuer of the Underlying Interest which the Adjustment Committee Corporation considers to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis, or which the Adjustment Committee considers to represent an acceleration or deferral of such payment, will, as a general rule, be deemed to be “ordinary stock dividends or distributions” or “ordinary trust unit dividends or distribution” within the meaning of Subsection A-902(4). The ~~Corporation~~ Adjustment Committee will ordinarily adjust for other stock and trust units dividends and distributions.

Nevertheless, the Adjustment Committee will determine, on its sole discretion, on a case-by-case basis whether other dividends or distributions are “ordinary dividends or distributions” or whether they are dividends or distributions for which adjustments should be made, ~~regardless of the threshold of \$12.50 per contract applied to “special dividends or distributions”~~. In making such determinations, the Adjustment Committee may take into account such factors as it deems appropriate, including, without limitation, the issuer’s stated dividend payment policy, the issuer’s characterization of a particular dividend or distribution as ‘regular’, ‘special’, ‘accelerated’ or ‘deferred’, whether the dividend can be differentiated from other dividends (if any) paid on a quarterly or other regular basis, and the issuer’s dividend payment history.

Normally, the Adjustment Committee shall classify a cash dividend or cash distribution as non-ordinary when it believes that similar cash dividends or cash distributions will not be paid on a quarterly or other regular basis. Notwithstanding that the Adjustment Committee has classified a cash dividend or cash distribution as non-ordinary, at a certain time, it may, ~~with respect to events announced on or after February 1, 2012~~, classify subsequent cash dividends or cash distributions of a similar nature as ordinary if (i) the issuer discloses that it intends to pay such dividends or distributions on a quarterly or other regular basis, (ii) the issuer has paid such dividends or distributions for four or more consecutive months or quarters or two or more years after the initial payment, whether or not the amounts paid were the same from period to period, or (iii) the Adjustment Committee determines for other reasons that the issuer has a policy or practice of paying such dividends or distributions on a quarterly or other regular basis.

2)

- i) Adjustments will not ordinarily be made to reflect the issuance of so-called “poison pill” rights that are not immediately exercisable, trade as a unit or automatically with the Underlying Interest, and may be redeemed by the issuer. In the event such rights become exercisable, begin to trade separately from the Underlying Interest, or are

- redeemed, the Adjustment Committee will determine whether adjustments are appropriate.
- ii) Except as provided above in the case of certain “poison pill” rights, adjustments for rights distributions will ordinarily be made to ~~Transactions other than those covering Options and Futures and S~~similar ~~i~~Instruments. When an adjustment is made for a rights distribution, the Unit of Trading in effect immediately prior to the distribution will ordinarily be adjusted to include the number of rights distributed with respect to the number of shares of the Underlying Interest comprising the Unit of Trading. If, however, the ~~Corporation Adjustment Committee~~ determines that the rights are due to expire before the time they could be exercised upon delivery under the contract, then delivery of the rights will not be required. Instead, the Adjustment Committee ~~Corporation~~ will ordinarily adjust the last Settlement Price established before the rights expire to reflect the value, if any, of the rights as determined by the ~~Corporation Adjustment Committee~~ in its sole discretion.
 - iii) Adjustments will not be made to reflect a take-over bid or issuer bid made for the Underlying Interest, whether such offer is for cash, Securities or other property. This policy will apply without regard to whether the price of the Underlying Interest may be favourably or adversely affected by the offer or whether the offer may be deemed to be “coercive”. Outstanding ~~Transactions~~ Derivative Instruments ordinarily will be adjusted to reflect a merger, amalgamation, arrangement or similar event that becomes effective following the completion of a take-over bid.
 - iv) Adjustments will not be made to reflect changes in the capital structure of an issuer where all of the Underlying Interest in the hands of the public (other than dissenters' shares) are not changed into another Security, cash or other property. For example, adjustments will not be made merely to reflect the issuance (except as a distribution on an Underlying Interest) of new or additional debt, stock, trust units, or options, warrants or other securities convertible into or exercisable for the Underlying Interest, the refinancing of the issuer's outstanding debt, the repurchase by the issuer of less than all of the Underlying Interest outstanding or the sale by the issuer of significant capital assets.
 - v) When an Underlying Interest is converted into a right to receive a fixed amount of cash, such as in a merger, amalgamation, arrangement or similar event, outstanding ~~Options or and S~~Similar ~~i~~Instruments will be adjusted to require the delivery upon exercise of cash in an amount per share or unit equal to the conversion price. As a result of such adjustments, the value of all outstanding In-the-money ~~Options or and S~~Similar ~~i~~Instruments will become fixed, and all At-the-money and Out-of-the-money ~~Options or and S~~Similar ~~i~~Instruments will become worthless. ~~Outstanding transactions other than those covering Options or Futures and S~~Similar ~~i~~Instruments will be adjusted to replace such Underlying Interest with such fixed amount of cash as the Underlying Interest, and the Unit of Trading shall remain unchanged.
 - vi) In the case of a spin off or similar event by the issuer of an Underlying Interest which results in a property distribution, ~~Derivatives~~ Instruments will be adjusted to reflect such distribution. The value of the property distributed shall be reflected in the ~~shares~~-deliverable shares.
 - vii) In the case of a corporate reorganization or similar occurrence by the issuer of an Underlying Interest which results in an automatic share-for-share exchange of the Underlying Interest for shares of another class in the capital of the issuer or in the resulting company, the ~~Transactions~~ Derivative Instruments on the Underlying

