



NOTICE TO MEMBERS

No. 2021 - 130

August 20, 2021

REQUEST FOR COMMENTS

AMENDMENTS TO RULES, OPERATIONS MANUAL, RISK MANUAL AND DEFAULT MANUAL OF THE CANADIAN DERIVATIVES CLEARING CORPORATION TO INTRODUCE A SUPPLEMENTAL LIQUIDITY FUND

On January 29, 2021, the Board of Directors of Canadian Derivatives Clearing Corporation (“CDCC”) approved certain amendments to the Rules, Operations Manual, Risk Manual and Default Manual of CDCC in order to require the Clearing Members to contribute to a new fund, the Supplemental Liquidity Fund.

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, Operations Manual, Risk Manual and Default 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 20, 2021. Please submit your comments to:

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

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For any question or clarification, Clearing Members may contact Martin Jannelle at 514-787-6578 or at martin.jannelle@tmx.com.

George Kormas
President



**AMENDMENTS TO RULES, OPERATIONS MANUAL, RISK MANUAL AND DEFAULT MANUAL OF
THE CANADIAN DERIVATIVES CLEARING CORPORATION (“CDCC”)
TO INTRODUCE A SUPPLEMENTAL LIQUIDITY FUND**

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I. DESCRIPTION

Principle 7 of the CPMI-IOSCO Principles For Financial Market Infrastructures (PFMIs), originally published in April 2012, states that an “FMI should effectively measure, monitor, and manage its liquidity risk. An FMI should maintain sufficient liquid resources in all relevant currencies to effect same-day and, where appropriate, intraday and multi-day settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate liquidity obligation for the FMI in extreme but plausible market conditions.”

Based on the foregoing, the Canadian Derivatives Clearing Corporation (“CDCC”) would like to amend its Rules, Operations Manual, Risk Manual and Default Manual to require the Clearing Members to contribute to a new fund, the Supplemental Liquidity Fund. Such contributions would be in Canadian dollars only. The Supplemental Liquidity Fund will ensure that CDCC constantly has sufficient liquidity to meet its payment obligations during stressed market conditions. It could be used by CDCC to meet various payment obligations and cover liquidity shortfalls on time with a high degree of confidence under various potential stress scenarios that should include, but not be limited to, the default of a Clearing Member and its affiliates that would generate the largest aggregate liquidity obligation to CDCC in extreme but plausible market conditions. Moreover, the Supplemental Liquidity Fund will be subject to replenishment provisions during a Default Management Process, similar to the existing provisions applicable to the Clearing Fund.

It is important to note that the Supplemental Liquidity Fund will not be used to cover any credit losses in any way. Except in specific circumstances, any usage to raise liquidity in the event of the suspension of a Clearing Member will be reimbursed after the end of the Default Management Period (as soon as practicable).

Unless otherwise defined in this Agreement, all defined terms shall have the meaning ascribed to them in CDCC Rules or Manuals, as the case may be.

II. PROPOSED AMENDMENTS

CDCC Rules

- CDCC will add new definition to the Rules: “Supplemental Liquidity Contributions” and “Supplemental Liquidity Fund”;
- The definition of the term “Uncovered Residual Risk” or “URR” will be amended to clarify its scope to credit losses - “Uncovered Residual Credit Risk” or “URCR”;
- Contribution to the Supplemental Liquidity Fund will become a standard for membership (A-1A02);
- As it is the case with the Clearing Fund, the requirement to contribute to the Supplemental Liquidity Fund will not apply to the Limited Clearing Members (A-1B01(5));
- Addition of Rule A-6A setting the terms, conditions and requirements of the new Supplemental Liquidity Fund;
 - The requests for Supplemental Liquidity Contributions remain at the discretion of CDCC;
 - Supplemental Liquidity Contributions determination and intra-month resizing;
 - Supplemental Liquidity Fund statement;

- Additional Supplemental Liquidity Contributions and withdrawals;
- Form of the contributions: cash only;
- Application of the contributions and reimbursement of the contributions when used by CDCC;
- Replenishment of the Supplemental Liquidity Fund during a Default Management Process, up to 200% of the surviving Clearing Members' Supplemental Liquidity Contributions;
- Pledge (hypothec) on the Supplemental Liquidity Contributions;
- Make good provisions;
- Refund of the Supplemental Liquidity Contributions in a Clearing Member ceased to be a member; and
- Finally, the Recovery Process provisions have been amended to indicate that the Supplemental Liquidity Contributions of a suspended Clearing Member will be used as part of the Default Waterfall.

CDCC is of the view that the existing default Rules (with respect to the non-confirming status and suspension) are large enough in scope to include any default to an obligation related to the Supplemental Liquidity Contributions. As a result, no change to the Rules is required on this point.

Operations Manual

- The "Time Frames" (Section 2) of the Operation Manual will refer to the timing of instructions for the payment and withdrawal of the Supplemental Liquidity Contributions;
- A new monthly CDCC report will be added to the list of reports; and
- Addition of a new Section 8A describing the new Supplemental Liquidity Fund.

Risk Manual

- CDCC has included new definitions: the term "Liquidity Shortfall" and the term "Uncovered Residual Liquidity Risk", to be distinguished from the term "Uncovered Residual Credit Risk";
- Addition of a new Section 1.3 with respect to the Supplemental Liquidity Contributions, with details on the determination of the Supplemental Liquidity Contributions (tier 1 contributions and tier 2 contributions). The Corporation may require a smaller amount of Supplemental Liquidity Contributions, at its discretion;
- Indication regarding the risk limits on the Supplemental Liquidity Fund;

Default Manual

- Clarifications made to Section 1.6 ("Default Waterfall") that CDCC may use amounts from the Supplemental Liquidity Contributions of a suspended Clearing Member as part of the Default Waterfall. As results, all amounts from the Supplemental Liquidity Fund used by CDCC shall be paid back after the Default Management Period, unless the amounts used by CDCC represent the Supplemental Liquidity Contributions of the suspended Clearing Member. If, at any time during a Default Management Process, CDCC must honor any liquidity obligations or exposure on a timely basis as a result of the suspension of a Clearing Member, CDCC will be authorized to use the Supplemental Liquidity Contributions required of the surviving Clearing Members to meet the liquidity obligations or exposure.
- All surviving Clearing Members' Supplemental Liquidity Contributions used by CDCC shall be paid back by the Corporation to the Supplemental Liquidity Fund after the Default

Management Period has ended. In total, CDCC may apply up to a maximum of 200% of the Supplemental Liquidity Contributions of all such surviving Clearing Members;.

- Section 3.5 (“Liquidity Management”) will be amended to refer specifically to the Supplemental Liquidity Fund and to indicate that CDCC will turn to its commercial bank liquidity lines, the Supplemental Liquidity Fund and other alternatives if it encounters any liquidity obligations or exposure; and
- Within the Recovery Process provisions, CDCC will amend Section 4.3 dealing with liquidity management to reflect the fact that the Supplemental Liquidity Fund could also be used by CDCC throughout the Recovery Process.

III. ANALYSIS

a. Background

CDCC’s current tools of managing the liquidity risk it may encounter includes, among other tools:

- drawing upon CDCC’s commercial bank liquidity lines, in whole or in part;
- raising liquidity through outright sales and/or repurchase transactions involving Securities of the defaulting Clearing Member;
- raising liquidity through the exercise of its rights of re-pledging/re-hypothecation of the suspended Clearing Member’s Margin Deposits; and
- raising liquidity through the exercise of its rights of re-pledging/re-hypothecation of surviving Clearing Members’ Clearing Fund Requirements.

Although very useful, these tools lack the flexibility to respond promptly to potential surges in daily liquidity needs. Some of these tools may require a waiting period of T+1 or T+2 before being usable. To mitigate the rising concerns of liquidity exposures, CDCC needs additional tools aiming to ensure sufficient liquid resources are available to prevent any potential “Liquidity Cover-1 breach”. CDCC has decided to enhance its compliance to PFMI standards (Principle 7) and its risk management practices by creating a new fund entitled the Supplemental Liquidity Fund.

b. Objectives

This additional liquidity resource, in the form of ready-available cash, will be coupled with CDCC’s other liquidity tools (including the existing credit facilities) to meet its requirements under the PFMI standards. In short, the Supplemental Liquidity Fund will be sized by CDCC to have sufficient resources to cover potential liquidity stress scenarios.

At first glance, the Supplemental Liquidity Fund will be similar to CDCC’s Clearing Fund, with the following differences:

First, the Supplemental Liquidity Fund will be exclusively used to cover liquidity obligations or exposure and therefore, it will not be subject to loss upon the default (suspension) of a Clearing Member. Notwithstanding this general statement, in the context of a Default Management Period, CDCC will be authorized to use (and not pay back) the Supplemental Liquidity Contributions of a suspended Clearing Member as part of CDCC’s Default Waterfall provisions.

Second, the Supplemental Liquidity Fund will consist of two tiers sizing based on the activity level of the Clearing Members. The Tier 1 will be based on the highest daily liquidity exposures for all Clearing Members for a 60-day lookback period, excluding those liquidity exposures during the expiry period (monthly or triple witching). The Tier 2 will be based on the positive difference between 1) the highest daily liquidity exposures of all Clearing Members over the expiry days for a 60-day lookback period (such period shall cover at least 3 expiries) and 2) the Tier 1 highest daily liquidity exposures. The recourse to a two tier calculation method is consistent with the long standing operating principle that requires Clearing Members to bear responsibility for the financial – or other - risks they pose to the operations of the derivatives clearing and settlement system. Notwithstanding the foregoing, CDCC may require different Tier 1 and Tier 2 amounts, at its discretion.

To understand the full impact of the proposed changes, CDCC has applied the foregoing calculation to the period beginning in October 2019 and ending in September 2020. For this period, the size of the Tier 1 Supplemental Liquidity Contributions would have fluctuated between \$0M and \$224.99M, with an average of approximately \$63.64M. For the Tier 2 Supplemental Liquidity Contributions, the value would have oscillated between \$0M and \$456.95M, with an average of approximately \$209.16M. Globally, the average size of the Supplemental Liquidity Fund would have been \$88.29M over that period, with minimum and maximum values of \$0M and \$456.95M.

CDCC is of the view that the proposed changes to the risk management process that are reflected through the proposed amendments will solidify CDCC's liquidity risk framework that is required to manage CDCC's and the Clearing Members' liquidity risks. The proposed amendments strengthen the operational tools that help CDCC identify, monitor and measure the liquidity risk.

c. Comparative Analysis

CDCC has reviewed the rules and procedures of the Depository Trust & Clearing Corporation (DTCC), and its subsidiary National Securities Clearing Corporation (NSCC) in the United States, and has determined that NSCC's rules contained similar provisions (request for supplemental liquidity deposits in NSCC's clearing fund) to the ones proposed by CDCC. In fact, in order to enable NSCC to effect the settlement of its payment obligations (mainly during expiry periods), NSCC has two principal sources of liquidity: supplemental liquidity deposits from the clearing members to its clearing fund and a committed line of credit¹.

As another example, the Options Clearing Corporation has maintained and renewed a \$2 billion committed credit facility from a consortium of banks, while reducing clearing member participation in such facilities to reduce concentration risk. The organization also enhanced the availability of pre-funded financial resources by requiring a minimum of \$3 billion in cash in its clearing fund, which is held at the Chicago Federal Reserve Bank. Finally, the OCC also became the first and only systemically important clearinghouse to add a new \$1 billion non-bank committed credit facility with a large U.S. pension fund².

¹ NSCC Rules and Procedures: <https://www.dtcc.com/legal/rules-and-procedures.aspx>

² <https://www.sec.gov/rules/sro/occ-an/2020/34-89039.pdf>

CME have rules that deal with liquidity risk management. The Clearing House will first attempt to obtain liquidity through asset sale, any uncommitted funding arrangements, its committed lines of credit and any committed repurchase agreements. In the event the Clearing House is unable to obtain same day settlement through such means, the Clearing House may declare the occurrence of a Liquidity Event which will lead to clearing members holding certain types of securities to replace such securities (treasury bonds) into cash on a short notice^{3 4}.

Finally, it is important to note that CDS Clearing and Depository Services Inc., an affiliate of CDCC, implemented a supplemental liquidity fund in early 2020. This fund is used by CDS to meet various payment obligations and cover liquidity shortfalls under various potential stress scenarios that include, but is not limited to, the default of the CDS participant and its affiliates that would generate the largest aggregate liquidity obligation to the CDS in extreme but plausible market conditions.

d. Analysis of Impacts

i. Impacts on Market

CDCC has conducted an analysis of the available tools in place to meet its liquidity obligations. When reviewing the possible options, CDCC gave significant consideration to the additional costs that could be incurred by the CDCC Clearing Members in the creation of a new fund. Impacts on the cost of borrowing could be the main consequence of the proposed change on some Clearing Members. For example, financing cash may involve different costs than those incurred by financing securities. However, this burden will be partially offset since the Clearing Members now receive (since early 2020) the amount of any interest, dividend or income received by CDCC (net of administration costs) on cash collateral provided to CDCC, provided the Clearing Members' obligations to CDCC have been fulfilled.

Finally, the proposed changes will apply to all CDCC Clearing Members equally (except the Limited Clearing Members). CDCC is of the view that there will be no impact on the securities and financial market. The proposed amendments are expected by CDCC's regulators.

ii. Impacts on Technology

Except for the creation of the new Supplemental Liquidity Fund in CDCC's systems and other configuration changes, which will not require any material work from CDCC, the proposed amendments are not expected to have an impact on technological systems or require changes to such systems for CDCC and the Clearing Members.

iii. Impacts on trading functions

The proposed amendments will not have any impact on the trading functions.

³See:<https://www.cmegroup.com/clearing/risk-management/files/cme-clearing-principles-for-financial-market-infrastructures-disclosure.pdf>

⁴<https://www.cmegroup.com/education/articles-and-reports/cme-clearing-liquidity-risk-management-practices.html>

iv. Public Interest

The proposed amendments are intended to enhance CDCC's observance of PFMI standards (including Principle 7), as required under CDCC's recognition orders as well as under National Instrument 24-102 (Clearing Agency Requirements) and related Companion Policy 24-102CP.

CDCC is the view that the proposed changes to the risk management process that are reflected through the proposed amendments will solidify CDCC's liquidity risk framework that is required to manage the Clearing Members' liquidity risks. The proposed amendments strengthen the operational tools that help CDCC identify, monitor and measure the liquidity risks.

The proposed changes are therefore not contrary to the public interest.

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.

V. ATTACHED DOCUMENTS

- Appendix 1: Rules, Operations Manual, Risk Manual and Default Manual



CANADIAN DERIVATIVES CLEARING CORPORATION

RULES

DECEMBER 11, 2020

PART A – GENERAL

RULE A-1 DEFINITIONS

Section A-101 SCOPE OF APPLICATION

Unless the context otherwise requires or unless different meanings are specifically defined, for all purposes of these Rules the capitalized terms used herein shall have the meanings given them in Section A-102.

Section A-102 DEFINITIONS

“Acceptable Instrument Types” or **“Acceptable OTCI”** – means Over-the-Counter Instruments which are determined by the Corporation as acceptable for clearing with the Corporation.

