



NOTICE TO MEMBERS

No. 2020 - 105

August 11, 2020

REQUEST FOR COMMENTS

AMENDMENTS TO THE RULES AND OPERATIONS MANUAL OF THE CANADIAN DERIVATIVES CLEARING CORPORATION REGARDING THE REQUIREMENT OF THE AUTHORIZATION STAMP BY CLEARING MEMBERS

On July 31, 2020, the Board of Directors of Canadian Derivatives Clearing Corporation (“CDCC”) approved certain amendments to the Rules and Operations Manual of CDCC. The purpose of the proposed amendments is to remove the authorization stamp requirement used by the Clearing Members in order to confirm the authority of a signatory in documents presented to CDCC.

Please find enclosed an analysis document as well as the proposed amendments.

Process for Changes to the Rules

CDCC is recognized as a clearing house under section 12 of the *Derivatives Act* (Québec) by the Autorité des marchés financiers (“AMF”) and as a recognized clearing agency under section 21.2 of the *Securities Act* (Ontario) by the Ontario Securities Commission (“OSC”).

The Board of Directors of CDCC has the power to approve the adoption or amendment of the Rules and the Operations Manual of CDCC. Amendments are submitted to the AMF in accordance with the self-certification process and to the OSC in accordance with the process provided in the Recognition Order.

Comments on the proposed amendments must be submitted before **September 11, 2020**. Please submit your comments to:

Sophie Brault
Legal Counsel
Canadian Derivatives Clearing Corporation
1800-1190 av. des Canadiens-de-Montréal, P.O. Box 37
Montreal, Quebec H3B 0G7
Email: legal@tmx.com

A copy of these comments shall also be forwarded to the AMF and to the OSC to:

M^e Philippe Lebel
Corporate Secretary and
Executive Director, Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640 Laurier boulevard, suite 400
Québec (Québec) G1V 5C1
Fax : (514) 864-8381
E-mail: consultation-encours@lautorite.qc.ca

Manager, Market Regulation
Market Regulation Branch
Ontario Securities Commission
Suite 2200,
20 Queen Street West
Toronto, Ontario, M5H 3S8
Fax: 416-595-8940
Email: marketregulation@osc.gov.on.ca

For any question or clarification, Clearing Members may contact Sophie Brault at 514-787-6565 or at sophie.brault@tmx.com.

Jay Rajarathinam
President and Chief Clearing Officer
CDCC



**AMENDMENTS TO THE RULES AND OPERATIONS MANUAL OF THE CANADIAN
DERIVATIVES CLEARING CORPORATION CONCERNING THE REQUIREMENT OF THE
AUTHORIZATION STAMP BY CLEARING MEMBERS**

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I. SUMMARY

The Canadian Derivatives Clearing Corporation (“CDCC”) is proposing amendments to its Rule (the “Rules”) and Operations Manual (the “Manual”) in order to remove the authorization stamp requirement used by the Clearing Members (“CM”) in order to confirm the authority of a signatory in documents presented to CDCC.

CDCC is taking advantage of the proposed changes to correct typographical errors that have slipped into the wording of its rules.

II. PROPOSED AMENDMENTS

The proposed amendments regarding the Rules (Section A-202 and A-204) and the Manual (sections 2-1, 6-3, 6-9, 8-1, 8-2, 8-3, 8-6 and 10-1) are provided in Appendix “A” to this analysis.

III. ANALYSIS

a. Background and objectives

CDCC is proposing to eliminate the authorization stamp requirement from its Rules and Manual that is used as a means to confirm the authority of the signatory and would ask that the CM only deliver its certified list of Authorized Representatives. That list solely will be used by CDCC to confirm the authority and authenticity of the signature of the CM’s representatives.

The CM authorization stamp has been for many years part of CDCC authorization process when a CM submits documents to CDCC. However, with the recent Covid-19 pandemic circumstances, CDCC recognizes that the requirement of affixing a stamp in addition to having authorised representatives signing documents may create operational inefficiencies to both CM and CDCC. CDCC believes that it is unreasonable to reject a document duly signed by an Authorized Representative of a CM for the sole reason that the CM’s stamp does not appear on the document.

Since the stamp has no official function (e.g., corporate seal), and is not required under any regulatory requirements (e.g., the Medallion Guarantee under the *Securities Transfer Association of Canada*), affixing a stamp each time a CM must submit documents to CDCC does not add any value to the CDCC authentication process since other means of authentication are available (e.g. list of Authorized Representatives).