- Interest will ordinarily be adjusted by replacing such Underlying Interest with ~~to require delivery upon exercise of~~ a like number of units of the shares of such other class or of the resulting company. Because the Securities are generally exchanged only on the books of the issuer and/or the resulting company, as the case may be, and are generally not exchanged physically, deliverable shares will ordinarily include certificates that are denominated on their face as shares in the original class of shares of the original issuer, but which, as a result of the corporate transaction, represent shares in the other class or in the resulting company, as the case may be.
- viii) When an Underlying Interest is converted in whole or in part into a debt security and/or a preferred stock, as in a merger, and interest or dividends on such debt security or preferred stock are payable in the form of additional units thereof, outstanding ~~Derivative Instruments Transactions~~ that have been adjusted to call for delivery of such debt security or preferred stock shall be further adjusted, effective as of the ex-date for each payment of interest or dividends thereon, to call for delivery of the securities distributed as interest or dividends thereon.
- ix) Notwithstanding paragraph 1) of Interpretations and Policies under Section A-902, (i) "ordinary ~~cash~~ dividends or distributions" within the meaning of paragraphs (3) and (4) of Section A-902 shall not, as a general rule, be deemed to include distributions of short-term or long-term capital gains by the issuer of the Underlying Interest, and (ii) "ordinary ~~cash~~ dividends or distributions" within the meaning of paragraphs (3) and (4) of Section A-902 shall not, as a general rule, be deemed to include other distributions by the issuer of the Underlying Interest, provided that (a) the issuer is an entity that holds securities or replicates holding of securities that track the performance of an index that underlies a class of index Options or index Futures, and the distribution on the Underlying Interest includes or reflects a dividend or other distribution on a security part of the index that resulted in an adjustment of the index divisor; or (b) the distribution on the Underlying Interest includes or reflects a dividend or other distribution on a security part of the index (I) that results in an adjustment of ~~Options and sSimilar Derivative i~~ Instruments on other Underlying Interest pursuant to clause (ii)(a), or (II) that is not deemed an ordinary dividend or distribution under Interpretation (1) above.

Adjustments of the terms of ~~Options and sSimilar Derivative i~~ Instruments on such Underlying Interest for distributions described in clause (i) or (ii) above shall be made in accordance with paragraph (6) of Section A-902, unless the Adjustment Committee determines, on a case-by-case basis, not to adjust for such a distribution; provided, however, that no adjustment shall be made for any such distribution where the amount of the adjustment would be less than the Canadian dollars equivalent of US \$0.125 per share or units of the Underlying Interest and provided that, in the case of a contract that is listed with a unit of trading greater than 100 shares, the applicable threshold shall be the Canadian dollars equivalent of US\$12.50 per contract.