“Acceptable Marketplace” – means a bilateral or multilateral marketplace, other than an Exchange, where buyers and sellers conclude transactions in Acceptable Instrument Types including bilateral trades between two Fixed Income Clearing Members and which meets any of the following requirements (i) in the case of a marketplace which is an alternative trading system (**“ATS”**), it has qualified as such and complies with the applicable requirements of National Instrument 21-101 – *Marketplace Operations* (**“21-101”**) and National Instrument 23-101 – *Trading Rules* (**“23-101”**) as determined by the Corporation, and (ii) in the case of an inter-dealer bond broker (**“IDBB”**), it has qualified as such and complies with applicable IIROC Rules including IIROC Rule 2800 and applicable requirements of 21-101 and 23-101 as determined by the Corporation, and (iii) in the case of bilateral trades between Fixed Income Clearing Members involving an SRO Clearing Member, the SRO Clearing Member complies with applicable requirements of 21-101 and 23-101 as determined by the Corporation.

“Acceptable Security” – means a Security determined by the Corporation as acceptable for purposes of clearing Fixed Income Transactions and Futures for which the deliverable security is a fixed income security.

“Acceptable Treasury Bills” – means a short-term debt instrument, having a maturity of less than one year, issued by the Government of Canada and sold at a discount.

“Acceptable Underlying Interest” – means an Underlying Interest which is determined by the Corporation as acceptable for clearing by the Corporation.

“Acceptance Criteria” – means the criteria established by the Corporation for acceptance or rejection of an OTCI in accordance with the provisions of Section D-104.

“Account Control Agreement” – means an account control agreement in form acceptable to the Corporation entered into between the Corporation, a Clearing Member and an Approved Custodian.

“Additional Deposit” – means the additional amount required of the Clearing Member in addition to the Clearing Fund deposit pursuant to Section A-606.

“**Affiliate**” – means an Entity that controls, is controlled by, or is under common control with the Clearing Member. Control is defined as (a) ownership, control, or holding with power to vote 20% or more of a class of voting securities of the Entity or Clearing Member; or (b) consolidation of the Entity or Clearing Member for financial reporting purposes.

“**Afternoon Net DVP Settlement Requirement**” – has the meaning attributed thereto in Section D-601.

“**Afternoon Netting Cycle Timeframe**” – has the meaning attributed thereto in Section D-601.

“**American Option**” (or “**American Style Option**”) – means an Option which can be exercised at any time from issuance until its Expiration Date.

“**Amounts Due**” – has the meaning attributed thereto in Subsection A-409(10).

“**Application for Membership**” – means the Application for Membership which, when completed by a Clearing Member candidate and accepted by the Corporation, forms part of the Membership Agreement together with the Rules which are incorporated by reference therein and form a part thereof, as such Application for Membership may from time to time be amended, changed, supplemented or replaced in whole or in part.

“**Approved Custodian**” – means an Approved Securities Intermediary approved by the Corporation to act in such capacity pursuant to Section A-224.

“**Approved Depository**” – means an Approved Securities Intermediary approved by the Corporation to act in such capacity pursuant to Section A-223.

“**Approved Processes**” – means any CDCC function for processing Transactions for clearing by the Corporation. CDCC may make available more than one Approved Process in respect of any clearing service.

“**Approved Securities Intermediary**” – means a financial institution approved by the Corporation in accordance with the criteria set forth in Section A-222 and, as applicable, Sections A-223 and A-224.

“**Assigned Position**” – means the position of the Clearing Member in any account for which such Clearing Member is the assigned Clearing Member in such account.

“**At-the-Money Option**” – means a call Option or a put Option with an Exercise Price that is equal to the Market Price of the Underlying Interest.

“**Authorized Representative**” – means a person for whom the Clearing Member has filed evidence of authority pursuant to Section A-202.

“**Bank Clearing Member**” – means a Clearing Member that is a bank to which the *Bank Act* (Canada), as amended from time to time, applies.

“**Base Deposit**” – means the minimum Clearing Fund deposit required of each Clearing Member pursuant to Section A-603.

“**Base Initial Margin**” – means a component of the Margin deposit required of each Clearing Member calculated in accordance with the Risk Manual.

“**Board**” – means the Board of Directors of the Corporation.

“**Business Day**” – means any day on which the Corporation is open for business.

“**Business Hours**” – means from 2 a.m. (ET) to the Close of Business on any Business Day.

“**By-laws**” – means the By-laws of the Corporation as the same may be amended from time to time.

“**Calculation Agent**” – means the Corporation when calculating certain close-out amounts as provided in Subsection A-409(9).

“**Call Underlying Interest Deposit**” – means the deposit by an Approved Depository acting on behalf of a Clearing Member or a client thereof of the Underlying Interest of a call Option with the Corporation through a Central Securities Depository.

“**Canada Mortgage Bonds (CMB)**” – means bullet maturity bonds that are fixed rate with a semi-annual coupon issued by Canada Housing Trust and guaranteed by Canada Mortgage and Housing Corporation.

“**Capital Adequacy Return (CAR)**” – means the documents specified from time to time by the Office of the Superintendent of Financial Institutions in its guidelines relating to capital adequacy requirements applicable to banks.

“**Cash**” – means money in the lawful currency of Canada.

“**Cash Settlement Amount**” – means the amount determined by the Calculation Agent in accordance with Subsection A-409(6).

“**Cash Settlement Amount Calculation Request**” – has the meaning attributed thereto Subsection A-409(6).

“**Cash Settlement Amount Calculation Request Date**” – has the meaning attributed thereto Subsection A-409(6).

“**Cash Settlement Payment Default**” – has the meaning attributed thereto in Subsection A-409(6).

“**Cash Settlement Payment Request**” – has the meaning attributed thereto in Subsection A-409(6).

“**CDCC Daylight Credit Facility**” – means the daylight credit facility of the Corporation, the amount of which is subject to change from time to time, with prior notice to Clearing Members.

“**CDCC Materials**” – means any material, data and information developed, created or compiled by the Corporation and provided by the Corporation to the Clearing Members in any form, and including the software, trade-marks, logos, domain names, documentation (including the Rules), Approved Processes, technical information, systems (including the clearing systems and electronic transmission systems), hardware and networks, that comprises the CDCS provided by the Corporation to the Clearing Members.

“**CDCS**” – means “**Canadian Derivatives Clearing Service**” and refers to the clearing and settlement system operated by CDCC, which is governed by the Rules.

“**CDS**” – means CDS Clearing and Depository Services Inc., acting as Central Securities Depository in Canada or acting in any other capacity, or any successor thereof.

“**CDS Funds Account**” – means a funds account established by a CDS participant under the CDS Participant Rules.

“**CDS Securities Account**” – means a securities account established by a CDS participant under the CDS Participant Rules.

“**CDS Participant Rules**” – mean the rules and procedures established by CDS that may from time to time be amended, changed, supplemented or replaced in whole or in part.

“**CDSX**” – means the clearing and settlement system comprising the Depository Service and the Settlement Service (each as defined in the CDS Participant Rules) of CDS.

“**Central Securities Depository**” – means any central securities depository acceptable to the Corporation, including CDS.

“**Class Group**” – means all Options and Futures relating to the same Underlying Interest.

“**Class of Futures**” – means all Futures covering the same Underlying Interest.

“**Class of Options**” – means all Options of the same style within the same maturity category on the same Underlying Interest.

“**Clearing Fund**” – means the fund established pursuant to Rule A-6 Clearing Fund Deposits.

“**Clearing Member**” – means an applicant who has been admitted to membership in the Corporation.

“**Client**” – means those customers of a Clearing Member who are not Market Makers or trading on behalf of a broker.

“**Client Account**” – means the account or accounts required to be established for Transactions of the Clearing Members’ Clients pursuant to Sections B-102, B-103, C-102, C-103, D-102 and D-103.

“**Clients Settlement Account**” – means the account established by Section A-403.

“**Close of Business**” – means the time at which the Business Day ends, as specified in the Operations Manual. The time may, at the sole discretion of the Corporation, be modified to address shortened trading days on Exchanges.

“**Closing Buy Transaction**” – means an Exchange Transaction the result of which is to reduce or eliminate a Short Position in the Series of Futures involved in such transaction.

“**Closing Purchase Transaction**” – means an Exchange Transaction the result of which is to reduce or eliminate a Short Position in the Series of Options involved in such transaction.

“**Closing Sell Transaction**” – means an Exchange Transaction the result of which is to reduce or eliminate a Long Position in the Series of Futures involved in such transaction.

“**Closing Writing Transaction**” – means an Exchange Transaction the result of which is to reduce or eliminate a Long Position in the Series of Options involved in such transaction.

“**Commodity**” – means any agricultural product, forest product, product of the sea, mineral, metal, hydrocarbon fuel, natural gas, electric power, currency or precious stone or other gem, and any goods, article, service, right or interest, or class thereof, whether in the original or processed state.

“**Competent Authority**” – has the meaning attributed thereto in Subsection A-409(3).

“**Confirmation Transmission**” – means the electronic transmission made by a Clearing Member to the Corporation confirming that the Expiry Report detailed in Section B-307 is accepted.

“**Consolidated Activity Report**” – means a daily report listing all Options, Futures and OTCI transactions.

“**Consolidated Affiliate**” – means, with respect to a Clearing Member, an Entity the financial results of which are consolidated with those of such Clearing Member for financial reporting purposes.

“**Contract Specifications**” – means the specifications prescribed by the relevant Exchange with respect to a particular Option or Future.

“**Corporation**” or “**CDCC**” – means Canadian Derivatives Clearing Corporation.

“**CORRA Rate**” – has the meaning attributed thereto in Section D-601.

“**Corresponding CDCC Delivery Requirement**” – has the meaning attributed thereto in Subsection A-804(4).

“**Coupon Income**” – has the meaning attributed thereto in Section D-601.

“**Crown**” – means any of (i) the “Federal Crown”, which means Her Majesty the Queen in right of Canada, (ii) the “BC Crown”, which means Her Majesty the Queen in right of British Columbia, (iii) the “Alberta Crown”, which means Her Majesty the Queen in right of Alberta, (iv) the “Saskatchewan Crown”, which means Her Majesty the Queen in right of Saskatchewan, (v) the “Manitoba Crown”, which means Her Majesty the Queen in right of Manitoba, (vi) the “Ontario Crown”, which means Her Majesty the Queen in right of Ontario, (vii) the “Quebec Crown”, which means Her Majesty the Queen in right of Quebec, (viii) the “NB Crown”, which means Her Majesty the Queen in right of New Brunswick, (ix) the “NS Crown”, which means Her Majesty in right of Nova Scotia, (x) the “PEI Crown”, which means Her Majesty the Queen in right of Prince Edward Island, and (xi) the “Newfoundland Crown”, which means Her Majesty in right of Newfoundland and Labrador.

“**CSA**” – means the Canadian Securities Administrators.

“**Current Rating**” – means, at any particular time with respect to an Entity which has applied for membership as a Limited Clearing Member or which has been admitted as a Limited Clearing Member, as applicable, (i) a rating issued within the last 12 months by a Designated Rating Organization for such Entity, (ii) if the Entity is not the subject of a Current Rating issued by a Designated Rating Organization, a rating issued by a Designated Rating Organization within the last 12 months for the Long-term Obligation of such Entity, or (iii) if neither such Entity itself nor the Long-term Obligation of such Entity is the subject of a Current Rating issued by a Designated Rating Organization, a rating issued by a Designated Rating



Organization within the last 12 months for the Long-term Obligation of such Entity's Consolidated Affiliate or Plan Sponsor.

“**CUSIP/ISIN**” – are acronyms standing for Committee on Uniform Security Identification Procedures and International Securities Identification Number respectively, herein used to refer to a security identifier assigned by CDS to any security.

“**Daily Settlement Summary Report**” – means the report designated as such by the Corporation as described in the Operations Manual.

“**Debt Securities**” – has the meaning attributed thereto in Subsection A-707(2).

“**Default Auction**” – has the meaning attributed thereto in Section A-609(2).

“**Default Management Period**” – means the period described in Section A-411.

“**Default Management Period End Date**” – means the date described in Section A-411.

“**Default Manual**” – means any manual designated as such by the Corporation, as amended from time to time.

“**Default Value**” – means the value determined by the Calculation Agent in accordance with Subsection A-409(6).

“**Default Waterfall**” – means the sum of the amounts listed under Subsections A-1002(1)(a)(i) to (iii), inclusively and which are available to the Corporation.

“**Delivery Agent**” – means the party through which the Corporation will effect the transfer of the Underlying Interest between the buyer and seller.

“**Delivery Default**” – has the meaning attributed thereto in Subsection A-409(6).

“**Delivery Month**” – means the calendar month in which a Future may be satisfied by making or taking delivery.

“**Delivery Request**” – has the meaning attributed thereto in Subsection A-409(6).

“**Deposit**” – has the meaning attributed thereto in Subsection A-212(1)(a).

“**Depository Agreement**” – means an agreement entered into between the Corporation and an Approved Depository.

“**Depository Receipt**” – means a Put Escrow Receipt, a Call Underlying Interest Deposit or a Futures Underlying Interest Deposit.

“**Derivative Instrument**” – means a financial instrument, the value of which derives from the value of an Underlying Interest. Without limiting the foregoing, this Underlying Interest may be a commodity or a financial instrument such as a stock, a bond, a currency, a stock or economic index or any other asset.

“**Designated Eligibility Rating**” – has the meaning attributed thereto in Subsection A-1B04.

“Designated Maintenance Rating” – has the meaning attributed thereto in Section A-1B05.

“Designated Rating Organization” or **“DRO”** – means any of DBRS Limited, Fitch, Inc., Moody’s Canada Inc. or Standard & Poor’s Rating Services (Canada), or any other credit rating organization designated as a “designated rating organization” by the CSA under National Instrument 25-101 - *Designated Rating Organizations*, and includes any affiliate of a Designated Rating Organization that issues credit ratings in a foreign jurisdiction and that has been designated as a “DRO affiliate” under the terms of the CSA’s designation of such Designated Rating Organization.

“Detailed Futures Consolidated Activity Report” – means the report created by the Corporation on a daily basis reporting the aggregate position in Futures held by a Clearing Member, which also contains the Settlement of Gains and Losses for that Clearing Member for that day.

“Early Termination Date” – has the meaning attributed thereto in Subsection A-409(7).

“Electronic Communication” – means, in respect of the Corporation, any one or more of the following: the posting of a notice, report or other information on the Corporation’s website, the transmission of a notice, report or other information to a Clearing Member by means of electronic mail and the making available on the Corporation’s computer, in a form accessible to a Clearing Member, of a notice, report or other information.

“Emergency” – means a situation materially affecting the Corporation’s operations resulting from (i) riot, war or hostilities between any nations, civil disturbance, acts of God, fire, accidents, strikes, earthquakes, labour disputes, lack of transportation facilities, inability to obtain materials, curtailment of or failure in obtaining sufficient power, gas or fuel, computer malfunction (whether mechanical or through faulty operation), malfunction, unavailability or restriction of the payment, computer or bank wire or transfer system and any other cause of inability that is beyond the reasonable control of the Corporation; (ii) any action taken by Canada, a foreign government, a province, state or local government or body, authority, agency or corporation, and any Exchange, Central Securities Depository, Approved Custodian, Acceptable Marketplace, Market Centre and Delivery Agent; (iii) the bankruptcy or insolvency of any Clearing Member or the imposition of any injunction or other restraint by any government agency, court or arbitrator upon a Clearing Member which may affect the ability of that member to perform its obligations; (iv) any circumstance in which a Clearing Member, a Central Securities Depository, an Approved Custodian, an Approved Depository or any other Entity has failed to perform contracts, is insolvent, or is in such financial or operational condition or is conducting business in such a manner that such Entity cannot be permitted to continue in business without jeopardizing the safety of assets, of any Clearing Member or the Corporation; or (v) any other unusual, unforeseeable or adverse circumstance which is not within the control of the Corporation.

“End of Day DVP Settlement Time” – has the meaning attributed thereto in Section D-601.