As a result, CDCC proposes that the authentication process consists of CDCC’s staff reviewing the signatures appearing on documents submitted by a CM with the certified list of Authorized Representatives filed with CDCC as required in accordance with Section A-202 (1), as currently performed by CDCC. Essentially, CDCC would continue its authentication process by monitoring and updating its authentication information and thus, removing the stamp would not in any way affect the authentication process.

b. Comparative Analysis

Given the nature of the proposed amendments, CDCC is of the view that a comparative analysis with other clearinghouses is not required.

c. Analysis of Impacts

i. Impacts on Market

The proposed changes should not have any impacts on the market.

ii. Impacts on Technology

The proposed changes should not have any impacts on the technological systems of CDCC, Clearing Members or other market participants.

iii. Impacts on trading functions

The proposed changes should not have any impacts on trading functions.

iv. Public Interest

CDCC is of the view that the proposed amendments are not contrary to the public interest. The changes would facilitate the activities of all CDCC's CMs.

IV. PROCESS

The proposed amendments, including this analysis, must be approved by CDCC's board of directors and submitted to the Autorité des marchés financiers, in accordance with the regulatory self-certification process, and to the Ontario Securities Commission in accordance with the rules stated in Appendix "A" of Schedule "C" of CDCC Recognition Order dated April 8, 2014 (as amended from time to time). The proposed amendments and analysis will also be submitted to the Bank of Canada in accordance with the Regulatory Oversight Agreement.

The proposed amendments are planned to take effect during the last quarter of 2020.

V. ATTACHED DOCUMENTS

Amended Rules and Operations Manual



CANADIAN DERIVATIVES CLEARING CORPORATION

RULES

JUNE 16, 2020

RULE A-2

Section A-202

EVIDENCE OF AUTHORITY

(1) Every Clearing Member shall file with the Corporation a certified list of the signatures of the representatives (“Authorized Representatives”) of such Clearing Member (including partners and officers) who are authorized to sign certificates, cheques, agreements, receipts, orders and other papers necessary for conducting business with the Corporation, together with an executed copy of the powers of attorney, resolutions or other instruments giving such authority.

(2) Any Clearing Member who has given a person a power of attorney or other authorization to transact business with the Corporation shall, immediately upon the withdrawal, retirement, resignation or discharge of such person or the revocation of his power to act, give written notice of such fact to the Corporation.

(3) Where:

(a) a document is presented by a Clearing Member to the Corporation bearing the signature of an Authorized Representative ~~which bears an authorization stamp of a Clearing Member in the form approved by the Corporation;~~ or

(b) data is transferred electronically from a Clearing Member to the Corporation,

the Corporation shall be entitled to assume the authenticity ~~of the authorization stamp of~~ and the authority of the person presenting the document or initiating the electronic transfer to do so on behalf of the Clearing Member.

(4) The Corporation shall be entitled to rely and act upon any instruction given hereunder. The Corporation shall be under no obligation to ensure the genuineness or validity of any signature purporting to be that of an authorized signatory of the Clearing Member, ~~of any stamp purporting to be an authorized stamp,~~ or of the authority of any person initiating any electronic data transfer. The Corporation shall have no responsibility in the event that any such signature, ~~stamp~~ or data is forged, unauthorized or otherwise invalid or ineffective.

Section A-204

DOCUMENTS AND OTHER ITEMS SUBMITTED TO THE CORPORATION

All reports, documents, papers, statements, notices, cheques, drafts, certificates of deposit and other items required by the Rules to be submitted to the Corporation shall, except as may otherwise be specifically prescribed by the Rules, be delivered to the designated office of the Corporation or its agent at such times, on such forms and in such manner as the Corporation shall prescribe. Each item delivered to the Corporation shall clearly indicate the identity of the Clearing Member making such submission.

INTERPRETATION AND POLICIES

(1) Every Clearing Member shall ~~be required to ensure that to use~~ the signature that appears on any reports, documents, papers, statements, notices, and other items (as the Corporation shall prescribe from time to time) presented to the Corporation bears the signature of an Authorized Representative ~~an authorization stamp, in a form approved by the Corporation, in lieu of manual signatures, on such reports, documents, papers, statements, notices, and other items as the Corporation shall from time to time prescribe.~~

~~(2) The Corporation shall provide each Clearing Member with two authorization stamps at no charge. Any additional authorization stamps requested by a Clearing Member will be charged by the Corporation to such Clearing Member based upon the Corporation's costs. In lieu of an authorization stamp provided by the Corporation, a Clearing Member may use a member selected authorization stamp, provided that the stamp meets such requirements as the Corporation may from time to time impose with respect to format and content and the Clearing Member files with the Corporation such documentation as the Corporation may require authenticating the member selected authorization stamp.~~

~~(23) Each Clearing Member shall be bound by all such reports, documents, papers, statements, notices and other items as the Corporation shall prescribe pursuant to Paragraph (1).~~ above, bearing the Clearing Member's authorization stamp.