**RULE B-3
TENDER AND ASSIGNMENT OF EXERCISE NOTICES**

Section B-310
ACCELERATION OF EXPIRATION DATE

When a Security Option contract, where the Underlying Interest is a class of shares ~~an equity stock~~, is adjusted pursuant to Rule A-9 – Adjustment In Contract Terms, to require the delivery upon exercise of a fixed amount of cash, the Expiration Date of the Option contract will ordinarily be accelerated to fall on or shortly after the date on which the conversion ~~conversion~~ of the underlying security to a right to receive Cash occurs.

~~The Expiration Date of the closest month's Option contract will remain unchanged. All Options contracts set to expire after this date will be revised to expire on the business days after that of the closest month's Options contracts. OTCI contracts that expire prior to the expiration of the closest month's expiration date will not be revised.~~

~~Exercised Options will continue to settle with the delivery delay as defined within the Contract Specification.~~

~~The fixed amount of Cash will be delivered according to CDCC's payment process.~~

CLEAN VERSION

RULE A-9 ADJUSTMENTS IN CONTRACT TERMS

Section A-901 APPLICATION

This Rule A-9 is applicable to Transactions where the Underlying Interest is a Security.

Notwithstanding Section A-102, for the purposes of the Rule A-9, the following term is defined as:

“Similar Instruments” Over-the-Counter Instruments or any other instruments which are determined by the Corporation as acceptable for clearing.

Section A-902 ADJUSTMENTS IN TERMS

- 1) Whenever there is a dividend, stock dividend, stock distribution, stock split, trust unit split, reverse stock split, reverse trust unit split, rights offering, distribution, reorganization, recapitalization, reclassification or similar event in respect of any Underlying Interest, or a merger, consolidation, dissolution or liquidation of the issuer of any Underlying Interest, the number of contracts of the Derivative Instruments, the Unit of Trading, the Settlement Price, the Exercise Price, and the Underlying Interest, or any of them, with respect to all outstanding Derivative Instruments open for trading in that Underlying Interest may be adjusted in accordance with this Section A-902.
- 2) The Corporation, acting through a committee (“Adjustment Committee”), shall determine whether to make adjustments to reflect particular events in respect of an Underlying Interest, and the nature and extent of any such adjustment, based on its judgment as to what is appropriate for the protection of investors and the public interest, taking into account such factors as fairness to buyers and sellers of the affected Derivative Instruments and to Clearing Members and the Corporation, the maintenance of a fair and orderly market in Derivative Instruments on the Underlying Interest, consistency of interpretation and practice, efficiency of exercise settlement procedures, efficiency of Futures settlement procedures and the coordination with other clearing agencies of the clearance and settlement of transactions in the Underlying Interest. The Adjustment Committee may, in addition to determining adjustments on a case-by-case basis, adopt statements of policy or interpretation having general application to specified types of events. Any such statements of policy or interpretation shall be disseminated to all Clearing Members, Exchanges and securities and/or derivative instruments regulatory authorities having jurisdiction over the Corporation. Every determination by the Adjustment Committee pursuant to this Section A-902 shall be within the sole discretion of the Adjustment Committee, as it deems necessary in such circumstances and at the time of such determination, and shall be conclusive and binding on all investors and Clearing Members and not subject to review, other than review by securities and/or derivative instruments regulatory authorities having jurisdiction over the Corporation pursuant to applicable provisions of

the respective statutes. The Adjustment Committee has the discretion to deviate from policy or precedent when it deems unusual circumstances make such a deviation appropriate. If the Adjustment Committee is not informed of an event, or not informed in a timely manner, and such an event could possibly have required an adjustment, the Corporation will not be liable in any circumstances if i) it does not proceed with such adjustment or ii) it proceeds with an adjustment with a delay.