“Entity” – shall include an individual, a legal person, a corporation, a partnership, a trust and an unincorporated organization or association.

“Escalation Procedure” – has the meaning attributed thereto in Section 11 of the Operations Manual.

“European Option” (or **“European Style Option”**) – means an Option which can be exercised only on its Expiration Date.

“**Event of Default**” – has the meaning attributed thereto in Subsection A-409(2).

“**Exchange**” – means an exchange whose trades are guaranteed and/or cleared by the Corporation.

“**Exchange Transaction**” – means a transaction through the facilities of an Exchange for:

- (a) the purchase or writing of an Option or the reduction or elimination of a Long or Short Position in an Option; or
- (b) the buying or selling of a Future or the reduction or elimination of a Long or Short Position in a Future.

“**Exercise Notice**” – means a notice to the Corporation in the form prescribed by the Corporation, notifying the Corporation of the intent of the Clearing Member executing such notice to exercise an Option.

“**Exercised Position**” – means the position of a Clearing Member in any account in respect of Options which have been exercised by such Clearing Member in such account.

“**Exercise Price**” – means the specified price per unit at which the Underlying Interest may be purchased (in the case of a call) or sold (in the case of a put) upon the exercise of an Option. (Sometimes referred to as the Strike Price.)

“**Exercise Settlement Amount**” – means the amount which must be paid by the Corporation to the Clearing Member exercising a put Option or who has been assigned a call Option, against delivery of the Underlying Interest.

“**Exercise Settlement Date**” – means the date prescribed by the relevant Exchange within Contract Specifications of a particular Option.

“**Expiration Date**” – unless otherwise specified, means, in the case of monthly Options, the third Friday of the month and year in which the Option expires, or in the case of weekly Options, any Friday following the listing week which is a Business Day, but which is not an expiration day for any other Options already listed on the same underlying. If any such Friday is not a Business Day, then the Expiration Date will be the first preceding Business Day that is not an expiration day for any other Options already listed on the same underlying.

“**Expiration Time**” – means the time on the Expiration Date, as fixed by the Corporation, at which the Option expires.

“**Expiry Response Screen**” – means a computer display also known as the “**Expiry Workspace**” made available to Clearing Members in connection with Rule B-3.

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

“**Failed Payment Against Delivery**” – has the meaning attributed thereto in Section A-806.

“**Failure to Pay**” – has the meaning attributed thereto in Subsection A-409(4).

“**Final Settlement Amount**” – means the amount determined by the Calculation Agent in accordance with Subsection A-409(10).

“**Financial Asset**” – has the meaning assigned to this term by the QSTA.

“**Financial Institution Clearing Member**” – means a Clearing Member that is either:

- (a) a financial services cooperative regulated pursuant to an *Act respecting Financial Services Cooperatives* (Québec), or
- (b) a credit union central or a central cooperative credit society, which is incorporated and regulated under the laws of Canada or under the legislature of a province,

one of whose principal purposes is to provide liquidity support to local credit unions or financial services cooperatives.

“**Firm**” – means a Clearing Member acting for its own account.

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

“**Fixed Income Clearing Member**” – has the meaning attributed thereto in Section D-601.

“**Fixed Income Transaction**” – has the meaning attributed thereto in Section D-601.

“**Forward Curve**” – means the summary representation of the price of a commodity on a forward basis obtained by amalgamating all Reference Prices by tenor as defined in Section D-201.

“**Forward Price**” – means the price extracted from the Forward Curve and used in the daily Mark-to-Market Valuation and margining processes as defined in Section D-202.

“**Future**” – means a contract:

- (a) in the case of a Future settled by delivery of the Underlying Interest, to make or take delivery of a specified quantity and quality, grade or size of an Underlying Interest during a designated future month at a price agreed upon when the contract was entered into on an Exchange; or
- (b) in the case of a Future settled in cash, to pay to or receive from the Corporation the difference between the final settlement price and the trade price pursuant to standardized terms and conditions set forth by the Exchange where the contract is concluded and which is cleared by the Corporation.

“**Future Tear-Up Amount**” – has the meaning attributed thereto in Section A-1008(5).

“**Futures Underlying Interest Deposit**” – means the deposit by an Approved Depository acting on behalf of a Clearing Member or a client thereof of the Underlying Interest of a Future with the Corporation through a Central Securities Depository.

“Futures Sub-Accounts Consolidated Activity Report” – means the report created by the Corporation on a daily basis reporting the aggregate position held by a Clearing Member in each of its sub-accounts, which also contains the Settlement of Gains and Losses for that day with respect to each sub-account.

“Good Deliverable Form” – Underlying Interests shall be deemed to be in good deliverable form for the purposes hereof only if the delivery of the Underlying Interests in such form would constitute good delivery under the Contract Specifications.

“Gross Delivery Requirement” – means the quantity of Acceptable Securities required to be physically delivered through a Central Securities Depository by or to a Clearing Member, expressed on a gross basis, in accordance with Subsection D-606(6).

“Gross Payment Against Delivery Requirement” – means the amount required to be paid against physical delivery through a Central Securities Depository by or to a Clearing Member, expressed on a gross basis, in accordance with Subsection D-606(6).

“Guaranteeing Delivery Agent” – means a Delivery Agent who bears the responsibility of guaranteeing the acquisition or delivery of the Underlying Interest in the event of a delivery failure.

“Include”, “Includes” and “Including” – where used in these Rules, means “include”, “includes” and “including”, in each case, without limitation.

“Insolvency Event” – has the meaning attributed thereto in Subsection A-409(3).

“Insolvency Proceedings” – has the meaning attributed thereto in Subsection A-409(3).

“In-the-Money-Option” – means a call Option with an Exercise Price that is less than the Market Price of the Underlying Interest or a put Option where the Exercise Price exceeds the Market Price of the Underlying Interest.

“Instrument” – means a bill, note or cheque within the meaning of the *Bills of Exchange Act* (Canada) or any other writing that evidences a right to the payment of money and is of a type that in the ordinary course of business is transferred by delivery with any necessary endorsement or assignment, but does not include a security.

“Intra-Day Margin Call” – means the requirement to deposit supplementary Margin, as determined by the Corporation in accordance with Section A-705, at any time the Corporation deems necessary, and notably at such times as are specified in Section 2 of the Operations Manual.

“Joint Regulatory Financial Questionnaire and Report” – means the documents required under the applicable rules of the Investment Industry Regulatory Organization of Canada.

“LCM RAD Net Gain” – has the meaning attributed thereto in Section A-1005(3)(c).

“Limited Clearing Member” – means an applicant that has been admitted to membership by the Corporation as a “Limited Clearing Member” in accordance with Rule A-1B and which has also been admitted to membership of the Corporation as a Fixed Income Clearing Member.

“Liquidating Settlement Account” – means the account created following the default of a Clearing Member to recognize the value of all gains, losses, and expenses due to or from the Non-Conforming Member during the liquidation of positions and Margin Deposits, in accordance with Section A-402.

“Long Position” – means a Clearing Member’s interest as:

- (a) the holder of one or more Options of a Series of Options; or
- (b) the buyer of one or more Futures of a Series of Futures; or
- (c) the buyer of an Over-the-Counter Instrument.

“Long-term Obligation” – means a senior unsecured debt the original maturity of which is greater than one year.

“Margin” – means any and all of the deposits made by or on behalf of a Clearing Member with the Corporation or another person (including a Central Securities Depository or any other type of Securities Intermediary, including an Approved Custodian, a financial institution or the Bank of Canada) required or made pursuant to Rule A-7 Margin Requirements.

“Margin Deposit” – means, collectively,

- (a) any and all Securities, Cash, Instruments, cheques, Underlying Interests, Underlying Interest Equivalents, Long Positions and Short Positions;
- (b) any and all of the deposits required or made pursuant to Rule A-6 Clearing Fund Deposits, Rule A-7 Margin Requirements, Rule B-4 Delivery and Payment with Respect to Options Exercised, Rule C-5 Delivery of Underlying Interest of Futures and Rule D-3 Physical Delivery of Underlying Interest on Over-the-Counter Instruments, including Margins, Base Deposits, Additional Deposits, Variable Deposits, Put Escrow Receipts, Call Underlying Interest Deposits, and Futures Underlying Interest Deposits, and any other form of deposit accepted from time to time by the Corporation; and
- (c) any and all Financial Assets transferred to the Corporation through the facilities of a Central Securities Depository or held by an Approved Securities Intermediary;

deposited by or on behalf of a Clearing Member with the Corporation or another person (including a Central Securities Depository or any other type of Securities Intermediary, including an Approved Custodian, a financial institution or the Bank of Canada) for purpose of the performance of the obligations of the Clearing Member under the Rules.

“Mark-to-Market Valuation” – means the value determined by the Corporation representing the net asset value of a Transaction or account held by a Clearing Member, as defined in Section D-202.

“Market Centre” – means the local facility where the exchange of Underlying Interests occurs.

“Market Maker” – means an individual who has been approved by the Exchange on which he trades to trade for his own account or for the account of the Exchange member or non-member by which he is employed or for which he acts as agent in Options or Futures, and may include a futures trader, an options trader, a trader member, a market maker and a market specialist.

“**Market Maker Account**” – means the account or accounts required to be established for Exchange Transactions of the Clearing Member’s Market Makers pursuant to Sections B-102, B-103, C-102 and C-103.

“**Market Price**” – means the aggregate price of the Unit of Trading of the Underlying Interest as determined by the relevant or applicable Exchange or Exchanges.

“**Matured Amounts**” – means any financial cash flows resulting from the expiration of an OTCI.

“**Maturity Date**” – means the date on which final obligations related to a Transaction are executed.

“**Minimum Threshold**” – means the quantity starting from which an OTCI can be cleared.

“**Morning Net DVP Settlement Timeframe**” – has the meaning attributed thereto in Section D-601.

“**Morning Net Payment Against Delivery Requirement**” – has the meaning attributed thereto in Section D-601.

“**Morning Netting Cycle Timeframe**” – has the meaning attributed thereto in Section D-601.

“**Multi-Purpose Account**” – means a Market Maker Account and/or a Netted Client Account.

“**Net Daily Premium**” – when applied to any account of a Clearing Member for any Settlement Time, means the net amount payable to or by the Corporation at such Settlement Time in respect of all Exchange Transactions of the Clearing Member in Options in such account as a purchasing Clearing Member and a writing Clearing Member.

“**Net Daily Settlement**” – means the amount shown on the Daily Settlement Summary Report.

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

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

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

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

“**Non-Conforming Member**” – has the meaning attributed thereto in Section A-1A04.

“**Non-delivered Assets**” – has the meaning attributed thereto in Subsection A-409(6)(d).

“**Non-Payment of the Cash Settlement Amount following a Delivery Default**” – has the meaning attributed thereto in Subsection A-409(6)(a).

“**Notional Quantity**” – means the size of the OTCI transaction expressed either outright, or in accordance with the number of contracts underlying the OTCI transaction.

“**Office Hours**” – means from 7:00 a.m. (ET) to 6:00 p.m. (ET) on any Business Day.

“**Open Interest**” or “**Open Position**” – means the position of a buyer or a seller of an Option, of a Future or of an OTCI which has not expired.

“**Opening Buy Transaction**” – means an Exchange Transaction the result of which is to create or increase a Long Position in the Series of Futures involved in such transaction.

“**Opening Purchase Transaction**” – means an Exchange Transaction the result of which is to create or increase a Long Position in the Series of Options involved in such Exchange Transaction.

“**Opening Sell Transaction**” – means an Exchange Transaction the result of which is to create or increase a Short Position in the Series of Futures involved in such transaction.

“**Opening Writing Transaction**” – means an Exchange Transaction the result of which is to create or increase a Short Position in the Series of Options involved in such Exchange Transaction.

“**Operations Manual**” – means the manual designated as such by the Corporation and any schedule to the Operations Manual including the Risk Manual, as amended from time to time.

“**Option**” – means a contract which, unless otherwise specified, gives the buying Clearing Member the right to buy (a call) or sell (a put) at a specified quantity of an Underlying Interest at a fixed exercise price during a specified time period and which obligates the writing Clearing Member to sell (a call) or buy (a put) the Underlying Interest, pursuant to standardized terms and conditions set forth by the Exchange where the contract is concluded or to the terms determined by the Corporation as acceptable and which is cleared by the Corporation.

“**Option Price**” – means the price per Option Series, reported by the Exchange at the end of any Business Day.

“**Option Tear-Up Amount**” – has the meaning attributed thereto in Section A-1008(5).

“**Option Type**” – means a put Option or a call Option.

“**Options Daily Transaction Report**” – means a report created by the Corporation providing the net premium payable/receivable.

“**OTCI Option Price**” – means the price per Option Series determined by the Corporation in accordance with the methodology set out in the Risk Manual.

“Out-of-the-Money Option” – means a call Option with an Exercise Price that exceeds the Market Price of the Underlying Interest or a put Option where the Exercise Price is less than the Market Price of the Underlying Interest.

“Over-the-Counter Instrument” or **“OTCI”** – means any bilaterally negotiated transactions, including Fixed Income Transactions, as well as any transactions entered into on any Acceptable Marketplaces.

“Payment Default” – has the meaning attributed thereto in Subsection A-409(5).

“Payment Request” – has the meaning attributed thereto in Subsection A-409(5).

“Pending Payment Against Delivery Requirements” – has the meaning attributed thereto in Section D-601.

“Pending Delivery Requirements” – has the meaning attributed thereto in Section D-601.

“Plan Sponsor” – means an Entity that established and maintains a registered pension plan.

“Postponed Payment Obligation” – with respect to the Corporation, means the amount by which its Afternoon Net DVP Settlement Requirement consisting of an obligation to pay against delivery of Acceptable Securities or its Gross Payment Against Delivery Requirement resulting from any Same Day Transaction submitted after the Afternoon Netting Cycle Timeframe and before the Submission Cut-Off Time, as the case may be, in favour of a Provider of Securities has been reduced as a result of the Provider of Securities’ failure to deliver Acceptable Securities on the Business Day they were due by the End of Day DVP Settlement Time and the payment by the Corporation of such reduction has been postponed until full delivery by the Provider of Securities in accordance with Subsection A-804(1); and with respect to a Clearing Member who is a Receiver of Securities, means the amount by which its Afternoon Net DVP Settlement Requirement consisting of an obligation to pay against delivery of Acceptable Securities or its Gross Payment Against Delivery Requirement resulting from any Same Day Transaction submitted after the Afternoon Netting Cycle Timeframe and before the Submission Cut-Off Time, as the case may be, in favour of the Corporation has been reduced as a result of the Corporation’s failure to deliver Acceptable Securities on the Business Day they were due by the End of Day DVP Settlement Time and the payment by such Clearing Member of such reduction has been postponed until full delivery by the Corporation in accordance with Subsection A-804(2).

“President” – means the person appointed by the Board as chief executive officer and chief administration officer of the Corporation.

“Product Type” – means the attribute of an OTCI which describes the rights and obligations of the counterparties involved in the transaction insofar as cash flows are concerned.

“Provider of Securities” – means a Clearing Member who owes to the Corporation a Net Delivery Requirement with respect to an Acceptable Security in accordance with Subsection D-606(3) or Paragraph A-801(2)(d) or a Gross Delivery Requirement with respect to an Acceptable Security in accordance with Subsection D-606(6), as the case may be.

“Put Escrow Receipt” – means a receipt, in a form that is acceptable to the Corporation, issued by an Approved Depository certifying that it holds Cash in the amount of the Exercise Price of a put Option on behalf of a Clearing Member or a client thereof, in trust for the Corporation.

“**Qualified Amount**” – means an amount which may be subject to the Reduced Amounts Distribution power, as defined under Section A-1005(3).

