



NOTICE TO MEMBERS

No. 2021 – 136

September 8, 2021

SUPPLEMENTAL LIQUIDITY FUND

CDCC wishes to inform Clearing Members (CMs) that a regulatory filing has been submitted to regulatory bodies to implement a new Supplemental Liquidity Fund (SLF) on **December, 1st 2021**. This new measure ensures that CDCC has sufficient qualifying liquid resources (QLR) to maintain a liquidity Cover 1 status. This measure applies to all CMs who are not Limited Clearing Members (LCMs). The implementation of the Supplemental Liquidity Fund remains subject to CDCC regulatory bodies' approval.

The SLF will consist of two tiers sizing based on the activity level of the CMs:

- *Tier 1 will be based on the highest daily liquidity exposures for all CMs for a 60-day lookback period, excluding those liquidity exposures during the expiry period (monthly or triple witching).*
- *Tier 2 will be based on the positive difference between 1) the highest daily liquidity exposures of all CMs 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.*

Tier 1 and Tier 2 contributions are sized and promoted on the first business day of each month and can be changed intra-month to adjust to increasing liquidity exposures. CMs required contributions to the SLF be retrieved in the MA80 reports once new values are promoted. Tier 1 contributions are maintained throughout the calendar month for which they are required while Tier 2 contributions are maintained during monthly expiry periods only. Only CMs which produce stressed liquidity needs that can't be covered by existing liquidity waterfall resources would be required to contribute to the SLF. SLF contributions should be covered by Canadian cash only.

In the event CDCC declares a Default Management Process, the SLF will be subject to replenishment provisions during a Default, similar to the existing provisions applicable to the Clearing Fund. Moreover, the SLF contribution of the defaulting CM can be used to cover credit losses related to the default event. However, the SLF contributions of surviving CMs cannot be used to allocate any credit loss and will be returned to the CMs upon the completion of the Default Management Process.

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Obligation Fulfillment

Contribution to the SLF will become a standard for membership, as it is the case with the Clearing Fund, the requirement to contribute to the SLF will not apply to the Limited CMs.

CMs with Supplemental Liquidity Contributions deficit must fulfill their obligation by 10 a.m on the Business Day (T+1) following the issuance of the SLF report MA80.

Anticipated Changes and impacts

With the introduction of SLF a number of changes will be evident in a number of reports and data windows.

1. Reports

SLF Statement Report

A new report called SLF Statement with a code MA80 will be generated and made available for download for eligible CMs on the 1st business date of the month before 1:00 PM.

```
Firm: 0002 Test Clearing Member                               SLF Statement          RP-MA80          23 AUG 21 09:09:53 Page 1
                   As of: 23 AUG 21
-----
SLF Tier1          SLF Tier2          SLF Tier2 Required  SLF Requirement      SLF Total Asset      Excess/Deficit
-----
5,000,000.00      7,000,000.00          true                12,000,000.00       5,000,000.00       -7,000,000.00
```

* SLF Tier2 is only required to cover liquidity risk during monthly expiry periods

The report will be deposited on the FTP/SFTP server intra day and will show the report id and time stamp is generated at the end-of-day and lists the member's asset inventory and movement as of the current business date. The total worth of the member's assets is shown at the bottom of each fund section.

The report details consists of the following;

- SLF Tier 1: is Tier1 contribution value, applied throughout the calendar month
- SLF Tier 2: is Tier2 contribution value, applied during the monthly expiration period set at 1 business day prior and 2 days post expiration date.



- SLF Tier2 Required: is set to “True” when expiry period starts and set to “False” outside of the expiry period.
- SLF Requirement: is the calculated value during a period and can be set to Tier1 or Tier1 + Tier2.
- SLF Total Asset: is the cash value contributions in the SLF Fund
- Excess/Deficit: is the calculated value of SLF Requirement minus SLF Total Asset, a negative value is an obligation that must be fulfilled by the CM

Deposit and Withdrawals Report

An existing report generated at the end-of-day and lists the member’s asset inventory and movement as of the current business date. This report is sectioned by Fund Type and with the addition of SLF a new section for the new fund type was added. The report sample below shows the new fund and asset;