CANADIAN DERIVATIVES CLEARING CORPORATION
RULES
, 2020

RULE A-2

Section A-202

EVIDENCE OF AUTHORITY

(1) Every Clearing Member shall file with the Corporation a certified list of the signatures of the representatives ("Authorized Representatives") of such Clearing Member (including partners and officers) who are authorized to sign certificates, cheques, agreements, receipts, orders and other papers necessary for conducting business with the Corporation, together with an executed copy of the powers of attorney, resolutions or other instruments giving such authority.

(2) Any Clearing Member who has given a person a power of attorney or other authorization to transact business with the Corporation shall, immediately upon the withdrawal, retirement, resignation or discharge of such person or the revocation of his power to act, give written notice of such fact to the Corporation.

(3) Where:

(a) a document is presented by a Clearing Member to the Corporation bearing the signature of an Authorized Representative ; or

(b) data is transferred electronically from a Clearing Member to the Corporation,

the Corporation shall be entitled to assume the authenticity -of the authority of the person presenting the document or initiating the electronic transfer to do so on behalf of the Clearing Member.

(4) The Corporation shall be entitled to rely and act upon any instruction given hereunder. The Corporation shall be under no obligation to ensure the genuineness or validity of any signature purporting to be that of an authorized signatory of the Clearing Member, or of the authority of any person initiating any electronic data transfer. The Corporation shall have no responsibility in the event that any such signature, or data is forged, unauthorized or otherwise invalid or ineffective.

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INTERPRETATION AND POLICIES

(1) Every Clearing Member shall ensure that the signature that appears on any reports, documents, papers, statements, notices, and other items (as the Corporation shall prescribe from time to time) presented to the Corporation bears the signature of an Authorized Representative.

(2) Each Clearing Member shall be bound by all such reports, documents, papers, statements, notices and other items as the Corporation shall prescribe pursuant to Paragraph (1).



CANADIAN DERIVATIVES CLEARING CORPORATION
CORPORATION CANADIENNE DE COMPENSATION DE PRODUITS DÉRIVÉS
OPERATIONS MANUAL

~~JUNE 12~~, 2020



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TIME FRAMES

ON-LINE ACCESS

Each Clearing Member must be connected to the CDCC Clearing Application using its PC terminals to perform a variety of functions. (Clearing Members must supply their own PC terminals and Internet connection, at their own cost).

All instructions (corrections, Open Position changes, Position Transfers, Deposits, withdrawals, and submission of Exercise Notices and Tender Notices) must be entered on-line.

The CDCC Clearing Application allows Clearing Members to view their current information throughout the day electronically (except during scheduled maintenance or unforeseen outages). In addition, Clearing Members can download their reports after 7:00 p.m. every day using the FTP Download function.

Should a Clearing Member not have electronic access (due to technical issues) to the CDCC Clearing Application during Office Hours, CDCC can perform instructions on behalf of the Clearing Member. This requires a phone call from the Clearing Member to CDCC, along with the appropriate form faxed or scanned and e-mailed to CDCC. Such form must be signed by an Authorized Representative of the Clearing Member authorized with the approved Clearing Member's stamp.

With respect to operational activity related to Options with an Expiration Date on Expiry Friday, CDCC staff members are on-site from 7:00 a.m. to fifteen (15) minutes after delivery of the Options Exercised and Assigned Report (MT02).

EXERCISES, TENDERS, ASSIGNMENTS AND DELIVERIES

(...)

Daily Expirations (other than Expiry Friday)

When CDCC receives Underlying Interests' closing and opening prices from the relevant Exchange, the prices are specified on the relevant Expiry Report and are used to determine the In-the-Money Options and the Out-of-the-Money Options.

Clearing Members have until the Close of Business on any Business Day up to the Expiration Date to submit an Exercise Notice with respect to American Style Options to CDCC. European Style Options can only be exercised on their Expiration Date.

OTCI Options can expire on any Business Day.

Typically, exercise instructions must be entered online on the CDCC Clearing Application by Clearing Members. However, if unavailable, the following manual process can be used to submit Exercise Notices to CDCC:

1. The proper CDCC Exercise Notice form must be used.
2. The ~~authorization stamp of the Clearing Member must be affixed on the~~ form must be signed by an Authorized Representative of the Clearing Member.
3. The properly delivered Exercise Notice will be accepted at any CDCC office.
4. The Exercise Notice must be properly delivered by five minutes before Close of Business.
5. The Clearing Member staff who deliver the Exercise Notice must be available until CDCC processes the exercise.

The CDCC Clearing Application will ensure that there are sufficient Option Open Positions of the relevant Series of Options in the relevant account of the Clearing Member for exercising the relevant Exercise Notice; if not, CDCC will reject the Exercise Notice. If there are sufficient Option Open Positions, the Clearing Member's Long Position is immediately reduced by the number of Option Open Positions exercised.

AN EXERCISE NOTICE CAN BE CANCELLED UNTIL CLOSE OF BUSINESS ON THE DAY IT IS SUBMITTED.

