



NOTICE TO MEMBERS

No. 2012 - 101

May 31, 2012

SELF-CERTIFICATION

AMENDMENT TO RULE B-10 EUROPEAN STYLE INDEX OPTIONS

The Board of Directors of the Canadian Derivatives Clearing Corporation (“CDCC”) approved the amendments to Section B-1001 of Rule B-10 European Style Index Options of CDCC (the “Amendments”). The Amendments will allow CDCC to offer clearing services for Index Options contracts with a reduced Unit of Trading of 10 units per S&P/TSX 60 index point, in accordance with the amendment implemented by the Bourse de Montréal. CDCC wishes to advise Clearing Members that such Amendments were self-certified in accordance with the self-certification process as established in the *Derivatives Act* (R.S.Q., chapter I-14.01).

Please find enclosed the Amendments 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) on **June 25, 2012**.

Furthermore, CDCC wishes to inform you that, effective on **June 25, 2012**, the multiplier of the S&P/TSX 60 Index Options contracts (“SXO”) will be reduced from 100 to 10.

As a result of this ten-for-one contract split, holders of SXO option contracts will receive ten SXO option contracts having a multiplier reduced by a factor of ten for each SXO option contract held at the effective date.

Pursuant to Terms of Adjustment provided in Section A-902 of the Rules of CDCC, all SXO options will be adjusted as follows:

- **EFFECTIVE DATE:** **June 25, 2012**
- **OPTIONS SYMBOL:** **No change**
- **NUMBER OF CONTRACTS:** **Multiplied by 10**
- **MULTIPLIER:** **Divided by 10**
- **STRIKE PRICES:** **No change**

If you have any questions or concerns, please contact CDCC’s Member Services department or direct your e-mail inquiries to cdccops@cdcc.ca.

Glenn Goucher
President and Chief Clearing Officer

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RULE B-10 EUROPEAN STYLE INDEX OPTIONS

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

Section B-1001 Definitions

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

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

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

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

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

“Exercise Settlement Date” - the Business Day following the Expiration Date.

“Expiration Date” - the third Friday of the month.

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

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

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

“Underlying Interest” - the Index which is the subject of the Option.

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

“Unit of Trading” - 10 units.

Section B-1002 Exercise Prices

(Deleted)

Section B-1003 Trade Reporting of Options Transactions

Notwithstanding Subsection B-201(6) each Clearing Member shall have until 1.5 hours prior to the Close of Business on the Business Day following the day on which the trade took place to notify the Corporation, in the form prescribed, of any error. Unless such notification is received by the established cut-off hour, the exchange transactions accepted by the Corporation and as

contained in the report shall be final and binding upon the Clearing Members reported as parties to such transaction.

Section B-1004 Expiration Date Exercise Procedure

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

Section B-1005 General Rights and Obligations of Clearing Members

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

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

Section B-1006 Adjustments

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

Section B-1007 Unavailability or Inaccuracy of Aggregate Current Value

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

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

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

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

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