- 3) It shall be the general rule that there will be no adjustments of Options and Similar Instruments to reflect ordinary cash dividends or distributions, or ordinary stock dividends or distributions, or ordinary trust unit dividends or distributions declared by the issuer of the Underlying Interest, or any cash dividend or distribution declared by the issuer of the Underlying Interest if such dividend or distribution is less than the Canadian dollars equivalent of US\$ 0.125 per share provided that, in the case of a contract that is listed with a unit of trading greater than 100 shares, the applicable threshold shall be the Canadian dollars equivalent of US\$ 12.50 per contract.
- 4) It shall be the general rule that there will be no adjustments of Futures and Similar Instruments to reflect ordinary cash dividends or distributions, or ordinary stock dividends or distributions, or ordinary trust unit dividends or distributions declared by the issuer of the Underlying Interest if such dividend or distribution is less than the Canadian dollars equivalent of US\$ 0.125 per share provided that, in the case of a contract that is listed with a unit of trading greater than 100 shares, the applicable threshold shall be the Canadian dollars equivalent of US\$ 12.50 per contract.
- 5)
 - i) For all Options and Similar Instruments it shall be the general rule that in the case of a stock dividend, stock distribution, stock split, trust unit dividend, trust unit distribution, trust unit split or similar event whereby one or more whole number of additional shares of the Underlying Interest are issued with respect to each outstanding share, each Option and Similar Instruments covering that Underlying Interest shall be increased by the same number of additional contracts as the number of additional shares issued with respect to each share of the Underlying Interest, and the Exercise Price per share in effect immediately prior to such event shall be proportionately reduced, and the Unit of Trading shall remain the same.
 - ii) For all Options and Similar Instruments it shall be the general rule that in the case of a stock dividend, stock distribution, stock split, trust unit dividend, trust unit distribution, trust unit split or similar event whereby other than a whole number of shares of the Underlying Interest is issued in respect of each outstanding share, the Exercise Price in effect immediately prior to such event shall be proportionately reduced, and the Unit of Trading shall be proportionately increased.
 - iii) For all Options and Similar Instruments it shall be the general rule that in the case of a reverse stock split, consolidation or combination of shares, or similar event, each Option and Similar Instruments covering the affected Underlying Interest shall be adjusted, solely for purposes of determining the property deliverable upon exercise of the Option and Similar Instruments, by decreasing the Unit of Trading to reflect the number of shares eliminated. If an adjustment is made in accordance with the preceding sentence, the Unit of Trading for all such adjusted series of Options and Similar Instruments shall remain unchanged for purposes of determining the aggregate Exercise Price of the Option and Similar Instruments and for purposes of

- determining the premium for any such Option and Similar Instruments purchased and sold.
- iv) For all Futures and Similar Instruments it shall be the general rule that in the case of a stock dividend, stock distribution, stock split, trust unit dividend, trust unit distribution, trust unit split or similar event whereby one or more whole number of additional shares of the Underlying Interest are issued with respect to each outstanding share, each Futures and Similar Instruments covering that Underlying Interest shall be increased by the same number of additional contracts as the number of additional shares issued with respect to each share of the Underlying Interest, the last Settlement Price established immediately before such event shall be proportionately reduced, and the Unit of Trading shall remain the same.
 - v) For all Futures and Similar Instruments it shall be the general rule that in the case of a stock dividend, stock distribution, stock split, trust unit dividend, trust unit distribution, trust unit split or similar event whereby other than a whole number of shares of the Underlying Interest is issued in respect of each outstanding share, the last Settlement Price established immediately before such event shall be proportionately reduced, and the Unit of Trading shall be proportionately increased.
 - vi) For all Futures and Similar Instruments it shall be the general rule that in the case of a reverse stock split, consolidation or combination of shares, or similar event, each Futures and Similar Instruments covering the affected Underlying Interest shall be adjusted, solely for purposes of determining the property deliverable in respect of such Futures and Similar Instruments, by decreasing the Unit of Trading to reflect the number of shares eliminated. If an adjustment is made in accordance with the preceding sentence, the Unit of Trading for all such adjusted Futures and Similar Instruments shall remain unchanged for purposes of determining the aggregate settlement value of the Futures and Similar Instruments payable upon delivery and for purposes of determining the settlement value for any such Futures and Similar Instruments purchased and sold.
- 6) It shall be the general rule that in the case of any distribution made with respect to shares of an Underlying Interest, other than ordinary dividends or distributions subject to Subsection (3) and (4) of this Section A-902 and other than dividends or distributions for which adjustments are provided in Subsection (5) of this Section A-902, if an adjustment is determined by the Adjustment Committee to be appropriate, for Options and Similar Instruments:
- i) the Exercise Price in effect immediately prior to such event shall be reduced by the value per share of the distributed property, in which event the Unit of Trading shall not be adjusted, or
 - ii) the Unit of Trading in effect immediately prior to such event shall be adjusted so as to include the amount of property distributed with respect to the number of shares of the Underlying Interest represented by the Unit of Trading in effect prior to such adjustment, in which event the Exercise Price shall not be adjusted;
- for all other Futures and Similar Instruments:
- i) the last Settlement Price established immediately before such event shall be reduced by the value per share of the distributed property, in which event the Unit of Trading shall not be adjusted, or