“**QSTA**” means the *Act respecting the transfer of securities and the establishment of security entitlements* (Quebec).

“**RAD Net Gain**” – has the meaning attributed thereto in Section A-1005(3)(b).

“**Receiver of Securities**” – means a Clearing Member who is owed by the Corporation a Net Delivery Requirement with respect to an Acceptable Security in accordance with Subsection D-606(3) or Paragraph A-801(2)(d) or a Gross Delivery Requirement with respect to an Acceptable Security in accordance with Subsection D-606(6), as the case may be.

“**Recovery Event**” – has the meaning attributed thereto in Section A-1002(1).

“**Recovery Loss Cash Payment**” – means the payment which may be required by the Corporation pursuant to Section A-1006.

“**Recovery Loss**” or “**Recovery Losses**” – has the meaning attributed thereto in Section A-1004.

“**Recovery Power**” – has the meaning attributed thereto in Section A-1001(1).

“**Recovery Process**” – has the meaning attributed thereto in Section A-1003.

“**Reduced Amounts Distribution Period**” – means the period during which the Corporation exercises the Reduced Amounts Distribution power, as defined under Section A-1005(2).

“**Reduced Amounts Distribution**” or “**RAD**” – means the Recovery Power defined under Section A-1005(1).

“**Reference Crown**” – means, with respect to an Entity that is a Crown Corporation, a mandatory of the Crown, an agency of the Crown or a public body of the Crown, the Crown which has established the Entity or under whose authority the Entity is acting.

“**Reference Price**” – means the price determined by the Corporation in accordance with Section D-201.

“**Registry**” – means any registry designated by the Corporation which, for the purposes of clearing Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units with physical settlement, has been established in order to ensure the accurate accounting of holding, transfer, acquisition, surrender, cancellation and replacement of the Carbon Dioxide Equivalent (CO₂e) Units.

“**Regulatory Body**” - with reference to a Financial Institution Clearing Member, means the Office of the Superintendent of Financial Institutions, association or other body, organization or agency, whether governmental, professional, self-regulatory or otherwise, having jurisdiction over that Clearing Member or over any part of the business carried on by it.

“**Replacement Eligibility Metric**” – has the meaning attributed thereto in Subsection A-1B04(g).

“**Replacement Maintenance Metric**” – has the meaning attributed thereto in Subsection A-1B04(g).

“**Replacement Metric**” – has the meaning attributed thereto in Subsection A-1B04(g).

“**Retained Amount**” – means an amount retained, collected, accounted for, or otherwise set aside by the Corporation in the exercise of its Reduced Amounts Distribution power, whether converted into cash or otherwise, as defined under Section A-1005.

“**Risk Limits**” – refers to the set of risk management limits imposed by the Corporation on Clearing Members’ clearing activities as updated from time to time by the Corporation.

“**Risk Manual**” – means the manual designated as such by the Corporation and any schedule to the Risk Manual including the Default Manual, as amended from time to time.

“**Rolling Delivery Obligation**” – with respect to a Clearing Member who is a Provider of Securities, means the quantity of a given Acceptable Security that it has failed to deliver to the Corporation under an Afternoon Net DVP Settlement Requirement consisting of an obligation to deliver Acceptable Securities under Subsection A-801(5) or a Gross Delivery Requirement resulting from any Same Day Transaction submitted after the Afternoon Netting Cycle Timeframe and before the Submission Cut-Off Time under Subsection D-606(6), as the case may be, on the Business Day it was due by the End of Day DVP Settlement Time, which is rolled into the calculation of the next Business Day’s Net Delivery Requirement (and the Net Delivery Requirement of each subsequent Business Day) of such Clearing Member, in accordance with, and until such time as set out under, Subsection A-804(1); and with respect to the Corporation and a Clearing Member who is a Receiver of Securities, means the quantity of a given Acceptable Security that the Corporation has failed to deliver to such Clearing Member under an Afternoon Net DVP Settlement Requirement consisting of an obligation to deliver Acceptable Securities under Subsection A-801(5) or a Gross Delivery Requirement resulting from any Same Day Transaction submitted after the Afternoon Netting Cycle Timeframe and before the Submission Cut-Off Time under Subsection D-606(6), as the case may be, on the Business Day it was due by the End of Day DVP Settlement Time (as a direct consequence of a Provider of Securities’ failure to deliver all or a part of its Afternoon Net DVP Settlement Requirement consisting of an obligation to deliver Acceptable Securities or its Gross Delivery Requirement resulting from any Same Day Transaction submitted after the Afternoon Netting Cycle Timeframe and before the Submission Cut-Off Time, as the case may be, in respect of such Acceptable Security on such Business Day) which is rolled into the calculation of the Corporation’s next Business Day’s Net Delivery Requirement (and the Net Delivery Requirement of each subsequent Business Day) in favour of such Clearing Member, in accordance with, and until such time as set out under, Subsection A-804(2).

“**Rules**” or “**these Rules**” – means the Rules of the Corporation and the Operations Manual, as any such rules, and manual may from time to time be amended, changed, supplemented or replaced in whole or in part.

“**SRO Clearing Member**” – means a Clearing Member that is within the audit jurisdiction of the Investment Industry Regulatory Organization of Canada.

“**Same Day Transaction**” – has the meaning attributed thereto in Section D-601.

“**Securities Intermediary**” – has the meaning assigned to this term by the QSTA.

“**Security**” – means a document that is:

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

- (b) of a type commonly dealt in upon securities exchanges or markets or commonly recognized in any area in which it is issued or dealt in as a medium for investment;
- (c) one of a class or series or by its terms is divisible into a class or series of documents; and
- (d) evidence of a share, participation or other interest in property or in an enterprise or is evidence of an obligation of the issuer;

and includes such a document, not evidenced by a certificate, the issue and any transfer of which are registered or recorded in records maintained for that purpose by or on behalf of the issuer.

“Series of Futures” – means all Futures of the same class covering the same quantity of an Underlying Interest and having the same delivery month.

“Series of Options” – means all Options of the same class, the same type, covering the same quantity of an Underlying Interest and having the same Exercise Price and Expiration Date.

“Settlement Accounts” – has the meaning attributed thereto in Section A-217.

“Settlement Agent” – has the meaning attributed thereto in Section A-1A01(h).

“Settlement Amount” – means the amount calculated in accordance with these Rules payable to the delivering Clearing Member upon delivery of or cash settlement for the Underlying Interest in respect of a Transaction.

“Settlement of Gains and Losses” – means the settlement with the Corporation of the gains and losses on Open Positions in Futures pursuant to Section C-302.

“Settlement Price” – means the official daily closing price of a Future, as determined in accordance with Section C-301.

“Settlement Time” – means, with respect to a particular Transaction and a particular Business Day, the time on such Business Day as established by the Corporation in the Operations Manual and if no Business Day is specified, the time on the next Business Day following the trade day, calculation date or Coupon Payment Date, as applicable, as established by the Corporation in the Operations Manual, by which time Settlement of Gains and Losses, premium payments, all Margin requirements and all other payments required in respect of such Business Day, trade day, calculation date or Coupon Payment Date must be submitted to the Corporation.

“Short Position” – means a Clearing Member’s obligation as:

- (a) the writer of one or more Options of a Series of Options; or
- (b) the seller of one or more Futures in a Series of Futures; or
- (c) the seller of an Over-the-Counter Instrument.

“**Spread Position**” means:

- (a) the situation in which there is carried in a Clearing Member’s Client Account both an Option in the Short Position and an Option of the same Class of Options in the Long Position; or
- (b) the situation in which there is carried in a Clearing Member’s Client Account both a Long Position and a Short Position in Futures.

“**Straddle Position**” – means an equal number of call and put Options covering the same Underlying Interest and having the same Exercise Price and Expiration Date.

“**Style of Options**” – means the classification of an Option as either an American Option or a European Option. (Parts A and B of these Rules shall apply to both Styles of Options unless a specific Style of Option is designated).

“**Submission Cut-Off Time**” – has the meaning attributed thereto in Section D-601.

“**Supplemental Liquidity Contributions**” – means any and all of the contributions required or made pursuant to Rule A-6A Supplemental Liquidity Fund.

“**Supplemental Liquidity Fund**” – means the fund established pursuant to Rule A-6A Supplemental Liquidity Fund.

“**Tear-Up Value**” – has the meaning attributed thereto in Section A-1008(3).

“**Tender Notice**” – means a notice to the Corporation in the form prescribed by the Corporation, notifying the Corporation of the intent of the Clearing Member executing such notice to deliver the Underlying Interest of the Future.

“**Termination Value**” – means the amount determined by the Calculation Agent in accordance with Subsection A-409(10)(e).

“**Trade Confirmation**” – means the official document issued to a Clearing Member which details the attributes of the OTCI transaction and which signals the acceptance of the transaction for clearing by the Corporation.

“**Trade Price**” – means the price agreed upon for the Future when the contract is entered into on an Exchange.

“**Transactions**” – means all Futures, Options and Over-the-Counter Instruments which are determined by the Corporation as acceptable for clearing.

“**Transaction Value**” – has the meaning attributed thereto in Subsection A-409(10)(b).

“**Type of Options**” – means the classification of an Option as either a “put” or a “call”.

“**Uncovered Residual Credit Risk**” or “**URRURCR**” – means the amount of risk determined by the Corporation to be uncovered by the Base Initial Margin model set in accordance with the Risk Manual, resulting from an estimation of the loss that the Corporation would face in extreme but plausible market



conditions done through rigorous stress tests. The ~~URR~~URCR represents the largest uncovered risk from a Clearing Member and its Affiliates (excluding Limited Clearing Members).

“**Underlying Interest**” – means an asset which underlies and determines the value of a Derivative Instrument or of an OTCI. The Underlying Interest may be a commodity or a financial instrument such as a stock, a bond, a currency, a stock or economic index or any other asset.

“**Underlying Interest Equivalent**” – means the Securities specified in Section A-706.

“**Unit of Trading**” – in respect of any Series of Futures and Series of Options or any OTCI, means the number of units of the Underlying Interest designated by the Corporation and the Exchange on which the Derivative Instrument is traded (as applicable) as being the number of units subject to a single Future or Option contract.

“**Valued Securities**” – has the meaning attributed thereto in Subsection A-707(3).

“**Variable Deposit**” – means the Clearing Fund deposit which may be required in addition to a Base Deposit pursuant to Section A-603.

“**Voluntary Contract Tear-Up**” – means the Recovery Power defined under Section A-1008(1).

**RULE A-1A
MEMBERSHIP IN THE CORPORATION**

**Section A-1A01
ELIGIBILITY FOR MEMBERSHIP**

[...]

**Section A-1A02
STANDARDS OF MEMBERSHIP**

Every applicant to become a Clearing Member must meet such standards as may be adopted from time to time by the Board, including the following:

- (a) the applicant must meet the minimum financial resilience requirements then in effect, in accordance with Section A-301 or, in the case of an applicant to become a Limited Clearing Member, the minimum financial resilience requirements for admission as a Limited Clearing Member then in effect, in accordance with Section A-1B04;
- (b) the applicant must be engaged, or propose to engage, in the clearance of Options or Futures which are the subject of Exchange Transactions or in the clearance of Fixed Income Transactions or other OTCI transactions through the facilities of the Corporation;
- (c) the applicant shall demonstrate to the Corporation that it maintains adequate operations facilities and staff and has sufficient and competent personnel for the expeditious and orderly transactions of business with the Corporation and other Clearing Members, and to meet the requirements of these Rules; and
- (d) unless the applicable Entity is applying to become a Limited Clearing Member, the applicant has deposited with the Corporation its initial deposit with the Clearing Fund in the amount and at the time required by the Rules and has signed and delivered to the Corporation an agreement in such form as the Board shall require; and
- (e) unless the applicable Entity is applying to become a Limited Clearing Member, the applicant has provided the Corporation with its initial Supplemental Liquidity Contributions to the Supplemental Liquidity Fund in the amount and at the time required by the Rules and the Risk Manual.

Section A-1A03 ADMISSION PROCEDURE

[...]

Section A-1A04 NON-CONFORMING MEMBER

- (1) A Clearing Member who is or may become insolvent or unable to meet its obligations shall immediately notify the Corporation of its situation by telephone. Such notice shall be confirmed by the Clearing Member by notice in writing to the Corporation sent by facsimile transmission within the next business day.
- (2) A Clearing Member who, in the judgement of the Corporation or pursuant to notification to the Corporation under Subsection (1), is or may be insolvent or unable to meet its obligations, becomes a Non-Conforming Member.
- (3) A Limited Clearing Member who does not meet the minimum ongoing financial resilience requirements prescribed in Section A-1B05 shall automatically be determined by the Corporation to be a Non-Conforming Member.
- (4) Without limiting the application of this Rule, any one of the following events, whether actual or anticipated by the Corporation, constitutes a reasonable ground for the Corporation to determine in its judgement that a Clearing Member is a Non-Conforming Member:
 - (a) breach of any term, eligibility, qualification, standard or condition of the Application for Membership or any other violation of these Rules;
 - (b) breach of a rule of an Exchange, a Central Securities Depository, an applicable self-regulatory organization or regulatory agency, or of any other recognized, designated or foreign investment exchange or clearing agency which in the Corporation's reasonable determination has a material adverse effect on the Clearing Member or its ability to perform its obligations to the Corporation;
 - (c) refusal of an application for membership, breach of the terms of membership or contractual agreement, or suspension, termination or expulsion from membership of an Exchange, a Central Securities Depository, an applicable self-regulatory organization, Market Centres and/or Delivery Agents, the Registry, or any other recognized, designated or foreign investment exchange or clearing agency;
 - (d) refusal of a licence, breach of the terms of its licence or withdrawal or suspension of such licence by a regulatory agency which in the Corporation's reasonable determination has a material adverse effect on the Clearing Member or its ability to perform its obligations to the Corporation;
 - (e) contemplated, threatened or actual action by a Crown, a regulatory agency, a court of justice or an administrative authority against or in respect of the Clearing Member under any provision or process of law or regulation which in the Corporation's reasonable

determination has a material adverse effect on the Clearing Member or its ability to perform its obligations to the Corporation;

- (f) default in a payment, deposit, contribution, delivery or acceptance of delivery required or payable under the Application for Membership or these Rules;
 - (g) an order, arrangement, proposal, distress or execution is presented, made or approved in any jurisdiction to or by a court of competent jurisdiction, a Crown or a regulatory agency, relating to the termination, bankruptcy, insolvency or winding up of the Clearing Member or the appointment of an administrator, receiver manager, trustee, or person with similar power in connection with the Clearing Member;
 - (h) the determination on reasonable grounds by the Corporation that the Clearing Member is in such financial or operating condition that its continuation as a Clearing Member in good standing would jeopardize the interests of the Corporation or other Clearing Members;
 - (i) any of the conditions set out in paragraphs (a) to (h) applies to an Affiliate of a Clearing Member, having, in the reasonable judgement of the Corporation, a material impact on the financial condition of the Clearing Member; or
 - (j) such other event which in the Board's or, if time does not permit action by the Board, the Corporation's, reasonable determination has a material adverse effect on the Clearing Member or its ability to perform its obligations to the Corporation.
- (5) If a Clearing Member is late in making a payment at Settlement Time, the Corporation shall impose fines and may deem that Clearing Member a Non-Conforming Member, in accordance with Section 7 of the Operations Manual. In addition, the Board may take disciplinary measures set forth in Rule A-5 against the Non-Conforming Member.
- (6) Notwithstanding anything to the contrary contained in Subsection A-1A04(4), if (a) a Clearing Member is in default in relation to any payment, deposit, delivery or acceptance of delivery required or payable under these Rules, (b) the Escalation Procedure is applicable in connection with such default, and (c) such Clearing Member has duly notified the Corporation under the Escalation Procedure in accordance with Section 11 of the Operations Manual, the Corporation may, subject to complying with the Escalation Procedure and providing prior notification to the Bank of Canada, determine that such Clearing Member is a Non-Conforming Member.
- (7) Except where the Corporation has been notified under Subsection (1), the Corporation shall, in writing or by telephone, notify a Clearing Member that it has become a Non-Conforming Member. Before doing so, the Corporation will enter into consultations with the Bank of Canada with respect to a Clearing Member who may be affected by an order under subsection 39.13(1) of the *Canada Deposit Insurance Corporation Act* or the Affiliates of such Clearing Member. The Corporation may also, in its sole discretion, notify the Board, all Clearing Members, the Exchanges, the appropriate self-regulatory organization or regulatory agency of which the Clearing Member is a member, the regulatory agency of the Corporation, and such other Entities as the Corporation may consider appropriate.