(...)

Buy-In Process (excluding Fixed Income Variation Margin Buy-Ins)

For a Buy-In in respect of the Acceptable Security, the following applies. As set forth in Subsection A-804(3) of the Rules, CDCC may effect a Buy-In transaction on its own initiative or pursuant to a formal request by a Receiver of Securities affected by a Failed Delivery by purchasing the missing quantity of the relevant Acceptable Securities on the open market.

When initiated by a Receiver of Securities, the Buy-In process shall be as follows:

1. The Receiver of Securities who wants to initiate a Buy-In must send to CDCC the appropriate Buy-In Scan Form (which is accessible on CDCC's Secured Website) duly completed, with the following information:
 - a. Clearing Member's Name;
 - b. Clearing Member's Number;
 - c. The Acceptable Security (ISIN) involved;
 - d. The total quantity of the Failed Delivery;
 - e. The quantity requested in the Buy-In;
 - f. The Buy-In delivery date, which shall be the current Business Day + not less than two (2) complete Business Days.

The Buy-In Scanned Form must be submitted to CDCC in the prescribed format and signed by an Authorized Representative of the Clearing Member ~~authorization stamp of the Clearing Member properly affixed on the form (with initials).~~

2. Upon receiving the duly completed Buy-In Scan Form from a Receiver of Securities, CDCC will work with the Provider(s) of Securities responsible for the Failed Delivery in order to validate if the delivery can be made within the number of Business Days specified in the Buy-In Scan Form (the "Buy-In Notice Delay").
3. At the expiry of the Buy-In Notice Delay, if the Provider(s) of Securities have not delivered the relevant Acceptable Securities, CDCC will initiate a cash trade on the open market.
4. Once delivery is received by CDCC on the cash trade, CDCC will deliver the Acceptable Securities to the Receiver of Securities that requested the Buy-In transaction.
5. All fees incurred to CDCC, including all costs with respect to the Buy-In transaction shall be charged to the Provider(s) of Securities responsible for the Failed Delivery. Such fees will be included on the Monthly Clearing Fees Invoice (MB01) of the second Business Day of each month as a separate pay figure, payable to CDCC on the 5th Business Day of each month through LVTS or any other payment method approved by CDCC.



MARGIN PROCESSING

MARGIN FUND ACCOUNT

Margin Fund Account is the CDCS record provided to each Clearing Member containing all Margin deposited by such Clearing Member to CDCC, in respect of such Clearing Member's Base Initial Margin (or Adjusted Base Initial Margin, as the case may be), Additional Margin for Market Liquidity Risk, Additional Margin for Specific Wrong-Way Risk, Additional Margin for Mismatched Settlement Risk, Additional Margin for Intra-Day Variation Margin Risk, Additional Margin for Unpaid Option Premium Exposure Risk, Additional Margin for Banking Holiday Risk, Additional Margin for Variation Margin Delivery Risk, Additional Capital Margin Risk, Additional Margin for Uncovered Risk of Limited Clearing Members, Variation Margin for Options, and Variation Margin for Unsettled Items, in accordance with the Risk Manual and as set forth in Section 8-1 hereof.

In addition to the foregoing, an amount may be requested from a Clearing Member for the protection of the Corporation, Clearing Members or the investing public, in accordance with section A-702 of the Rules.

Each Clearing Member must record in its Margin Fund Account any deposit made to cover the shortfalls resulting from the requirements. Deposits must be in the form of Eligible Collateral, as specified in the Risk Manual, in an amount sufficient, taking into account the market value and applicable haircuts as specified in Section A-707.

Withdrawals

Clearing Members may request to withdraw any surplus amount from the Margin Fund Account, subject to applicable deadlines, as set forth in Section 2 of this Operations Manual. CDCC will respond within the specified time set forth in Section 2 and, on a best effort basis, approve the withdrawal in CDCC Clearing Application.

Substitutions

A Clearing Member may request to substitute a specific CUSIP/ISIN previously pledged in the Margin Fund Account to the Corporation. The Clearing Member must first pledge equivalent securities and withdraw the existing securities subject to substitution. The value of the equivalent securities so pledged must be equal to or in excess of the securities being withdrawn, subject to applicable deadlines, as set forth in Section 2 of this Operations Manual.

CDCC verifies the validity of each deposit made by Clearing Members and ensures that withdrawals of existing securities subject to substitution do not create deficits in the Clearing Member's Margin Fund Account. CDCC will respond within the specified time set forth in Section 2 and, on a best effort basis, approve the substitution in CDCC Clearing Application.

Pledging (CDS)

Securities pledges in the Margin Fund Account must be performed through CDSX in CDCC's account. The entries on the pledging screen of the CDCC Clearing Application are matched by CDCC to corresponding entries on the reporting system of the relevant Central Securities Depository.