- ii) the Unit of Trading in effect immediately prior to such event shall be adjusted so as to include the amount of property distributed with respect to the number of shares of the Underlying Interest represented by the Unit of Trading in effect prior to such adjustment, in which event the Settlement Price shall not be adjusted.
 - iii) The Adjustment Committee shall, with respect to adjustments under this Subsection or any other Subsection of this Section A-902, have the authority to determine the value of distributed property.
- 7) In the case of any event for which adjustments are not provided in any of the foregoing Subsections of this Section A-902, the Adjustment Committee may make such adjustments, if any, with respect to the characteristics of the Derivative Instrument affected by such event as the Adjustment Committee determines.
- 8) Adjustments pursuant to this Section A-902 as a general rule shall become effective in respect of Derivatives Instruments outstanding on the “ex-dividend date” established by the exchange or exchanges on which the Underlying Interest is traded. In the event that the “ex-dividend date” for an Underlying Interest traded on exchanges differs from one exchange to another, the Adjustment Committee shall deem the earliest date to be the “ex-dividend date” for the purposes of this Section A-902. “Ex-dividend dates” established by any other exchange or exchanges on which an Underlying Interest may be traded shall be disregarded.
- 9) It shall be the general rule that (i) all adjustments of the Exercise Price of an outstanding Option and Similar Instruments shall be rounded to the nearest adjustment increment, (ii) when an adjustment causes an Exercise Price to be equidistant between two adjustment increments, the Exercise Price shall be rounded up to the next highest adjustment increment, (iii) all adjustments of the Unit of Trading shall be rounded down to eliminate any fraction, and (iv) if the adjustment is made pursuant to subparagraph (5)(iii) above, and the Unit of Trading is rounded down to eliminate a fraction the value of the fractional share so eliminated as determined by the Adjustment Committee shall be added to the Unit of Trading, or if the adjustment is made pursuant to subparagraph (5)(ii) above, and the Unit of Trading is rounded down to eliminate a fraction, the adjusted Exercise Price may be further adjusted, to the nearest adjustment increment, to reflect any diminution in the value of the Option and Similar Instruments resulting from the elimination of the fraction.
- 10) It shall be the general rule that (i) all adjustments of the Settlement Price of an outstanding Futures and Similar Instruments shall be rounded to the nearest adjustment increment, (ii) when an adjustment causes a Settlement Price to be equidistant between two adjustment increments, the settlement price shall be rounded up to the next highest adjustment increment, (iii) all adjustments of the Unit of Trading shall be rounded down to eliminate any fraction, and (iv) if the adjustment is made pursuant to subparagraph (5)(vi) above, and the Unit of Trading is rounded down to eliminate a fraction, the value of the fractional share so eliminated as determined by the Adjustment Committee shall be added to the Unit of Trading, or if the adjustment is made pursuant to subparagraph (5)(v) above, and the Unit of Trading is rounded down to eliminate a fraction, the adjusted Settlement Price may be further adjusted, to the nearest adjustment increment, to reflect any diminution in the value of the Futures and Similar Instruments resulting from the elimination of the fraction.
- 11) Notwithstanding the general rules set forth in Subsections (3) through (9) of this Section A-902 or which may be set forth as interpretations and policies under this Section A-902, the Adjustment



Committee shall have the power to make exceptions in those cases or groups of cases in which, in applying the standards set forth in Subsection (2) thereof the Adjustment Committee shall determine such exceptions to be appropriate. However, the general rules shall be applied unless the Adjustment Committee affirmatively determines to make an exception in a particular case or group of cases.