- (8) The Corporation can reinstate the status of a Non-Conforming Member to a Clearing Member in good standing if the Clearing Member resolves, to the satisfaction of the Corporation, the issue(s) which led to its Non-Conforming Member status.

[...]

**RULE A-1B
LIMITED CLEARING MEMBERS MEMBERSHIP**

**Section A-1B01
LIMITED CLEARING MEMBERS CORE PRINCIPLES**

(1) No Clearing Fund Contribution

Subject to applicable law, a Limited Clearing Member shall not be required to make a deposit or contribution to the Clearing Fund or to provide any other type of collateral or Margin Deposit to the Corporation which could be realized upon, applied or used by the Corporation in connection with the failure by another Clearing Member to pay or perform any of its obligations to the Corporation.

(2) No Obligation Resulting From the Default of Another Clearing Member

Subject to applicable law and Section A-1005, Limited Clearing Members shall not have any obligation to the Corporation in connection with the failure by another Clearing Member to pay or perform any of its obligations to the Corporation.

(3) No Reduction of Corporation's Obligations

Subject to applicable law and Section A-1005, the Corporation shall not have the right to reduce or terminate any of its obligations to any Limited Clearing Member in connection with the failure by another Clearing Member to pay or perform any of its obligations to the Corporation.

For further clarity, no Limited Clearing Member will be subject to any Recovery Power which may be available to the Corporation in connection with the failure by another Clearing Member to pay or perform any of its obligations to the Corporation or in connection with a Recovery Process, other than the exercise of the Corporation's Reduced Amounts Distribution power pursuant to Section A-1005. This shall not preclude a Limited Clearing Member to voluntarily participate in any (i) auction held by the Corporation in connection with the failure by another Clearing Member to pay or perform any of its obligations to the Corporation or (ii) Recovery Power in accordance with the Rules.

(4) Specific Margin Requirements

A Limited Clearing Member shall be required to deposit Margin in accordance with Section A-1B08 and the Operations Manual.

(5) No Supplemental Liquidity Fund Contribution

Subject to applicable law, a Limited Clearing Member shall not be required to make Supplemental Liquidity Contributions to the Supplemental Liquidity Fund.

[...]

**RULE A-2
MISCELLANEOUS REQUIREMENTS**

[...]

**RULE A-3
FINANCIAL RESILIENCE REQUIREMENTS**

[...]



RULE A-4 ENFORCEMENT

[...]



**RULE A-5
DISCIPLINARY PROCEEDINGS**

[...].

**RULE A-6
CLEARING FUND DEPOSITS**

**Section A-601
CLEARING FUND MAINTENANCE AND PURPOSE**

[...]

**Section A-602
AMOUNT OF CLEARING FUNDS**

[...]

**Section A-603
AMOUNT OF DEPOSIT**

- (1) The required deposit of each Clearing Member to the Clearing Fund shall be an amount equal to the total of:
- (a) an Options Clearing Base Deposit, if the Clearing Member has been accepted to clear Options;
 - (b) a Futures Clearing Base Deposit, if the Clearing Member has been accepted to clear Futures;
 - (c) an OTCI Clearing Base Deposit, if the Clearing Member has been accepted to clear OTCI transactions other than Fixed Income Transactions;
 - (d) a Fixed Income Transactions Clearing Base Deposit, if the Clearing Member has been accepted to clear Fixed Income Transactions; and
 - (e) a Variable Deposit equal to the amount by which (i) the Clearing Member's contribution, in accordance with the methodology set out in the Risk Manual, to the Corporation's Uncovered Residual Credit Risk exceeds (ii) such Clearing Member's Base Deposits.
- (2) Within a calendar month, if the Corporation determines that an increase to the Variable Deposit is necessary to protect its financial integrity, the Corporation will notify with a Clearing Fund statement the concerned Clearing Member(s) which shall increase in the determined amount and approved form its contribution to the Clearing Fund. The contribution to the Clearing Fund by the concerned Clearing Member(s) must be received by the Corporation on the following Business Day (T+1) by 10 a.m. (no same-day contribution).

[...]

RULE A-6A
SUPPLEMENTAL LIQUIDITY FUND

Section A-6A01
SUPPLEMENTAL LIQUIDITY FUND MAINTENANCE AND PURPOSE

- (1) The Corporation shall establish a Supplemental Liquidity Fund relating to all Transactions cleared by the Corporation. Each Clearing Member, except Limited Clearing Members, admitted to clear Transactions at the Corporation shall maintain contributions in the Supplemental Liquidity Fund of the amounts from time to time required by the Corporation at its discretion, and determined as set forth in the Risk Manual. The Supplemental Liquidity Fund shall be used for the purposes set out in Section A-6A07.
- (2) The Supplemental Liquidity Fund is constituted of the aggregate amount of the Supplemental Liquidity Contributions required by each Clearing Member at the close of each calendar month. Unless otherwise specified, the Supplement Liquidity Fund shall not include any contributions made in excess of the amount of the Supplemental Liquidity Contributions required by each Clearing Member.
- (3) This Rule A-6A is not applicable to Limited Clearing Members.

Section A-6A02
AMOUNT OF SUPPLEMENTAL LIQUIDITY CONTRIBUTIONS

Within a calendar month, if the Corporation determines that an increase to the Supplemental Liquidity Contributions is necessary to protect the Corporation from any existing or potential liquidity risks, the Corporation will notify with a Supplemental Liquidity Fund statement the concerned Clearing Member which shall increase in the determined amount its Supplemental Liquidity Contributions to the Supplemental Liquidity Fund. The Supplemental Liquidity Contribution to the Supplemental Liquidity Fund by the concerned Clearing Member must be received by the Corporation on the following Business Day (T+1) by 10 a.m. (no same-day contribution).

Section A-6A03
SUPPLEMENTAL LIQUIDITY FUND STATEMENT

On the first Business Day of each calendar month, the Corporation shall issue to each Clearing Member a Supplemental Liquidity Fund statement that shall list the current amount of such Clearing Member's Supplemental Liquidity Contributions to the Supplemental Liquidity Fund and the amount of contributions required of such Clearing Member. Any surplus over and above the amount required or any deficit to be satisfied will also be shown. A Supplemental Liquidity Fund statement will also be issued intra-monthly if an increase to the Supplemental Liquidity Fund is necessary. The Supplemental Liquidity Contributions required by the Clearing Member to satisfy any deficit must be received by the Corporation on the following Business Day (T+1) by 10 a.m. (no same-day contribution).

Section A-6A04
ADDITIONAL SUPPLEMENTAL LIQUIDITY CONTRIBUTIONS

Whenever a Clearing Member's Supplemental Liquidity Fund statement shows a deficit, such Clearing Member shall satisfy the deficit by a Supplemental Liquidity Contributions to the Corporation on the Business Day (T+1) following the issuance of the Supplemental Liquidity Fund statement, by 10 a.m. (no same-day contribution).

Section A-6A05
WITHDRAWALS

In the event that the Supplemental Liquidity Fund statement of a Clearing Member shows a surplus, the Clearing Member may request the withdrawal of such surplus by submitting a withdrawal request in the form and time prescribed by the Corporation.

Section A-6A06
FORM OF SUPPLEMENTAL LIQUIDITY CONTRIBUTIONS

- (1) Supplemental Liquidity Contributions to the Supplemental Liquidity Fund shall be in the form of Cash. Contributions in Cash shall be transferred by irrevocable funds transfer to the Corporation and may, from time to time, be partially or wholly invested by the Corporation for its account. To the extent not so invested, they shall be deposited to the credit of the Corporation in such financial institutions as the Board may select. The Corporation may determine from time to time to either pay interest or charge negative interest on such invested or deposited Cash. The Corporation publishes on its website information on the interest net of administration costs to be distributed to the Clearing Members, on the calculation of interest rates or negative interest rates as well as on any changes to the applicable calculation method of interest rates due to extraordinary market conditions or market disruption. Such information will be amended from time to time by the Corporation.
- (2) Any Supplemental Liquidity Fund Contributions shall be deemed to be deposited with the Corporation at the time the Corporation accepts the Cash.

Section A-6A07
APPLICATION OF SUPPLEMENTAL LIQUIDITY FUND

- (1) The Supplemental Liquidity Fund can be used by the Corporation to meet any liquidity obligations or exposure suffered by the Corporation at any time including, without limitation, during a Default Management Period provided, however, that the Supplemental Liquidity Fund cannot be used in the allocation of, or for the payment of, residual credit losses. Subject to the provisions of Subsection A-6A07(2), all amounts from the Supplemental Liquidity Fund used by the Corporation shall be paid back by the Corporation to the Supplemental Liquidity Fund as soon as practicable.
- (2) Without limiting the generality of Subsection A-6A07(1), the Corporation shall be authorized to use a suspended Clearing Member's Supplemental Liquidity Contributions as well as the

- Supplemental Liquidity Contributions required of all other Clearing Members in order for the Corporation to meet any liquidity obligations or exposure suffered by the Corporation during a Default Management Period. Subject to provisions of the Default Manual, all amounts from the Supplemental Liquidity Fund used by the Corporation shall be paid back by the Corporation to the Supplemental Liquidity Fund after the Default Management Period had ended, unless such amounts represent the Supplemental Liquidity Contributions of the suspended Clearing Member and were allocated by the Corporation to cover credit losses as part of the Default Waterfall.
- (3) Whenever the Corporation wishes to use any amounts from the Supplemental Liquidity Fund, the Corporation shall promptly notify each Clearing Member of the amount to be used and the reasons therefor.
- (4) Without limiting the rights of the parties under Section A-6A05 and Subsections A-6A07(1) and (2), at the sole discretion of the Corporation, all Cash deposited with the Corporation as Supplemental Liquidity Contributions by any and all Clearing Members may be pledged, repledged, hypothecated, rehypothecated or transferred by the Corporation as security for, or in connection with, the Corporation's own obligations to any person incurred in order to obtain liquidity for the purpose of assisting the Corporation to honour any liquidity obligations or exposure on a timely basis. The Corporation shall be deemed to continue to hold all Cash contributed to the Supplemental Liquidity Fund, regardless of whether the Corporation has exercised its rights under this Subsection A-6A07(4).
- (5) Without limiting the rights of the Corporation under Subsections A-6A07(2) and A-6A07(4), during a single Default Management Period, the Corporation shall be authorized to use, with respect to each Clearing Member that has not been suspended, no more than 200% of the Supplemental Liquidity Contributions required by such Clearing Member as of the date of the commencement of the Default Management Period to handle any liquidity obligations or exposure it may encounter during the Default Management Period.
- (6) Each Clearing Member grants to the Corporation a first ranking pledge and hypothec over all Supplemental Liquidity Contributions. This pledge shall secure the payment of any liquidity obligations or exposure that the Corporation may suffer from time to time. The Clearing Member shall execute and deliver (or cause to be executed and delivered) such documents as the Corporation may from time to time request for the purpose of confirming or perfecting the pledge granted to the Corporation by the Clearing Member; provided that the failure by the Corporation to request or by the Clearing Member to execute and deliver (or cause to be executed and delivered) such documents shall not limit the effectiveness of the pledge in favour of the Corporation.
- (7) The Corporation may at its sole discretion grant a pledge or a hypothec over or transfer all property provided as Supplemental Liquidity Contributions by a Clearing Member which has been suspended, as security for, or in connection with, the Corporation's own obligations to any person incurred in order to obtain liquidity for the purpose of assisting the Corporation to honour its obligations on a timely basis further to the designation by the Corporation of such Clearing Member as being a suspended Clearing Member. In such circumstances, the Corporation shall grant a pledge or a hypothec over or transfer such Clearing Member's Supplemental Liquidity Contributions before doing so with respect to the Supplemental Liquidity Contributions of other Clearing Members. The Corporation shall be deemed to continue to hold all Supplemental Liquidity Contributions regardless of whether the Corporation has exercised its rights under this Subsection A-6A07(7).

Section A-6A08

MAKING GOOD ON CHARGES TO SUPPLEMENTAL LIQUIDITY FUND

Whenever the Corporation uses Supplemental Liquidity Contributions from the Clearing Members that have not been suspended, in accordance with Subsection A-6A07(2), such Clearing Members shall be liable to make good the deficiency, if any, in their contributions resulting from such use on the Business Day following the date that the Supplemental Liquidity Contributions are used (T+1), by 10 a.m. (no same-day contribution), unless the Corporation issues a notice specifying a later date. Notwithstanding the foregoing, Clearing Members will not be liable to make good during a single Default Management Period more than an additional 200% of the amount of their Supplemental Liquidity Contributions required at the beginning of the Default Management Period as prescribed by the Rules.

Section A-6A09

CONTRIBUTIONS REFUND

Thirty days after a Clearing Member has ceased to be a member of the Corporation in accordance with Section A-1A09, the Corporation shall authorize such former member to withdraw its Supplemental Liquidity Contributions.

**RULE A-7
MARGIN REQUIREMENTS**

[...]



**RULE A-8
DAILY SETTLEMENT**

[...]

RULE A-9
ADJUSTMENTS IN CONTRACT TERMS

[...]

RULE A-10 RECOVERY PROCESS

Section A-1001 RECOVERY POWERS

(1) [...]

Section A-1002 DECLARATION OF RECOVERY PROCESS

- (1) During a Default Management Period, the Corporation may declare the commencement of a Recovery Process, subject to approval by the Board, upon the occurrence of either of the following events (each, “**Recovery Event**”):
- (a) the Corporation, acting reasonably, determines that its Recovery Losses in connection with the suspension of the applicable Clearing Member may exceed the sum of the following amounts (which shall collectively be referred to as the “**Default Waterfall**”):
 - (i) the suspended Clearing Member’s Margin Deposit (including, without limitation, deposits required or made as Margin and Clearing Fund) and Supplemental Liquidity Contributions;
 - (ii) the Corporation’s own capital resources specifically set aside for such purpose;
 - (iii) 200% of the aggregate value of all Clearing Fund deposits required at the beginning of the Default Management Period of the Clearing Members which have not been suspended during the Default Management Period; or
 - (b) after the exercise by the Corporation of its rights and remedies set out in Rule A-4 in connection with the suspension of the applicable Clearing Member, the Corporation reasonably determines that it has been, or will likely be, unable to close-out all the positions of the suspended Clearing Member.
- (2) Upon the declaration of the commencement of a Recovery Process, the Corporation will notify all Clearing Members, the Exchanges, any regulatory agency having oversight over the Corporation, the Bank of Canada and any such other Entities as the Corporation may consider appropriate.

[...]