In some cases an exchange of document at a CDCC Office by the Clearing Member (accompanied by a screen print of the entry bearing the signature of an Authorized Representative of the Clearing Member~~Clearing Member's stamp~~) may be accepted by CDCC as constituting a physical deposit or withdrawal.

After performing all the validation processes, CDCC confirms within the CDCC Clearing Application the Clearing Member's deposits and/or withdrawals.

Deposits, withdrawals and changes thereto will be reflected on the immediately following Business Day's Deposits and Withdrawals Report (MA01). In accordance with the Rules, any discrepancies that the Clearing Member notices against its own records should be reported to CDCC immediately.

Section: 8-2

Pledging (Tri Party - Securities Account with an Approved Custodian)

Subject to certain conditions, the Corporation may allow Clearing Members to pledge non-cash collateral for the purpose of meeting their Margin requirements pursuant to Rule A-7 (excluding Net Variation Margin Requirements and any other Margin which can otherwise only be cash settled) to a securities account maintained at a third party securities intermediary. The securities intermediary must enter into an Account Control Agreement with respect to the securities account and be an Approved Custodian, each as defined in the Rules.

Use of the Securities Account

1. The securities account shall only be maintained by a securities intermediary which is an Approved Custodian, as defined in the Rules.
2. Any securities held in the securities account maintained by the Approved Custodian, in the name of the Clearing Member, shall be subject to an Account Control Agreement.
3. The Account Control Agreement is a standard agreement that meets certain requirements, as prescribed in the Rules.
4. The securities account may not be used for Net Variation Margin Requirements or for settlement purposes.
5. The respective rights and obligations of the Clearing Member and CDCC with respect to the securities collateral held in the securities account are subject to the Rules, including:
 - a. All deposits, withdrawals and substitutions in the securities account are subject to the timeline described in Section 2 of this Manual and to the collateral policy described in Section 2 (Eligible Collateral) of the Risk Manual;
 - b. All deposits, withdrawals and substitutions made in the securities account shall also be entered in CDCC Clearing Application in accordance with the timeline described in



Section 2 of this Manual and to the collateral policy described in Section 2 (Eligible Collateral) of the Risk Manual;

- c. Any withdrawal of securities held in the securities account is subject to CDCC's approval. The withdrawal must be entered in CDCC Clearing Application by the Clearing Member. A withdrawal authorization form must be signed by an Authorized Representative of the Clearing Member and must be transmitted to CDCC ~~and must include the Clearing Member's approved stamp~~. CDCC will then, within the specified time to respond to a withdrawal request specified in Section 2, sign and transmit the withdrawal authorization form to the Custodian to proceed with the withdrawal;

Section 8-3

- d. Any substitution is subject to the deposit by the Clearing Member of the replacement securities in the securities account before the withdrawal of the replaced securities. Both the deposit and the withdrawal shall also be entered in CDCC Clearing Application by the Clearing Member. A substitution authorization form must be signed by an Authorized Representative of the Clearing Member and must be transmitted to CDCC ~~and must include the Clearing Member's approved stamp~~. CDCC will then, within the specified time to respond to a substitution request specified in Section 2, sign and transmit the substitution authorization form to the Custodian to proceed with both the deposit and the withdrawal.

Section: 8-6

(...)

Fixed Income Variation Margin Buy-In process for Fixed Income Variation Margin Delivery Failure

The Receiver of securities affected by a Fixed Income Variation Margin Delivery Failure may request that the Corporation execute a Buy-In on the day following the market standard settlement (T+2 / T+3, where T is the day of the original date of the request).

Same day settlement will be executed by CDCC on a best efforts basis. In the event of a failure to deliver by the counterparty to the Buy-In transaction on the same day, CDCC will execute the Buy-In transaction the following day without liability.

The Corporation shall only execute a Buy-In transaction pursuant to a formal request by a Receiver of securities affected by a Failed Delivery, by purchasing on the open market the collateral of the specified quantity and CUSIP/ISIN.

When initiated by a Receiver of securities, the Buy-In process shall be as follows:



1. The Receiver of securities who wants to initiate a Buy-In must send to the Corporation the appropriate Buy-In Scanned Form (which is accessible on CDCC's Secured Website) duly completed with the following information:
 - a. Clearing Member's Name;
 - b. Clearing Member's Number
 - c. The specific securities (Eligible Collateral) (ISIN) involved;
 - d. The total quantity of the Failed Delivery;
 - e. The quantity requested in the Buy-In;
 - f. The Buy-In delivery date, which shall be the current Business Day + no less than two (2) complete Business Days.

The Buy-In Scanned Form must be submitted to CDCC in the prescribed format and must be signed by an Authorized Representative of the Clearing Member~~authorization stamp of the Clearing Member properly affixed on the form (with initials)~~ before 10:00 a.m.