INTERPRETATIONS AND POLICIES

1)

- i) Cash dividends or distributions (regardless of size) declared by the issuer of the Underlying Interest which the Adjustment Committee considers to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis, or which the Adjustment Committee considers to represent an acceleration or deferral of such payments as well as resumption of dividends or distributions will, as a general rule, be deemed to be “ordinary cash dividends or distributions” within the meaning of Subsection A-902(3).
- ii) Stock dividends or distributions, or trust unit dividends or distributions declared by the issuer of the Underlying Interest in an aggregate amount that per dividend or distribution does not exceed 10% of the number of shares or other units of the Underlying Interest outstanding as of the close of trading on the declaration date, and which the Adjustment Committee considers to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis or which the Adjustment Committee considers to represent an acceleration or deferral of such payments will, as a general rule, be deemed to be “ordinary stock dividends or distributions” or “ordinary trust unit dividends or distributions” within the meaning of Subsection A-902(3).
- iii) Cash dividends or distributions declared by the issuer of the Underlying Interest which the Adjustment Committee considers to have been declared outside of a regular policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis will be deemed to be “special cash dividends or distributions” within the meaning of Subsections A-902(3) and A-902(4).
- iv) Stock dividends or distributions, or trust unit dividends or distributions declared by the issuer of the Underlying Interest which the Adjustment Committee considers to have been declared outside of a regular policy and that exceeds 10% of the number of shares or other units of the Underlying Interest will be deemed to be “special stock dividends or distributions” or “special trust unit dividends or distributions” within the meaning of Subsections A-902(3) and A-902(4).
- v) Cash dividends or distributions declared by the issuer of the Underlying Interest which the Adjustment Committee considers to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis, or which the Adjustment Committee considers to represent an acceleration or deferral of such payment as well as resumption of dividends or distributions will, as a general rule, be deemed to be “ordinary cash dividends or distributions” within the meaning of Subsection A-902(4).
- vi) Stock dividends or distributions or trust unit dividends or distributions by the issuer of the Underlying Interest which the Adjustment Committee considers to have been

declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis, or which the Adjustment Committee considers to represent an acceleration or deferral of such payment, will, as a general rule, be deemed to be “ordinary stock dividends or distributions” or “ordinary trust unit dividends or distribution” within the meaning of Subsection A-902(4). The Adjustment Committee will ordinarily adjust for other stock and trust units dividends and distributions.

Nevertheless, the Adjustment Committee will determine, on its sole discretion, on a case-by-case basis whether other dividends or distributions are “ordinary dividends or distributions” or whether they are dividends or distributions for which adjustments should be made. In making such determinations, the Adjustment Committee may take into account such factors as it deems appropriate, including, without limitation, the issuer’s stated dividend payment policy, the issuer’s characterization of a particular dividend or distribution as “regular”, “special”, “accelerated” or “deferred”, whether the dividend can be differentiated from other dividends (if any) paid on a quarterly or other regular basis, and the issuer’s dividend payment history.

Normally, the Adjustment Committee shall classify a cash dividend or cash distribution as non-ordinary when it believes that similar cash dividends or cash distributions will not be paid on a quarterly or other regular basis. Notwithstanding that the Adjustment Committee has classified a cash dividend or cash distribution as non-ordinary, at a certain time, it may, classify subsequent cash dividends or cash distributions of a similar nature as ordinary if (i) the issuer discloses that it intends to pay such dividends or distributions on a quarterly or other regular basis, (ii) the issuer has paid such dividends or distributions for four or more consecutive months or quarters or two or more years after the initial payment, whether or not the amounts paid were the same from period to period, or (iii) the Adjustment Committee determines for other reasons that the issuer has a policy or practice of paying such dividends or distributions on a quarterly or other regular basis.