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

MANUEL DES OPÉRATIONS

~~12 JUIN 2020~~

DÉLAIS

ACCÈS EN LIGNE

Chaque membre compensateur doit se connecter à l'application de compensation de la CDCC en se servant de son terminal sur ordinateur personnel pour exécuter diverses fonctions (les membres compensateurs doivent fournir, à leurs frais, leurs propres terminaux sur ordinateur personnel et connexion Internet).

Toutes les instructions (corrections, changements de positions en cours, transferts de positions, dépôts, [contributions](#), retraits et présentation d'avis de levée et d'avis de livraison) doivent être inscrites en ligne.

L'application de compensation de la CDCC permet aux membres compensateurs de visualiser leurs renseignements courants toute la journée de façon électronique (sauf pendant les entretiens périodiques ou les pannes imprévues). De plus, les membres compensateurs peuvent télécharger leurs rapports après 19 h chaque jour grâce à la fonction de téléchargement FTP.

Si un membre compensateur n'a pas d'accès électronique (en raison de problèmes techniques) à l'application de compensation de la CDCC durant les heures de bureau, la CDCC peut exécuter des instructions au nom du membre compensateur. Pour ce faire, le membre compensateur doit téléphoner à la CDCC et télécopier le formulaire approprié à la CDCC ou le numériser et l'envoyer par courriel. Ce formulaire doit être autorisé avec le timbre d'approbation du membre compensateur.

Pour ce qui est des activités opérationnelles relatives aux options dont la date d'expiration est un vendredi d'expiration, des membres du personnel de la CDCC sont sur place à partir de 7 h jusqu'à quinze (15) minutes après la remise du rapport des options levées et cédées (MT02).

CDCC - RAPPORTS

SUJETS DES RAPPORTS

Les rapports destinés aux membres compensateurs renferment les renseignements suivants :

Opérations	Rapports relatifs aux opérations des membres compensateurs, comme les données saisies sur les opérations, les corrections d'opérations, les rejets d'opérations et les levées/livraisons. Ces rapports commencent avec le code alphabétique MT.
Frais	Rapports relatifs à l'encaissement des frais de service auprès du membre compensateur. Ces rapports commencent avec le code alphabétique MB.
Règlements	Rapports relatifs aux primes, aux règlements des gains et pertes et à la marge. Ces rapports commencent avec le code alphabétique MS.
Actifs	Rapports relatifs à la maintenance de l'actif des membres compensateurs ainsi qu'aux renseignements de dépositaire. Ces rapports commencent avec le code alphabétique MA.
Livraison	Rapports relatifs aux obligations de livraison et aux livraisons non réglées. Ces rapports commencent avec le code alphabétique MD.
Positions	Rapports relatifs aux positions détenues par des membres compensateurs séparément des contrats à terme, des options, des IMHC et des opérations sur titres à revenu fixe. Ces rapports commencent avec le code MP.
Échéances	Rapports qu'utilisent les membres compensateurs pour vérifier les positions venant à échéance et les levées automatiques. Ces rapports commencent avec le code alphabétique MX.
Risque	Rapports relatifs à la gestion des risques. Ces rapports commencent avec le code alphabétique MR.

CDCC - RAPPORTS

DÉTAILS DES RAPPORTS

Code du rapport	Nom du rapport (en anglais - traduction française en italique)	Description du rapport
Quotidien :		
MA01	Deposits and Withdrawals Report (<i>Rapports sur les dépôts et retraits</i>)	Détails sur les dépôts et retraits du membre compensateur à l'égard du compte de fonds de garantie, du fonds de compensation et du compte de marge de variation à l'égard des opérations sur titres à revenu fixe. (Nota : on trouvera les lettres D, W et PW à côté de la date de dépôt).
MD01	Options Unsettled Delivery Report (<i>Relevé des livraisons d'options non réglées</i>)	Liste des livraisons non réglées pour des options.
MD51	Futures Unsettled Delivery Report (<i>Relevé des livraisons de contrats à terme non réglées</i>)	Liste des livraisons non réglées pour des contrats à terme (sauf les contrats à terme sur actions) - l'émission et le nombre de contrats à terme qui doivent être livrés - le compte auquel la livraison a été attribuée et le membre compensateur opposé - le montant de règlement et la date de règlement.
MD52	Share Futures Unsettled Delivery Report (Relevé des livraisons de contrats à terme sur actions non réglées)	Liste des livraisons non réglées pour des contrats à terme sur actions - l'émission et le nombre de contrats à terme sur actions qui doivent être livrés - le compte auquel la livraison a été attribuée et le membre compensateur opposé - le montant de règlement et la date de règlement
MD70	Fixed Income Net Settlement Delivery Status Report (<i>Rapport sur les règlements de titres à revenu fixe</i>)	L'état de l'activité quotidienne des règlements de titres acceptables auprès du dépositaire officiel de titres du membre compensateur.
MD71	Settlement Obligation Calculated Amounts Reports (<i>Relevé des montants établis à l'égard des obligations de règlement</i>)	Renseignements sur chaque instruction de règlement produite à la sortie du règlement intrajournalier qui est pris en compte dans le traitement de l'obligation de règlement ponctuel (PITSO, <i>Point-in-Time Settlement Obligation</i>)
MD72	Settlement Obligation Fulfillment (<i>Rapport d'exécution des obligations de règlement</i>)	Les différentes modifications de statut des instructions de règlement pendant le traitement de l'obligation de règlement ponctuel (PITSO). Ce rapport comporte trois parties : règlements, parties en faute causant la mise en attente et annulations.
MP01	Options Open Positions Report (<i>Rapport sur les positions en cours sur options</i>)	Liste de toutes les positions en cours pour les options de vente et d'achat du membre compensateur.
MP02	Sub-Account Options Open Positions Report (<i>Rapport sur les positions en cours sur</i>	Liste de toutes les positions en cours sur options dans les comptes auxiliaires des comptes-clients, comptes-firmes et comptes polyvalents du membre compensateur.

CDCC - RAPPORTS

	<i>options des comptes auxiliaires)</i>	
MP21	Contract Adjustment Report <i>(Rapport sur les rajustements de contrats)</i>	Liste des positions vendeurs et des positions acheteurs du membre compensateur avant et après le rajustement de contrats pertinents.
MP51	Futures Open Positions Report <i>(Rapport sur les positions en cours sur contrats à terme)</i>	Liste des positions en cours sur contrats à terme et sur options sur contrats à terme du membre compensateur pour tous les comptes.
MP70	Fixed Income Forward Repo Position Report <i>(Rapport sur les pensions sur titres à revenu fixe futures)</i>	Liste des pensions sur titres du membre compensateur acceptées par la CDCC pour compensation.
MP71	Fixed Income Repo Conversion Position Report <i>(Rapport sur la conversion des pensions sur titres)</i>	Liste des pensions sur titres du membre compensateur qui sont passées de pensions sur titres futures à pensions sur titres courantes dans la journée.
MP73	Fixed Income Running Repo Open Positions Report <i>(Rapport sur les pensions sur titres courantes en cours)</i>	Liste des pensions sur titres courantes du membre compensateur à ce jour.
MP75	Fixed Income Forward Net Settlement Positions Report <i>(Rapport sur les positions de règlement nettes futures)</i>	Liste des obligations futures de positions de règlement nettes du membre compensateur.
MP79	Daily Repo Rate Mark to Market Report <i>(Rapport du taux de rachat EVM journalier)</i>	Liste des exigences de taux de rachat du membre compensateur.
MS01	Daily Settlement Summary Report <i>(Sommaire quotidien des règlements)</i>	Liste des soldes d'actif avec les exigences de marge et le règlement en espèces en dollars canadiens et américains.
MS06	Total Margin Requirement Report <i>(Rapport sur la marge totale)</i>	Liste de la marge totale avec ventilation par catégories, types de comptes (firme, client, multi-usage) et comptes auxiliaires.
MS07	Intra-Day Margin Report <i>(Rapport sur la marge intrajournalière)</i>	Détails des appels de marge avec les exigences de marge par compte.
MS08	Daily Margin Activity Report <i>(Relevé quotidien des marges)</i>	Liste des détails des positions par groupe de classes avec les exigences de marge.
MS10	Variation Margin Summary Report <i>(Relevé récapitulatif de la marge de variation)</i>	Liste des détails des activités de marge de variation du membre compensateur soumettant des opérations sur titres à revenu fixe et suggestion de titres à rendre s'il y a lieu.
MS70	Fixed Income Net Settlement Position Activity Report <i>(Rapport d'activité sur la position de règlement net de titres à revenu fixe)</i>	Liste des opérations sur titres à revenu fixe qui composent la position de règlement net du membre compensateur.

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MS73	Entitlement Report (<i>Rapport sur les événements de droits et privilèges</i>)	Liste de tous les paiements de coupon du membre compensateur soumettant des opérations sur titres à revenu fixe.
MS75	Fixed Income End of Day Settlement Instruction Report (<i>Rapport des directives de fin de journée de règlement de titres à revenu fixe</i>)	Détail des directives de règlement net du membre compensateur, devant être communiquées au dépositaire officiel de titres après l'heure limite de compensation.
MS77	Net Payment Against Delivery Requirement (<i>Exigence de paiement net contre livraison</i>)	Renseignements à l'échelle du compte auxiliaire sur les règlements intervenus pendant le traitement de l'obligation de règlement ponctuel (PITSO).
MS78	Forward NSP & Settlement Instruction Reconciliation Report (<i>Rapport sur les positions de règlement nettes futures et instructions de règlement pour le rapprochement d'opérations</i>)	Rapport sur les positions de règlement nettes futures et les instructions de règlement destiné aux membres compensateurs pour le rapprochement d'opérations.
MT01	Options Daily Transaction Report (<i>Relevé quotidien des opérations sur options</i>)	Liste des détails pour tous les contrats d'options du jour ouvrable précédent.
MT02	Options Exercised and Assigned Report (<i>Rapport sur options levées et assignées</i>)	Liste des totaux pour les positions levées et les positions assignées sur options par série d'options (y compris les valeurs en dollars de débit et de crédit des opérations).
MT03	List of Options/Cash Adjustments Report (<i>Liste des rajustements d'options/en espèces</i>)	Liste de tous les rajustements d'opérations et changements de positions en cours, y compris les rajustements en espèces et les transferts de position.
MT05	Options Consolidated Activity Report (<i>Rapport d'activité consolidé sur les options</i>)	Liste de toutes les positions avec les activités, y compris les primes sur options.
MT06	Options Sub-Account Consolidated Activity Report (<i>Rapport d'activité consolidé sur les options des comptes auxiliaires</i>)	Liste des positions avec les activités, y compris les primes sur options uniquement pour les comptes auxiliaires de client, firme et polyvalent.
MT10	Unconfirmed Items Report (<i>Rapport sur les éléments non confirmés</i>)	Liste de tous les éléments qui demeureraient non confirmés par le membre compensateur opposé à la fin du jour ouvrable courant.
MT29	Trades Rejection Modification Report (<i>Rapport sur la modification de rejets d'opérations</i>)	Liste de tous les rejets d'opérations originaux et modifiés pour le membre compensateur.
MT51	Final Futures Daily Transaction Report (<i>Rapport</i>)	Liste des détails des opérations pour toutes les activités sur contrats à terme et sur options sur contrats à terme.

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	<i>quotidien des opérations sur contrats à terme final)</i>	
MT52	Futures Tenders and Assignments Report (<i>Relevé des livraisons et assignations de contrats à terme</i>)	Liste de tous les détails sur les avis de livraison et les positions assignées.
MT53	List of Futures/Cash Adjustments Report (<i>Liste des rajustements de contrats à terme</i>)	Liste des détails sur tous les rajustements d'opérations sur contrats à terme et sur options sur contrats à terme, les changements de positions en cours, y compris les rajustements en espèces et les transferts de position.
MT54	Futures Trading Summary Report (<i>Rapport sommaire sur les opérations sur contrats à terme</i>)	Liste de toutes les séries de contrats à terme et d'options sur contrats à terme et des cours, et des volumes auxquels chaque série a été négociée. Liste du nombre de contrats achetés et vendus pour chacun des prix de l'opération sur série de contrats à terme.
MT60	Share Futures Tender and Assigned Report (Relevé des livraisons et assignations de contrats à terme sur actions)	Liste des totaux des positions livrées et assignées de contrats à terme sur actions (y compris les valeurs en dollars de débit et de crédit des opérations)
MT66	Futures Sub-Account Consolidated Activity Report (<i>Rapport d'activité consolidé sur les contrats à terme des comptes auxiliaires</i>)	Liste des positions sur contrats à terme et sur options sur contrats à terme avec les activités, y compris les règlements des gains et pertes et les primes sur contrats à terme respectivement, des comptes auxiliaires client, firme et polyvalent.
MT70	Fixed Income Novated Transactions Report (<i>Rapport des opérations sur titres à revenu fixe novées</i>)	Liste des opérations sur titres à revenu fixe quotidiennes du membre compensateur qui ont été novées à la CDCC conformément à l'application de compensation de la CDCC.
MT71	Fixed Income CSD Novated Trades Report (<i>Rapport du dépositaire officiel de titres sur les opérations sur titres à revenu fixe novées</i>)	Liste des informations fournies par le dépositaire officiel de titres à la CDCC concernant les opérations sur titres à revenu fixe quotidiennes soumises pour compensation par le membre compensateur.
MT73	Fixed Income Trade Rejection Report (<i>Rapport d'opérations sur titres à revenu fixe rejetées</i>)	Liste des détails des opérations sur titres à revenu fixe qui ont été rejetées (DK) par la CDCC ou par le membre compensateur lui-même.
MT74	Fixed Income Not-Novated Transactions Report (<i>Rapport d'opérations sur titres à revenu fixe non novées</i>)	Liste des opérations sur titres à revenu fixe quotidiennes n'ayant pas été novées à la CDCC, y compris celles qui sont rejetées ou orphelines.
MT92	Options on Futures Exercised & Assigned Report (<i>Rapport sur les options sur contrats à terme levées et assignées</i>)	Liste des totaux des positions levées et des positions assignées sur options sur contrats à terme par série. Nota : La valeur des positions levées et des positions assignées sur options sur contrats à terme est de néant.
MT99	Detailed Futures Consolidated Activity Report	Liste détaillée de toutes les positions sur contrats à terme avec les activités, y compris les règlements des gains et

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	<i>(Rapport d'activité consolidé détaillé sur les contrats à terme)</i>	pertes. Liste détaillée de toutes les positions sur options sur contrat à terme et activités, y compris les primes sur contrats à terme.
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Mensuel :		
MA71	Clearing Fund Statement <i>(Relevé des dépôts au fonds de compensation)</i> (mensuel et intramensuel)	Indique l'obligation du membre compensateur (sauf le MCRL) à l'égard du fonds de compensation. Liste des dépôts courants du membre compensateur (sauf le MCRL) dans le fonds de compensation et de ce qui est dû.
MAXX	<u>Supplemental Liquidity Fund Statement <i>(Relevé du fonds de liquidité supplémentaire)</i> (mensuel et intramensuel)</u>	<u>Indique les contributions de liquidité supplémentaire du membre compensateur (sauf le MCRL). Liste des contributions de liquidité supplémentaire actuelles du membre compensateur (sauf le MCRL) dans le fonds de liquidité supplémentaire et de ce qui est dû.</u>
MB01	Monthly Clearing Fees Invoice <i>(Facture mensuelle des frais de compensation)</i>	Ce rapport résume les frais mensuels de compensation sous forme de facture - IL N'Y A AUCUN PAIEMENT À EFFECTUER. Le système inclut automatiquement l'encaissement des frais dans le règlement quotidien au cours de la matinée du cinquième jour ouvrable du mois.
MB02	Monthly Clearing Fees Details Report <i>(Rapport mensuel détaillé sur les frais de compensation)</i>	Ce rapport renferme les quatre sous-rapports suivants : « Frais » - il s'agit des produits par compte auxiliaire. « Sommaire par catégorie » - il s'agit d'un sommaire par produit. « Sommaire par compte auxiliaire » - il s'agit d'un sommaire des frais d'opération par compte auxiliaire sans égard au produit. « Sommaire par type d'opération sur compte » - il s'agit d'un sommaire des frais d'opération par compte auxiliaire.
MB03	Monthly Fixed Income Clearing Fees Invoice <i>(Facture mensuelle des frais de compensation liés aux opérations sur titres à revenu fixe)</i>	Ce rapport fait état des frais de compensation qui sont dus par le membre compensateur à l'égard de ses opérations sur titres à revenu fixe.
MT40	Broker Ranking by Account Report <i>(Rapport sur le classement des courtiers par compte)</i>	Classement individuel du membre compensateur au sein de la CDCC pour les contrats, la valeur négociée et les opérations (négociation uniquement) par mois avec cumul annuel.
Période du PEPS :		
MP56	FIFO Position Report <i>(Rapport sur la position du PEPS)</i>	Liste des séries de contrats à terme avec positions par ordre chronologique, contrats en positions.
MP60	FIFO Declaration vs. Open Position Report <i>(Déclaration du PEPS contre rapport sur les positions en cours)</i>	Liste des positions sur contrats à terme du membre compensateur et la déclaration des positions acheteurs du PEPS.
Échéance d'options sur contrats à terme :		
MT51	Final Futures Daily Transaction Report <i>(Rapport)</i>	Liste des détails des opérations pour toutes les activités sur contrats à terme et sur options sur contrats à terme.