Firm:	2 Test Clearing Member	Deposits and Withdrawals Report				RP-MA01	23 AUG 21	13:22:43	PAGE	3
Fund:	Supplemental Liquidity	Canadian Derivatives Clearing								
		Activity Date: 23 AUG 21								
Deposit Type	Account/ Issuer	No. Shares/ Face Value	Opt. Cov./ Margin Value	Class/Series	Price/ U/I	Date of Deposit	Serial/ Dep.	D=Dep., W=With., PW= Partial With. Certificate/ Notes/ISIN	Exp./Mature Date	
			Amount		Native Currency CAD*					
CAD - CANADIAN DOLLARS										
	Cash									
	Previous Day									
	Market Adjustment									
	Deposit Activity		5,000,000.00Cr		5,000,000.00Cr					
	Withdrawal Activity									
	Balance		5,000,000.00		5,000,000.00					
	Deposit Type Total				5,000,000.00					
*Includes exchange rate and haircut										
	Total:		5,000,000.00							

2. Sola Asset Deposit Form

The existing Asset Deposit form will now show the new fund type Supplemental Liquidity, a CM wishing to fulfill an obligation must choose the new fund type as shown below;

Asset Deposit - Creation Form

Asset Type	Cash	Asset Location	Bank																								
Product Type	Cash	Quantity	10000000																								
Product to Deposit	CAD	Collateral Value	10000000.0000000																								
Fund Type	SupplementalLiquidity	External Reference																									
Expiry Date	Clearing Margin	Note																									
Bank Issuer	SupplementalLiquidity	Specific Coverage Type	None																								
	VariationMargin	Covered Product																									
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		<input type="button" value="OK"/> <input type="button" value="Cancel"/>																									

Upon entry and confirmation of the asset, the Deposits and Withdrawals window will show the new fund type and asset value;

Deposit Date	Type	Fund Type	AssetType	DecimalQuantity	Asset Symbol	Value
2021/08/23 08:59:42.968	Net	SupplementalLiquidity	Cash	5000000.0000000	CAD	5000000.0000000

3. Sola Data Windows

Member Balances

This existing data window will show balances of the member's assets in each fund type, the new fund type Supplemental Liquidity will appear as shown below;



Type	Fund Type	AssetType	DecimalQuantity	Asset Symbol	Value	AssetCurrencyCode	Status
Net	Margin	CollateralS	5000000.0000000	CA013051DB07	6217534.5900000	CAD	Created
Net	Clearing	Cash	25000000.0000000	CAD	25000000.0000000	CAD	Created
Net	SupplementalLiquidity	Cash	5000000.0000000	CAD	5000000.0000000	CAD	Created

Cumulated Fund

This existing data window will show a new fund type Supplemental Liquidity and details such as Requirement Summary Total, Asset Summary Total and Deposit Excess/Deficit as shown below;

FundType	AccountType	AccountName	CumulatedLevel	RequirementSummary.Total	AssetSummary.Total	DepositExcessDeficit
Clearing	None		Member		25000000.0000000	25000000.0000000
Margin	None		Member	58481.7300000	6217534.5900000	6159052.8600000
SupplementalLiquidity	None		Member	12000000.0000000	5000000.0000000	-7000000.0000000

Funds Summary

This existing data window will show the new fund type Supplemental Liquidity and the supporting details; Requirement Amount, deposited Asset Value and Excess Deficit.

FundType	RequirementAmount	AssetValue	ExcessDeficit	CurrencyCode
Margin	58481.7300000	6217534.5900000	6159052.8600000	CAD
Clearing		25000000.0000000	25000000.0000000	CAD
VariationMargin	0.0000000	0.0000000	0.0000000	CAD
SupplementalLiquidity	12000000.0000000	5000000.0000000	-7000000.0000000	CAD

4. Updates to guide "SOLA Clearing EOD (End-of-Day) Reporting for CDCC Members"

4.1 Additional fields and tag codes added to Member table:

Field Name	Description	Tag Code	Data Type Description (Primary, Secondary, Foreign Keys)
SLFTier1RequirementAmount	Liquidity risk amount to cover during non-expiry periods	4101	Float
SLFTier2RequirementAmount	Additional liquidity risk to cover during monthly expiry periods	4102	Float
ApplySLFTier2	True/False flag that determines if within an expiry period or not	4103	String

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4.2 Section 4 table 28 Enum Name Values List

FundCalculationReason added: SupplementalLiquidity

FundType added: SupplementalLiquidity

An updated **SOLA Clearing EOD (End-of-Day) Reporting for CDCC Members** document with the above changes will be available on CDCC's Intranet site.

CDCC will be contacting CM representatives before the implementation to share a detailed analysis outlining the SLF impact on their firms.

If you have any questions or concerns, please contact CDCC's Corporate Operations Department or direct email inquiries to cdcc-ops@tmx.com.

Anne Fiddes
Vice President, Integrated Operations CDCC