2)

- i) Adjustments will not ordinarily be made to reflect the issuance of so-called “poison pill” rights that are not immediately exercisable, trade as a unit or automatically with the Underlying Interest, and may be redeemed by the issuer. In the event such rights become exercisable, begin to trade separately from the Underlying Interest, or are redeemed, the Adjustment Committee will determine whether adjustments are appropriate.
- ii) Except as provided above in the case of certain “poison pill” rights, adjustments for rights distributions will ordinarily be made to Futures and Similar Instruments. When an adjustment is made for a rights distribution, the Unit of Trading in effect immediately prior to the distribution will ordinarily be adjusted to include the number of rights distributed with respect to the number of shares of the Underlying Interest comprising the Unit of Trading. If, however, the Adjustment Committee determines that the rights are due to expire before the time they could be exercised upon delivery under the contract, then delivery of the rights will not be required. Instead, the Adjustment Committee will ordinarily adjust the last Settlement Price established before the rights expire to reflect the value, if any, of the rights as determined by the Adjustment Committee in its sole discretion.
- iii) Adjustments will not be made to reflect a take-over bid or issuer bid made for the Underlying Interest, whether such offer is for cash, Securities or other property. This

- policy will apply without regard to whether the price of the Underlying Interest may be favourably or adversely affected by the offer or whether the offer may be deemed to be “coercive”. Outstanding Derivative Instruments ordinarily will be adjusted to reflect a merger, amalgamation, arrangement or similar event that becomes effective following the completion of a take-over bid.
- iv) Adjustments will not be made to reflect changes in the capital structure of an issuer where all of the Underlying Interest in the hands of the public (other than dissenters' shares) are not changed into another Security, cash or other property. For example, adjustments will not be made merely to reflect the issuance (except as a distribution on an Underlying Interest) of new or additional debt, stock, trust units, or options, warrants or other securities convertible into or exercisable for the Underlying Interest, the refinancing of the issuer's outstanding debt, the repurchase by the issuer of less than all of the Underlying Interest outstanding or the sale by the issuer of significant capital assets.
 - v) When an Underlying Interest is converted into a right to receive a fixed amount of cash, such as in a merger, amalgamation, arrangement or similar event, outstanding Options and Similar Instruments will be adjusted to require the delivery upon exercise of cash in an amount per share or unit equal to the conversion price. As a result of such adjustments, the value of all outstanding In-the-money Options and Similar Instruments will become fixed, and all At-the-money and Out-of-the-money Options and Similar Instruments will become worthless. Futures and Similar Instruments will be adjusted to replace such Underlying Interest with such fixed amount of cash as the Underlying Interest, and the Unit of Trading shall remain unchanged.
 - vi) In the case of a spin off or similar event by the issuer of an Underlying Interest which results in a property distribution, Derivative Instruments will be adjusted to reflect such distribution. The value of the property distributed shall be reflected in the deliverable shares.
 - vii) In the case of a corporate reorganization or similar occurrence by the issuer of an Underlying Interest which results in an automatic share-for-share exchange of the Underlying Interest for shares of another class in the capital of the issuer or in the resulting company, the Derivative Instruments on the Underlying Interest will ordinarily be adjusted by replacing such Underlying Interest with a like number of units of the shares of such other class or of the resulting company. Because the Securities are generally exchanged only on the books of the issuer and/or the resulting company, as the case may be, and are generally not exchanged physically, deliverable shares will ordinarily include certificates that are denominated on their face as shares in the original class of shares of the original issuer, but which, as a result of the corporate transaction, represent shares in the other class or in the resulting company, as the case may be.
 - viii) When an Underlying Interest is converted in whole or in part into a debt security and/or a preferred stock, as in a merger, and interest or dividends on such debt security or preferred stock are payable in the form of additional units thereof, outstanding Derivative Instruments that have been adjusted to call for delivery of such debt security or preferred stock shall be further adjusted, effective as of the ex-date for each payment of interest or dividends thereon, to call for delivery of the securities distributed as interest or dividends thereon.