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	<i>quotidien des opérations sur contrats à terme finales)</i>	
MX11	Futures Options Expiry Report (<i>Relevé des échéances des options sur contrats à terme</i>)	Liste de toutes les options sur contrats à terme venant à échéance avec les montants des options en jeu ou des options hors-jeu et les positions de levée automatique pour les échéances.
MX12	Futures Options Expiry Adjustments Report (<i>Relevé des rajustements à l'échéance des options sur contrats à terme</i>)	Liste de tous les rajustements des opérations et des changements de positions en cours sur les séries <u>venant à échéance</u> uniquement.
MX13	Futures Options Expiry Difference Report (<i>Relevé des écarts d'échéance des options sur contrats à terme</i>)	Liste de tous les changements, suppressions et/ou ajouts déclarés aux levées dans le relevé des échéances des options sur contrats à terme (MX11).
Échéance des options (vendredi soir) :		
MT01	Options Daily Transaction Report (<i>Relevé quotidien des opérations sur options</i>)	Liste du détail des opérations de tous les contrats d'options venant à échéance un jour ouvrable.
MT02	Options Exercised and Assigned Report (<i>Relevé des options levées et assignées</i>)	Liste des totaux des positions levées et des positions assignées sur options par série d'options (y compris les valeurs en dollars de débit et de crédit des opérations).
MX01	Expiry Report (<i>Relevé des échéances</i>)	Liste de toutes les options venant à échéance avec les montants des options en jeu ou des options hors-jeu et les positions de levée automatique pour les échéances.
MX02	List of Expiry Adjustments Report (<i>Liste des rajustements au relevé des échéances</i>)	Liste de tous les rajustements aux opérations et des changements de positions en cours sur les séries d'options venant à échéance uniquement.
MX03	Expiry Difference Report (<i>Relevé des écarts d'échéance</i>)	Liste de tous les changements, suppressions et/ou ajouts déclarés aux levées dans le relevé des échéances.
Échéance des IMHC :		
MX01	Expiry Report (<i>Relevé des échéances</i>)	Liste de toutes les options venant à échéance avec les montants des options en jeu ou des options hors-jeu et des positions de levée automatiques pour les échéances.
Échéance du jour ouvrable suivant :		
MP11	Expired Options Positions Report (<i>Relevé des positions sur options échues</i>)	Liste du solde des positions sur options échues du membre compensateur après le processus d'échéance du vendredi d'expiration.
MP12	Expired Futures Options Positions Report (<i>Relevé des positions sur options sur contrats à terme échues</i>)	Liste du solde des positions sur options sur contrats à terme échues du membre compensateur après le processus d'échéance du vendredi.

PROCÉDURE D'INTERVENTION

FONDS DE LIQUIDITÉ SUPPLÉMENTAIRE

Chaque membre compensateur (sauf les MCRL) qui est autorisé à compenser des opérations doit maintenir des contributions de liquidité supplémentaire au fonds de liquidité supplémentaire. De telles contributions sont requises de temps à autre par la CDCC et leur montant est déterminé conformément à la règle A-6A des règles de la CDCC et au Manuel des risques. Le fonds de liquidité supplémentaire a été créé pour protéger la CDCC contre d'éventuelles obligations de liquidité ou une éventuelle exposition à un risque de liquidité auxquelles la CDCC pourrait être confrontée et il sera utilisé aux fins énoncés à la règle A-6A des règles de la CDCC.

Relevé du fonds de liquidité supplémentaire

Le premier jour ouvrable de chaque mois civil, la CDCC remettra à chaque membre compensateur (à l'exception des MCRL) un relevé du fonds de liquidité supplémentaire qui indique le montant courant des contributions de liquidité supplémentaire au fonds de liquidité supplémentaire du membre compensateur et le montant des contributions de liquidité supplémentaire requises du membre compensateur. Un relevé du fonds de liquidité supplémentaire (MAXX) sera également remis au cours du mois s'il faut augmenter le montant des contributions de liquidité supplémentaire. Toute insuffisance entre les contributions de liquidité supplémentaire qui figurent au fonds de liquidité supplémentaire et les contributions de liquidité supplémentaire exigées d'un membre compensateur doit être acquittée au plus tard le jour ouvrable suivant (T+1) avant 10 h (aucun dépôt ne sera accepté le jour même).

Contributions de liquidité supplémentaire

Il faut effectuer les contributions de liquidité supplémentaire au fonds de liquidité supplémentaire sous forme de montants en espèces. Les contributions de liquidité supplémentaire au fonds de liquidité supplémentaire sont évaluées de la manière définie dans le manuel des risques.

Retraits

Les membres compensateurs (sauf les MCRL) peuvent demander de retirer tout excédent du fonds de liquidité supplémentaire.

Mises en gage

Il faut effectuer la mise en gage de montants en espèces conformément à la Règle A-6A



RISK MANUAL

~~JUNE 12, 2020~~

Glossary

Unless otherwise defined in this Risk Manual, capitalized terms shall have the meanings given to them in the Rules.

Adjusted Base Initial Margin: With respect to Limited Clearing Members, the Base Initial Margin is multiplied by the Effective Ratio. The Effective Ratio is recalibrated on a regular basis as provided in this Manual.

Additional Margin(s): Additional Margins are added to the Base Initial Margin (or Adjusted Base Initial Margin, where applicable) to form part of the Initial Margin in accordance with the methodology set out in this Manual. The Additional Margins include the following: (1) Additional Margin for Market Liquidity Risk, (2) Additional Margin for Specific Wrong-Way Risk, (3) Additional Margin for Mismatched Settlement Risk, (4) Additional Margin for Intra-Day Variation Margin Risk, (5) Additional Margin for Unpaid Option Premium Exposure Risk, (6) Additional Margin for Banking Holiday Risk, (7) Additional Margin for Variation Margin Delivery Risk, (8) Additional Margin for Capital Risk, (9) Additional Margin for Uncovered Risk of Limited Clearing Members and (10) any other additional Margins as set out in the Rules (other than required pursuant to Rule D-607). When used in the singular form, Additional Margin shall refer to one of the Additional Margins described above, whenever the context so requires.

Additional Margin for Banking Holiday Risk: The Additional Margin for Banking Holiday Risk covers the risk of uncovered exposures arising from new trades during the Banking Holiday and the additional market risk that the Corporation could face during the Banking Holiday.

Additional Margin for Capital Risk: This Margin requirement covers the credit risk of the Clearing Members that arises if the exposure of a Clearing Member to the Corporation is greater than the Clearing Member's capital level.

Additional Margin for Intra-day Variation Margin Risk: This Margin requirement covers the intra-day risk arising in circumstances in which market volatility or surges in trading volumes produce unusually large Variation Margin exposures.

Additional Margin for Market Liquidity Risk: This Margin requirement covers the liquidity risk arising when the Corporation has to close-out positions at a price different than the market price. This liquidity risk could be divided into two components: the first one is the inherent market liquidity risk which is mainly associated to the bid-ask spread, and the second one is the additional liquidity risk due to concentrated positions that cannot be liquidated within the bid-ask spread.

Additional Margin for Mismatched Settlement Risk: This Margin requirement covers the risk arising from a lag between the settlement of positions which otherwise results in a margin offset.

Additional Margin for Specific Wrong-Way Risk: This Margin requirement covers the risk that arises when the exposure of a Clearing Member in its own products is adversely correlated with the creditworthiness of that Clearing Member.

Additional Margin for Uncovered Risk of Limited Clearing Members: This Margin requirement covers the risk exposure that arises if the total value of the risk represented by a Limited Clearing Member to the Corporation is greater than the aggregate amount of the Limited Clearing Member's Adjusted Base Initial Margin and the total value of the Clearing Fund.

The risk represented by the Limited Clearing Member is determined by the Corporation by calculating the estimated loss that the Corporation would face in extreme but plausible market conditions. This Additional Margin is calculated on a daily basis and is required from Limited Clearing Members only.

Additional Margin for Unpaid Option Premium Exposure Risk: The Additional Margin for Unpaid Option Premium Exposure Risk covers the risk incurred by the Corporation in guaranteeing to each Clearing Member the settlement of the Net Daily Premium on a daily basis.

Additional Margin for Variation Margin Delivery Risk: The Additional Margin for Variation Margin Delivery Risk covers the risk incurred by the Corporation in guaranteeing to each Clearing Member having pledged specific securities to cover its Net Variation Margin Requirement, the return of such specific securities, in the event that another Clearing Member to which the specific securities were initially delivered fails to return such specific securities and becomes Non-Conforming or is Suspended. In this case, the Corporation will have to buy the specific securities in the market to return to the Clearing Member that had initially pledged the specific securities.

Banking Holiday: Remembrance Day, in Canada, or any day determined as Remembrance Day by the Corporation through its Holiday Schedule published on a yearly basis.

Base Initial Margin: The Base Initial Margin requirement covers the potential losses that may occur over the next liquidation period as a result of market fluctuations. The Base Initial Margin does not include any Additional Margins.

Boundaries: With respect to the Effective Ratio, the Boundaries refer for a specific period to the upper limit (UB) and lower limit (LB) which are respectively the highest and lowest Daily Ratios during such period.

Clearing Fund Requirement: The Clearing Fund Requirement constitutes the required contribution to the Clearing Fund for each Clearing Member (excluding Limited Clearing Members).

Combined Commodity: Group of positions that are associated with the same Underlying Interest or product or both. Combined Commodity is the lowest level at which the Base Initial Margin for Options, Futures and Unsettled Items is computed.

Daily Ratio: The Daily Ratio is determined, for any Business Day, by dividing the total amount of Clearing Fund Requirement on that Business Day by the aggregate amount of the Base Initial Margin requirement of all Clearing Members (other than Limited Clearing Members) on the same Business Day.

Effective Ratio: Ratio established by the Corporation, in accordance with the governance standards set forth in this Manual, which reflects the multiplier applicable to the Base Initial Margin for Limited Clearing Members.

Expected Shortfall: Average of all losses which are greater than or equal to the worst case. The worst case represents the $(1-\alpha)\%$ case, where α is the confidence level.

Haircut: Percentage discounted from the market value of eligible collateral pledged for Margin Deposit. The discount reflects the price movement volatility of the collateral pledged.

Historical Filtered Scenarios: Set of scenarios resulting of a weight applied to the Historical P&L Scenarios to reflect the current volatility. The current volatility is estimated by applying a volatility scaling adjustment using the exponentially weighted moving average (EWMA).

Historical P&L Distribution: Ranking of the Historical P&L Scenarios from the largest loss to the largest profit.

Historical P&L Scenarios: Set of scenarios for a Fixed Income Transaction representing the hypothetical gains and losses derived from Historical Filtered Scenarios. The gains and losses are created by calculating the difference between the price the Fixed Income Transaction under an Historical Filtered Scenario and the initial reference price.

Historical Scenarios: Set of scenarios for a Risk Factor and representing an hypothetical market observation movement reasonably likely to occur, from the current situation to a specific point in time in the future.

Initial Margin: The Initial Margin is composed of the Base Initial Margin (or Adjusted Base Initial Margin, as the case may be) and the Additional Margins.

Inter-Commodity: Portfolio containing offsetting positions in highly correlated instruments are subject to credits which reduce the overall Base Initial Margin for Options, Futures and Unsettled Items.

Intra-Commodity: Portfolio containing offsetting positions in different maturity month in the same Combined Commodity are subject to a charge since they may not be perfectly correlated.

Liquidity shortfall: The uncovered liquidity obligations, as determined by the Corporation based on the potential payment obligations that the Corporation could face upon the default of a Clearing Member in extreme but plausible market conditions, that remains outstanding after the Corporation has allocated (i) the Clearing Member's Margin Deposit (including, without limitation, deposits required or made as Margin and Clearing Fund), and (2) the Corporation's available commercial bank liquidity lines.

Margin Buffer Multiplier: Multiplier to the Base Initial Margin for Fixed Income Transaction to prevent and control potential procyclical effects.

Margin Interval (MI): Parameter established by the Corporation which reflects the maximum price fluctuation that the Underlying Interest could be expected to have during the MPOR. The MI is used to calculate the Base Initial Margin for Options, Futures and Unsettled Items.

Margin Period of Risk (MPOR): The period required by the Corporation to close-out non-concentrated positions in a particular contract (or either through liquidation, auction or by hedging or neutralizing the market risk.

Price Scan Range (PSR): The maximum price movement reasonably likely to occur, during a specified timeframe.

Risk Array: A Risk Array is a set of scenarios defined for a particular contract and representing the hypothetical gain/loss under a specific set of market conditions from the current situation to a specific point in time in the future.

Risk Factor: Factor influencing the value of a Derivative Instrument or OTCI.

Risk Engine: The system used by the Corporation for risk management, risk measurement and calculation of Initial Margin and Clearing Fund Requirement.

Rules: means the Rules of the Corporation, including the Operations Manual and this Manual, as any such rules and manuals may from time to time be amended, changed, supplemented or replaced in whole or in part.

Scanning Risk: The difference between the initial reference price of an Underlying Interest and its most unfavourable projected liquidation value obtained by shocking the values of the Underlying Interest according to several scenarios representing adverse changes in normal market conditions.

Short Option Minimum: Amount included in the Base Initial Margin to cover the risk exposure arising from deep out-of-the-money short option positions. This amount is required if this amount is higher than the result of the Risk Arrays.

Uncovered Residual Liquidity Risk: The difference between each Clearing Member's highest daily Liquidity Shortfall and the highest Uncovered Residual Credit Risk across all Clearing

[Members \(excluding LCMs\) in the last 60 business days before the date upon which CDCC determines the Supplemental Liquidity Contributions from time to time.](#)

Variation Margin: The Variation Margin covers the risk due to the change in price of a Derivative Instrument or of an OTCI or a change in the Floating Price Rate, in each case since the previous evaluation in accordance with the Rules.