2. Upon receiving the duly completed Buy-In Scanned Form from a Receiver of securities, the Corporation will work with the Holder(s) of securities responsible for the Failed Delivery in order to validate if the delivery can be made within the number of Business Days specified in the Buy-In Scan Form (the "Buy-In Notice Delay").
3. At the expiry of the Buy-In Notice Delay, if the Provider(s) of securities has not delivered the relevant securities, the Corporation will initiate a cash trade on the open market.
4. Upon receipt of the securities, CDCC will deliver the requested securities to the Receiver that initiated the Buy-In transaction.
5. All fees incurred by the Corporation, including all costs with respect to the Buy-In transaction shall be charged to the Provider(s) of securities responsible for the Failed Delivery. Such fees will be included on the Monthly Clearing Fees Details Report (MB01) produced on the second Business Day of each month as a separate pay figure, payable to the Corporation on the fifth Business Day of each month through LVTS or any other payment method approved by the Corporation.



Section: 10- 1

SECURITY OFFICER

SECURITY OFFICER

The Security Officer must complete this form ~~and have it signed by with the an Authorized Representative authorization stamp~~ of the Clearing Member ~~properly affixed on the form (with initials)~~. When the form is complete, the Clearing Member can either scan the form and send it to the Corporate Operations group e-mail address: cdcc-ops@tmx.com, or fax the form to one of CDCC's offices.

Upon receipt of the form, the process for the addition / deletion is performed by one of CDCC's senior managers.



**CANADIAN DERIVATIVES CLEARING CORPORATION
CORPORATION CANADIENNE DE COMPENSATION DE PRODUITS DÉRIVÉS
OPERATIONS MANUAL**

, 2020



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<i>II.2- PUT PAYMENT ORDER</i>	<i>EXHIBIT B</i>



Section: 2-1

TIME FRAMES

ON-LINE ACCESS

Each Clearing Member must be connected to the CDCC Clearing Application using its PC terminals to perform a variety of functions. (Clearing Members must supply their own PC terminals and Internet connection, at their own cost).

All instructions (corrections, Open Position changes, Position Transfers, Deposits, withdrawals, and submission of Exercise Notices and Tender Notices) must be entered on-line.

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With respect to operational activity related to Options with an Expiration Date on Expiry Friday, CDCC staff members are on-site from 7:00 a.m. to fifteen (15) minutes after delivery of the Options Exercised and Assigned Report (MT02).

EXERCISES, TENDERS, ASSIGNMENTS AND DELIVERIES

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Daily Expirations (other than Expiry Friday)

When CDCC receives Underlying Interests' closing and opening prices from the relevant Exchange, the prices are specified on the relevant Expiry Report and are used to determine the In-the-Money Options and the Out-of-the-Money Options.

Clearing Members have until the Close of Business on any Business Day up to the Expiration Date to submit an Exercise Notice with respect to American Style Options to CDCC. European Style Options can only be exercised on their Expiration Date.

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2. The form must be signed by an Authorized Representative of the Clearing Member.
3. The properly delivered Exercise Notice will be accepted at any CDCC office.
4. The Exercise Notice must be properly delivered by five minutes before Close of Business.
5. The Clearing Member staff who deliver the Exercise Notice must be available until CDCC processes the exercise.

The CDCC Clearing Application will ensure that there are sufficient Option Open Positions of the relevant Series of Options in the relevant account of the Clearing Member for exercising the relevant Exercise Notice; if not, CDCC will reject the Exercise Notice. If there are sufficient Option Open Positions, the Clearing Member's Long Position is immediately reduced by the number of Option Open Positions exercised.

AN EXERCISE NOTICE CAN BE CANCELLED UNTIL CLOSE OF BUSINESS ON THE DAY IT IS SUBMITTED.

(...)

Buy-In Process (excluding Fixed Income Variation Margin Buy-Ins)

For a Buy-In in respect of the Acceptable Security, the following applies. As set forth in Subsection A-804(3) of the Rules, CDCC may effect a Buy-In transaction on its own initiative or pursuant to a formal request by a Receiver of Securities affected by a Failed Delivery by purchasing the missing quantity of the relevant Acceptable Securities on the open market.

When initiated by a Receiver of Securities, the Buy-In process shall be as follows:

1. The Receiver of Securities who wants to initiate a Buy-In must send to CDCC the appropriate Buy-In Scan Form (which is accessible on CDCC's Secured Website) duly completed, with the following information:
 - a. Clearing Member's Name;
 - b. Clearing Member's Number;
 - c. The Acceptable Security (ISIN) involved;
 - d. The total quantity of the Failed Delivery;
 - e. The quantity requested in the Buy-In;
 - f. The Buy-In delivery date, which shall be the current Business Day + not less than two (2) complete Business Days.

