



## NOTICE TO MEMBERS

No. 2017 – 137

September 29, 2017

### **MODIFICATION TO THE THREE-MONTH CANADIAN BANKERS' ACCEPTANCE FUTURES (BAX) CONTRACT MARGIN METHODOLOGY**

**LAUNCH – November 1, 2017**

On July 14, 2014, the Board of Directors of Canadian Derivatives Clearing Corporation (CDCC) approved amendments to the Risk Manual of CDCC. The purpose of the proposed amendments is to implement a new margining framework to ensure compliance with PFMI requirements and limit the procyclicality observed with the current Initial Margin model.

This new framework was applied to all products cleared by CDCC with the exception of the Three-Month Canadian Bankers' Acceptance Futures (BAX) products. The postponement of the applicability of the new margin framework to the BAX product is related to the last postponement of the modification to the BAX product margin methodology announced via Notice to Members 2015-139.

CDCC is pleased to announce that this launch is now scheduled to be active on Wednesday, November 1, 2017. Therefore, the current margin methodology for the margining of the BAX products announced via Notice to Members 2015-152, will no longer be applicable.

The new applied methodology for the BAX will consider an Exponentially Weighted Moving Average (EWMA) volatility estimator with a 0.99 decay rate and a floor margin calibrated with 10 years of data, instead of assessing the volatility from 20 days, 90 days and 260 days standard deviations. In addition, the Price Scan Range (PSR) used by Span to represent the potential variation of the product value (or the dollar amount margin charge for one BAX contract), will be activated for the BAX which means that every BAX contract will have its own price and a different PSR. This change will be visible starting from the effective day in the daily published Risk Arrays file, specifically in the record B of the same file.

On November 1, 2017, CDCC will start publishing a daily notice that takes into account the outright charges applied for the different groups of BAX and the Intra-Commodity (Inter-Month) Spread charges for each type of strategy (spread and butterfly). Given this change, CDCC will introduce a wider range of spread and butterfly strategies.

If you have any questions or concerns, please contact CDCC's Corporate Operations department or direct your e-mail inquiries to [Cdccc-ops@tmx.com](mailto:Cdccc-ops@tmx.com).

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President and Chief Clearing Officer

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