VaR Risk Group(s): Group of Fixed Income Transactions that are associated to similar Risk Factors. VaR Risk Group is the lowest level at which the Base Initial Margin for Fixed Income Transactions is computed.

Volatility Scan Range (VSR): The maximum implied volatility movement reasonably likely to occur, during a specified timeframe.

Volatility Shock(s): Parameter established by the Corporation which reflects the maximum daily volatility fluctuation of the Option contract. The Volatility Shock is used to calculate the Base Initial Margin for Options.

Zero Curve: Specific type of yield curve that associates interest rates on zero coupon bonds to different maturities (tenors). Tenors represent the Risk Factors inputs to evaluate the price of a Fixed Income Transaction using a full revaluation method.

Section 1: Margin Deposits

1.1 MARGIN REQUIREMENT

1.1.1 Initial Margin

1.1.1.1 Base Initial Margin

1.1.1.2 Additional Margins

1.1.2 Variation Margin

1.1.2.1 Options

1.1.2.2 Futures

1.1.2.3 Fixed Income Transactions

1.1.2.4 Unsettled Items

1.1.3 Account Structure, Netting and Risk Aggregation

1.1.3.1 Short Positions, Account Types and Positions Netting

1.1.3.2 Margin Aggregation

1.2 CLEARING FUND REQUIREMENT

Rule A-6 governs the rights and obligations of the Corporation and the Clearing Members, excluding Limited Clearing Members (LCMs), with respect to the Clearing Fund.

The Clearing Fund is a reserve fund put in place by the Corporation to absorb the deficit that may occur upon the default of a Clearing Member and its Affiliates when the suspended Clearing Member's prefunded financial resources do not cover its market exposure.

This fund is structured to mitigate the largest Uncovered Residual [Credit](#) Risk under extreme but plausible market conditions of all Clearing Members (excluding Limited Clearing Members) and of their Affiliate(s).

On a monthly basis, the Clearing Fund is reviewed and updated according to the following methodology which considers two specific elements:

- The size of the Clearing Fund is based on the largest Uncovered Residual [Credit Risk](#) of all Clearing Members and of their Affiliate(s) (excluding Limited Clearing Members) over the last sixty (60) Business Days. The size is then increased by 15%.
- Each Clearing Member's Clearing Fund Requirement amount is equal to the weight of its respective Base Initial Margin over the last sixty (60) Business Days multiplied by the size of the Clearing Fund. A Clearing Member's contribution is subject to a minimum floor (Base Deposit), which varies according to the Clearing Member's type of activity.

On an intra-month basis, the Corporation monitors and controls the size of the Clearing Fund and may adjust it upward between monthly re-evaluations. If the largest Uncovered Residual [Credit Risk](#) exceeds 90% of the size of the Clearing Fund but is inferior to 100% of the size of the Clearing Fund, the size of the Clearing Fund is increased by 15% of the current size. If the largest Uncovered Residual [Credit Risk](#) exceeds 100%, the size of the Clearing Fund is updated based on the methodology described above. [In both cases, the size of the Supplemental Liquidity Fund should be updated based on the methodology described in Section 1.3.](#)

1.3 [SUPPLEMENTAL LIQUIDITY CONTRIBUTIONS](#)

[Rule A-6A governs the rights and obligations of the Corporation and the Clearing Members \(excluding LCM\) with respect to the Supplemental Liquidity Fund.](#)

[The Supplemental Liquidity Contributions will be required by the Corporation at its discretion, in order to, among other reasons, absorb the liquidity exposures that may occur upon the default of a Clearing Member and its Affiliates when the suspended Clearing Member's prefunded financial resources and the available Clearing Fund resources \(including the Clearing Fund deposits made pursuant to Rule A-610\) over the multi-day Default Management Period do not cover the Corporation's and the Clearing Member's liquidity exposure. The Supplemental Liquidity Fund is structured to mitigate the largest Uncovered Residual Liquidity Risk under extreme but plausible market conditions of all Clearing Members \(excluding LCM\) and of their Affiliate\(s\).](#)

[The Supplemental Liquidity Fund is composed of two Tiers. Tier 1 contributions are maintained during all the calendar month it is required for while Tier 2 contributions are maintained during monthly expiry periods only. These two tiers represent the maximum amount of Supplemental Liquidity Contributions that the Corporation may require, at its discretion.](#)

[On a monthly basis, Tier 1 contributions and Tier 2 contributions to the Supplemental Liquidity Fund are reviewed and updated according to the following methodology:](#)

- [The maximum size of the Tier 1 contributions is based on the largest Uncovered Residual Liquidity Risk of all Clearing Members and of their Affiliate\(s\) \(excluding LCM\) over the non-expiry days of the last sixty \(60\) Business Days \(the "Tier 1 Uncovered Residual Liquidity Risk"\).](#)

The size is then increased by 15%. The Corporation may require, at its discretion, a different amount.

- The maximum size of the Tier 2 contributions is based on the positive difference between 1) the largest Uncovered Residual Liquidity Risk of all Clearing Members and of their Affiliate(s) (excluding LCM) over the expiry days of the last sixty (60) Business Days (such period shall cover a minimum of three expiry periods, as defined below) and 2) the Tier 1 Uncovered Residual Liquidity Risk. The size is then increased by 15%. The Corporation may require, at its discretion, a different amount.

- On an intra-month basis, the Corporation monitors and controls the size of the Supplemental Liquidity Fund and may adjust it upward between monthly re-evaluations. If the largest daily Liquidity Shortfall exceeds 90% of the available size of the Clearing Fund and the Supplemental Liquidity Fund combined (including the Clearing Fund deposits made pursuant to Rule A-610 and the Supplemental Liquidity Contributions made pursuant to Rule A-6A08), the size of the Supplemental Liquidity Fund (both Tier 1 and Tier 2) is updated based on the methodology described above.

- The allocation of the Supplemental Liquidity Fund is based on each Clearing Member's average Uncovered Residual Liquidity Risk for the past sixty (60) Business Days. For Tier 1 contributions, the allocation is based on the Clearing Member's average Uncovered Residual Liquidity Risk over the non-expiry days of the last sixty (60) Business Days. For Tier 2 contributions, the allocation is based on the Clearing Member's average Uncovered Residual Liquidity Risk over the expiry days of the last sixty (60) Business Days (such period shall cover a minimum of three expiry periods, as defined below).

For the purposes of this Section 1.3, an "expiry period" generally covers three "expiry days": the expiry day and the next two Business Days.

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2.5.2.1 Limits at the Clearing Member Level

- Except for the Variation Margin account, for each acceptable Government Debt Security, excluding Treasury bills, a concentration limit equal to \$250 million or 10% of the total issue outstanding, whichever is less, is applied to each Clearing Member.
- Valued Securities issued or guaranteed by the Clearing Member or its Affiliates are not eligible.
- Valued Securities issued by the TMX Group are not eligible.

2.5.2.2 Limit on the Clearing Fund Account

For each Clearing Member, for all of its accounts combined, 100% of the Clearing Fund Requirements must be covered by Cash.

2.5.2.3 Limit on the Margin Requirements¹

For each Clearing Member, for all of its accounts combined, at least 25% of the Margin requirements must be covered by Cash, acceptable Treasury bills and bonds issued or guaranteed by the Government of Canada or any combination thereof valued after the application of Haircuts.

For each Clearing Member, for all of its accounts combined, no more than 40% of the Margin requirements may be covered by Debt Securities issued by the United States of America Federal Government after the application of Haircuts.

For each Clearing Member, for all of its accounts combined, no more than 50% of the Margin requirements may be covered by provincial issued or guaranteed Debt Securities after the application of Haircuts.

For each Clearing Member, for all of its accounts combined, no more than 20% of the Margin requirements may be covered by Debt Securities issued or guaranteed by the province of Alberta after the application of Haircuts.

¹ This excludes the Net Variation Margin Requirement.

For each Clearing Member, for all of its accounts combined, no more than 20% of the Margin requirements may be covered by Debt Securities issued or guaranteed by the province of British Columbia after the application of Haircuts.

For each Clearing Member, for all of its accounts combined, no more than 20% of the Margin requirements may be covered by Debt Securities issued or guaranteed by the province of Manitoba after the application of Haircuts.

For each Clearing Member, for all of its accounts combined, no more than 30% of the Margin requirements may be covered by Debt Securities issued or guaranteed by the province of Ontario after the application of Haircuts.

For each Clearing Member, for all of its accounts combined, no more than 30% of the Margin requirements may be covered by Debt Securities issued or guaranteed by the province of Quebec after the application of Haircuts.

For each Clearing Member, for all of its accounts combined no more than 15% of the Margin requirements may be covered by Valued Securities after the application of Haircuts.

For each Clearing Member, for all of its accounts combined, no more than 5% of the Margin requirements may be covered by any one Valued Security after the application of Haircuts.

2.5.2.4 Limit on the Variation Margin Account

For each Clearing Member, for all of its accounts combined, 100% of the Net Variation Margin Requirement must be covered by acceptable Treasury bills and bonds issued or guaranteed by the Government of Canada, Government of Alberta, Government of British Columbia, Government of Ontario and Government of Quebec or any combination thereof after the application of Haircuts.

CDCC shall, on an exceptional basis, acting reasonably, accept cash or other securities as collateral to cover the Net Variation Margin Requirement.

2.5.2.5 Limit on the Supplemental Liquidity Fund

For each Clearing Member, 100% of the Supplemental Liquidity Contributions must be covered by Cash.

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DEFAULT MANUAL

~~APRIL 6, 2018~~

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In implementing the Default Management Process, the Corporation will aim at minimizing, to the extent possible and on a best efforts basis, the losses to the Corporation and its stakeholders. If there are nonetheless losses to the Corporation, the Corporation must apply, in specified order, a series of financial resources to ensure its ongoing viability and financial solvency. The sections (i) to (iv) below describe the financial resources which form the Default Waterfall and the order in which CDCC will apply them to cover losses associated with the liquidation of a suspended Clearing Member. Elements (i) to (iii) are referred to as “Prefunded Financial Resources”.

- i. **Suspended Clearing Member Resources**

- **Suspended Clearing Member Margin Deposit (Other than Clearing Fund deposits).** The first line of financial protection is the Margin Deposit posted by the suspended Clearing Member as part of the Corporation's routine collateralization process; and
- **Suspended Clearing Member's Clearing Fund deposits.** As specified by the Rules, each Clearing Member (other than a Limited Clearing Member) must also post a contribution to the Clearing Fund. Once the Corporation has exhausted the suspended Clearing Member's Margin Deposit, it will next use the suspended Clearing Member's contribution to the Clearing Fund in its loss absorption effort.
- **[Suspended Clearing Member's Supplemental Liquidity Contributions.](#)** Once the Corporation has exhausted the suspended Clearing Member's Margin Deposit and Clearing Fund Deposits, it will next use the suspended Clearing Member's Supplemental Liquidity Contributions.

If after applying these resources of the suspended Clearing Member, a shortfall still remains, the Corporation would, as indicated below, use the resources of the Corporation to cover the losses.

ii. Resources of the Corporation (Default Risk Capital - DRC)

- CDCC has capital reserves set aside specifically for the purpose of absorbing any loss outstanding after the exhaustion of the suspended Clearing Member's resources. This capital, which is currently \$5 million, is referred to herein as "Default Risk Capital" or "DRC".

If, after applying these resources of the suspended Clearing Member and of CDCC, a shortfall still remains, CDCC will, as indicated below, use the required Clearing Fund deposits (referred therein as "Clearing Fund Requirement") of the other Clearing Members to cover the loss.

iii. Surviving Clearing Members Clearing Fund Requirements

- The Corporation will subsequently use the Clearing Fund Requirements of the surviving Clearing Members (i.e. the Clearing Members that have not been suspended). For further details on the loss allocation, please refer to Appendix 2.

The above set of financial resources (listed in (i) to (iii)) which form the Prefunded Financial Resources of the Default Waterfall and are readily available for the Corporation to extinguish financial losses stemming from a Clearing Member's default

are deemed highly reliable as they are under the control of CDCC and are held for this sole purpose. All Margin and Clearing Fund deposits are subject to a first ranking security interest granted by the Clearing Members to CDCC for such purpose.

iv. 2nd Surviving Clearing Members' Clearing Fund Requirements

- If after applying all of the financial resources specified above, a loss still persists, the Corporation may request that the remaining Clearing Members (other than Limited Clearing Members) replenish their Clearing Fund Requirements, in the manner specified in Section A-610 of its Rules. The Corporation in total may apply up to a maximum of 200%¹ of the Clearing Fund Requirements of all such remaining Clearing Members, to satisfy the outstanding obligation as provided in Section A-609(5).

v. Surviving Clearing Members' Supplemental Liquidity Contributions

- If, at any time during a Default Management Process, the Corporation must honor any liquidity obligations or exposure on a timely basis as a result of the suspension of a Clearing Member, the Corporation shall be authorized to use the Supplemental Liquidity Contributions required of the surviving Clearing Members to meet the liquidity obligations or exposure. All surviving Clearing Members' Supplemental Liquidity Contributions used by the Corporation shall be paid back by the Corporation to the Supplemental Liquidity Fund after the Default Management Period has ended. In total, the Corporation may apply up to a maximum of 200% of the Supplemental Liquidity Contributions of all such surviving Clearing Members, as provided in Section A-6A08 of the Rules.

The Corporation shall follow the prescribed order of the Default Waterfall, and communicate with all relevant parties in an effective fashion. In the event that the Corporation is able to recover any loss incurred from the suspended Clearing Member, it shall first reimburse any other Clearing Member Clearing Fund Requirements that were used to extinguish losses, in the reverse order of their application, before reimbursing CDCC's own capital reserves used.

1.7 MAKING GOOD ON CHARGES TO CLEARING FUND

¹ The maximum percentage of 200% includes the prefunded surviving Clearing Members Clearing Fund Requirements described in sub-section iii.

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3.5 LIQUIDITY MANAGEMENT

While not a source of capital available for the offset of losses, the Corporation has available an array of liquidity [tools and](#) facilities, which it may, at its discretion, call upon to assist with the funding of its loss mitigation activities. In the event of a default, the Corporation must make a determination as to how to deploy these resources: ~~Included among its alternatives are:~~

- [Drawing upon its commercial bank liquidity lines, in whole or in part.](#)
- [Using the Supplemental Liquidity Contributions held in the Supplemental Liquidity Fund, in whole or in part. The Supplemental Liquidity Fund shall not be used for loss allocation. Any usage by the Corporation of the Supplemental Liquidity Fund will be paid back as soon as practicable after a Default Management Period.](#)
- ~~Drawing upon the Corporation's commercial bank liquidity lines, in whole or in part.~~
- Raising liquidity through outright sales and/or Repurchase Transactions involving Securities of the defaulting Clearing Member.
- Raising liquidity through the exercise of its rights of re-pledging/re-hypothecation of suspended Clearing Member's Margin Deposits (including without limitation Margin and Clearing Fund deposits).
- Raising liquidity through the exercise of its rights of re-pledging/re-hypothecation of surviving Clearing Members' Clearing Fund Requirements.



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[Without limiting the options provided in Sub-section 3.5 of this Manual, such options being also available to the Corporation in a Recovery Process,](#) in managing its liquidity, the Corporation can use, after the financial resources of the Default Waterfall, the available financial resources levied through the exercise of its Recovery Powers such as the Reduced Amounts Distribution and the Recovery Loss Cash Payment for temporary liquidity funding. Indeed, these recovery tools can be similarly used in accordance with the Rules for either (1) credit purposes to cover any market-driven losses related to a default, or (2) liquidity purposes to cover any liquidity-driven obligation related to the liquidation of the suspended Clearing Member's collateral and positions.

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