- ix) Notwithstanding paragraph 1) of Interpretations and Policies under Section A-902, (i) "ordinary dividends or distributions" within the meaning of paragraphs (3) and (4) of Section A-902 shall not, as a general rule, be deemed to include distributions of short-term or long-term capital gains by the issuer of the Underlying Interest, and (ii) "ordinary dividends or distributions" within the meaning of paragraphs (3) and (4) of Section A-902 shall not, as a general rule, be deemed to include other distributions by the issuer of the Underlying Interest, provided that (a) the issuer is an entity that holds securities or replicates holding of securities that track the performance of an index that underlies a class of index Options or index Futures, and the distribution on the Underlying Interest includes or reflects a dividend or other distribution on a security part of the index that resulted in an adjustment of the index divisor; or (b) the distribution on the Underlying Interest includes or reflects a dividend or other distribution on a security part of the index (I) that results in an adjustment of Derivative Instruments on other Underlying Interest pursuant to clause (ii)(a), or (II) that is not deemed an ordinary dividend or distribution under Interpretation (1) above.

Adjustments of the terms of Derivative Instruments on such Underlying Interest for distributions described in clause (i) or (ii) above shall be made in accordance with paragraph (6) of Section A-902, unless the Adjustment Committee determines, on a case-by-case basis, not to adjust for such a distribution; provided, however, that no adjustment shall be made for any such distribution where the amount of the adjustment would be less than the Canadian dollars equivalent of US \$0.125 per share or units of the Underlying Interest and provided that, in the case of a contract that is listed with a unit of trading greater than 100 shares, the applicable threshold shall be the Canadian dollars equivalent of US\$12.50 per contract.



RULE B-3
TENDER AND ASSIGNMENT OF EXERCISE NOTICES

Section B-310
ACCELERATION OF EXPIRATION DATE

When a Security Option contract, where the Underlying Interest is a class of shares , is adjusted pursuant to Rule A-9 – Adjustment In Contract Terms, to require the delivery upon exercise of a fixed amount of cash, the Expiration Date of the Option contract will ordinarily be accelerated to fall on or shortly after the date on which the conversion of the underlying security to a right to receive Cash occurs.

Notice 2020-145 : Summarized comments and responses
AMENDMENTS TO RULE A-9 AND TO RULE B-3 OF THE CANADIAN DERIVATIVES CLEARING CORPORATION (“CDCC”)
CONCERNING ADJUSTMENTS IN CONTRACT TERMS

No.	Date comments received	Participant Category	Summary of comments	Summary of responses
1.	December 3, 2020	IIAC	IIAC has concerns that the Adjustment Committee, under the revised framework, continues to have overriding discretion in a number of instances that are binding on investors and Clearing Members alike, and not subject to review.	CDCC wishes to direct IIAC and its members to the CDCC or the Montreal Exchange (“MX”) websites. In addition to providing detailed information about a decision rendered by the Adjustment Committee (in the form of a notice to members for CDCC and a circular for MX (the “Notices”)), each Notice contains the appropriate contact details to ensure that any stakeholders have an opportunity to inquire about any subject matter related to a decision.
2.	December 3, 2020	IIAC	IIAC has concerns that the members of the Adjustment Committee remain anonymous and that there is no procedure or format to review and/or measure the decisions of any individual committee member for consistency or other factors. IIAC and its members believe that increased transparency is needed in the process.	We want to bring to IIAC’s attention that this is not a CDCC Board committee. As such, similar to other clearing houses, CDCC does not provide names of individuals participating in internal committees; in any event, the ultimate authority resides with CDCC’s Chief Operating Officer.

3.	December 3, 2020	IIAC	IIAC suggests that the CDCC provides an outline describing the benchmark it will reference for USD-CAD conversion.	If the Adjustment Committee concludes that a currency conversion is required, the Committee will apply the closing rate (16:30 Eastern Time) determined by the Bank of Canada of the business day prior to the corporate action's effective date.
4.	December 3, 2020	IIAC	IIAC is questioning if an exception should be made in the case of an earlier ex-dividend date occurring in a foreign jurisdiction due to a holiday.	While this is not part of the amendments submitted for comments, CDCC takes note of the recommendation and will analyze it for possible inclusion in a subsequent submission.