NOTICE TO MEMBERS

No. 2020 - 113

September 3, 2020

BUFFER ON 10 YEARS VOLATILITY FLOOR FOR FUTURES AND OPTIONS

Further to the notice to members numbered 088-20 dated June 26th, 2020, CDCC would like to notify Clearing Members of the remaining step for the implementation of a buffer applied on the current volatility floor ('the buffered floor'). This buffered floor is used to calculate the Margin Interval (MI). Effective as of **Friday, September 4th, 2020** on the **10:30 am margin run**, the remaining Exchange-Traded Derivatives products (i.e.options and single stock futures contracts) will be subject to the buffered floor.

The un-buffered volatility floor is calculated as an average of the daily Exponentially Weighted Moving Average (EWMA) volatility estimators observed over the last 10 years. From September 4th onward, the volatility estimator that will be used to calculate the Margin Interval for Futures and Options Products will effectively be no lower than the calculated buffered floor.

Please also note that after review, CDCC has determined that for Short Term Interest Rates products (BAX, CRA, OBX), the current volatility floor will not be increased by a buffer since the current model already requires adequate IM in low volatility market environments.

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

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