The Buy-In Scanned Form must be submitted to CDCC in the prescribed format and signed by an Authorized Representative of the Clearing Member.

2. Upon receiving the duly completed Buy-In Scan Form from a Receiver of Securities, CDCC will work with the Provider(s) of Securities responsible for the Failed Delivery in order to validate if the delivery can be made within the number of Business Days specified in the Buy-In Scan Form (the "Buy-In Notice Delay").
3. At the expiry of the Buy-In Notice Delay, if the Provider(s) of Securities have not delivered the relevant Acceptable Securities, CDCC will initiate a cash trade on the open market.
4. Once delivery is received by CDCC on the cash trade, CDCC will deliver the Acceptable Securities to the Receiver of Securities that requested the Buy-In transaction.
5. All fees incurred to CDCC, including all costs with respect to the Buy-In transaction shall be charged to the Provider(s) of Securities responsible for the Failed Delivery. Such fees will be included on the Monthly Clearing Fees Invoice (MB01) of the second Business Day of each month as a separate pay figure, payable to CDCC on the 5th Business Day of each month through LVTS or any other payment method approved by CDCC.



MARGIN PROCESSING

MARGIN FUND ACCOUNT

Margin Fund Account is the CDCS record provided to each Clearing Member containing all Margin deposited by such Clearing Member to CDCC, in respect of such Clearing Member's Base Initial Margin (or Adjusted Base Initial Margin, as the case may be), Additional Margin for Market Liquidity Risk, Additional Margin for Specific Wrong-Way Risk, Additional Margin for Mismatched Settlement Risk, Additional Margin for Intra-Day Variation Margin Risk, Additional Margin for Unpaid Option Premium Exposure Risk, Additional Margin for Banking Holiday Risk, Additional Margin for Variation Margin Delivery Risk, Additional Capital Margin Risk, Additional Margin for Uncovered Risk of Limited Clearing Members, Variation Margin for Options, and Variation Margin for Unsettled Items, in accordance with the Risk Manual and as set forth in Section 8-1 hereof.

In addition to the foregoing, an amount may be requested from a Clearing Member for the protection of the Corporation, Clearing Members or the investing public, in accordance with section A-702 of the Rules.

Each Clearing Member must record in its Margin Fund Account any deposit made to cover the shortfalls resulting from the requirements. Deposits must be in the form of Eligible Collateral, as specified in the Risk Manual, in an amount sufficient, taking into account the market value and applicable haircuts as specified in Section A-707.

Withdrawals

Clearing Members may request to withdraw any surplus amount from the Margin Fund Account, subject to applicable deadlines, as set forth in Section 2 of this Operations Manual. CDCC will respond within the specified time set forth in Section 2 and, on a best effort basis, approve the withdrawal in CDCC Clearing Application.

Substitutions

A Clearing Member may request to substitute a specific CUSIP/ISIN previously pledged in the Margin Fund Account to the Corporation. The Clearing Member must first pledge equivalent securities and withdraw the existing securities subject to substitution. The value of the equivalent securities so pledged must be equal to or in excess of the securities being withdrawn, subject to applicable deadlines, as set forth in Section 2 of this Operations Manual.

CDCC verifies the validity of each deposit made by Clearing Members and ensures that withdrawals of existing securities subject to substitution do not create deficits in the Clearing Member's Margin Fund Account. CDCC will respond within the specified time set forth in Section 2 and, on a best effort basis, approve the substitution in CDCC Clearing Application.

Pledging (CDS)

Securities pledges in the Margin Fund Account must be performed through CDSX in CDCC's account. The entries on the pledging screen of the CDCC Clearing Application are matched by CDCC to corresponding entries on the reporting system of the relevant Central Securities Depository.



In some cases an exchange of document at a CDCC Office by the Clearing Member (accompanied by a screen print of the entry bearing the signature of an Authorized Representative of the Clearing Member) may be accepted by CDCC as constituting a physical deposit or withdrawal.

After performing all the validation processes, CDCC confirms within the CDCC Clearing Application the Clearing Member's deposits and/or withdrawals.

Deposits, withdrawals and changes thereto will be reflected on the immediately following Business Day's Deposits and Withdrawals Report (MA01). In accordance with the Rules, any discrepancies that the Clearing Member notices against its own records should be reported to CDCC immediately.

Section: 8-2

Pledging (Tri Party - Securities Account with an Approved Custodian)

Subject to certain conditions, the Corporation may allow Clearing Members to pledge non-cash collateral for the purpose of meeting their Margin requirements pursuant to Rule A-7 (excluding Net Variation Margin Requirements and any other Margin which can otherwise only be cash settled) to a securities account maintained at a third party securities intermediary. The securities intermediary must enter into an Account Control Agreement with respect to the securities account and be an Approved Custodian, each as defined in the Rules.

Use of the Securities Account

1. The securities account shall only be maintained by a securities intermediary which is an Approved Custodian, as defined in the Rules.
2. Any securities held in the securities account maintained by the Approved Custodian, in the name of the Clearing Member, shall be subject to an Account Control Agreement.
3. The Account Control Agreement is a standard agreement that meets certain requirements, as prescribed in the Rules.
4. The securities account may not be used for Net Variation Margin Requirements or for settlement purposes.
5. The respective rights and obligations of the Clearing Member and CDCC with respect to the securities collateral held in the securities account are subject to the Rules, including:
 - a. All deposits, withdrawals and substitutions in the securities account are subject to the timeline described in Section 2 of this Manual and to the collateral policy described in Section 2 (Eligible Collateral) of the Risk Manual;
 - b. All deposits, withdrawals and substitutions made in the securities account shall also be entered in CDCC Clearing Application in accordance with the timeline described in Section 2 of this Manual and to the collateral policy described in Section 2 (Eligible Collateral) of the Risk Manual;

- c. Any withdrawal of securities held in the securities account is subject to CDCC's approval. The withdrawal must be entered in CDCC Clearing Application by the Clearing Member. A withdrawal authorization form must be signed by an Authorized Representative of the Clearing Member and must be transmitted to CDCC . CDCC will then, within the specified time to respond to a withdrawal request specified in Section 2, sign and transmit the withdrawal authorization form to the Custodian to proceed with the withdrawal;

Section 8-3

- d. Any substitution is subject to the deposit by the Clearing Member of the replacement securities in the securities account before the withdrawal of the replaced securities. Both the deposit and the withdrawal shall also be entered in CDCC Clearing Application by the Clearing Member. A substitution authorization form must be signed by an Authorized Representative of the Clearing Member and must be transmitted to CDCC . CDCC will then, within the specified time to respond to a substitution request specified in Section 2, sign and transmit the substitution authorization form to the Custodian to proceed with both the deposit and the withdrawal.

Section: 8-6

(...)

Fixed Income Variation Margin Buy-In process for Fixed Income Variation Margin Delivery Failure

The Receiver of securities affected by a Fixed Income Variation Margin Delivery Failure may request that the Corporation execute a Buy-In on the day following the market standard settlement (T+2 / T+3, where T is the day of the original date of the request).

Same day settlement will be executed by CDCC on a best efforts basis. In the event of a failure to deliver by the counterparty to the Buy-In transaction on the same day, CDCC will execute the Buy-In transaction the following day without liability.

The Corporation shall only execute a Buy-In transaction pursuant to a formal request by a Receiver of securities affected by a Failed Delivery, by purchasing on the open market the collateral of the specified quantity and CUSIP/ISIN.

When initiated by a Receiver of securities, the Buy-In process shall be as follows:

1. The Receiver of securities who wants to initiate a Buy-In must send to the Corporation the appropriate Buy-In Scanned Form (which is accessible on CDCC's Secured Website) duly completed with the following information:

- a. Clearing Member's Name;
- b. Clearing Member's Number
- c. The specific securities (Eligible Collateral) (ISIN) involved;
- d. The total quantity of the Failed Delivery;
- e. The quantity requested in the Buy-In;
- f. The Buy-In delivery date, which shall be the current Business Day + no less than two (2) complete Business Days.

The Buy-In Scanned Form must be submitted to CDCC in the prescribed format and must be signed by an Authorized Representative of the Clearing Member before 10:00 a.m.

2. Upon receiving the duly completed Buy-In Scanned Form from a Receiver of securities, the Corporation will work with the Holder(s) of securities responsible for the Failed Delivery in order to validate if the delivery can be made within the number of Business Days specified in the Buy-In Scan Form (the "Buy-In Notice Delay").
3. At the expiry of the Buy-In Notice Delay, if the Provider(s) of securities has not delivered the relevant securities, the Corporation will initiate a cash trade on the open market.
4. Upon receipt of the securities, CDCC will deliver the requested securities to the Receiver that initiated the Buy-In transaction.
5. All fees incurred by the Corporation, including all costs with respect to the Buy-In transaction shall be charged to the Provider(s) of securities responsible for the Failed Delivery. Such fees will be included on the Monthly Clearing Fees Details Report (MB01) produced on the second Business Day of each month as a separate pay figure, payable to the Corporation on the fifth Business Day of each month through LVTS or any other payment method approved by the Corporation.



SECURITY OFFICER

The Security Officer must complete this form and have it signed by an Authorized Representative of the Clearing Member. When the form is complete, the Clearing Member can either scan the form and send it to the Corporate Operations group e-mail address: cdcc-ops@tmx.com, or fax the form to one of CDCC's offices.

Upon receipt of the form, the process for the addition / deletion is performed by one of CDCC's senior managers.