



NOTICE TO MEMBERS

N° 2020 - 145

November 3, 2020

REQUEST FOR COMMENTS

AMENDMENTS TO RULE A-9 AND TO RULE B-3 OF THE CANADIAN DERIVATIVES CLEARING CORPORATION CONCERNING ADJUSTMENTS IN CONTRACT TERMS

On October 29, 2020, the Board of Directors of Canadian Derivatives Clearing Corporation (“CDCC”) approved certain amendments to Rule A-9 and Rule B-3 of CDCC in connection with adjustments in contract terms in order to offer better predictability to Clearing Members and stability in the market when adjustments occur.

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 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 **December 3, 2020**. 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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Executive Director, Legal Affairs
Autorité des marchés financiers
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For any question or clarification, Clearing Members may contact Sophie Brault at 514-787-6565 or at sophie.brault@tmx.com.

Jay Rajarathinam
President



**AMENDMENTS TO RULE A-9 AND TO RULE B-3 OF THE CANADIAN DERIVATIVES
CLEARING CORPORATION CONCERNING ADJUSTMENTS IN CONTRACT TERMS**

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I. SUMMARY

The Canadian Derivatives Clearing Corporation (“CDCC”) is proposing amendments in connection with adjustments in contract terms in order to offer better predictability to Clearing Members and stability in the market when adjustments occur.

II. PROPOSED AMENDMENTS

CDCC proposes amending its Rules (the “Rules”), by modifying certain sections of Rule A-9, *Adjustments in Contract Terms*, in order to provide additional guidance related to adjustments to contract terms.

In addition, CDCC proposes amending the Section B-310 of Rule B-3, *Acceleration of Expiration Date*, to allow acceleration of the nearest month term when an equity option contract is adjusted.

The proposed amendments are attached hereto.

III. ANALYSIS

a. Background and objectives

In order to enhance the predictability and consistency of the CDCC Rules relating to contract terms adjustments resulting from corporate action events, CDCC conducted a comprehensive review of its Options and Futures contract adjustments Rules. The proposed CDCC Rule changes resulting from this review are based on a benchmarking analysis of similar rules at other Central Counterparty Clearing House (“CCP”) and an assessment of precedents established by corporate actions events handled by CDCC through its Adjustment Committee (the “Committee”) over the years.

The Committee is currently constituted of the CDCC, The Canadian Depository for Securities (“CDS”) and the Bourse de Montréal (the “Bourse”) staff. Each corporate action event is identified and analyzed by the Committee members and their decisions are communicated to Clearing Members.

In accordance with the CDCC Rules, the Committee reviews and takes decisions related to corporate action events. Monitoring a panoply of corporate actions events and their resulting adjustments to the derivatives contracts terms has become an increasingly complex task assumed by the Committee. From 2014 to 2018, the Committee handled an average of 38 corporate actions per year. In the last 2 years, that average has jumped to 55 events per year with almost 80% of them being considered complex (i.e. non-standard corporate actions like name and symbol changes and delistings).

Over the years, the Committee has noticed ambiguities in CDCC's Rules regarding certain corporate action events. As such, an in-depth review by the Committee of past decisions relating to corporate actions has taken place to identify the required Rule changes regarding these events. This exercise enabled CDCC to identify gaps in the Rules and provided solutions to mitigate future risks associated with the adjustment decision making.

The proposed CDCC Rule changes support the following objectives of:

- i) minimizing uncertainty over the method of contract adjustment to be adopted by CDCC when a corporate action is announced; and consequently;
- ii) promoting fairness to buyers and sellers of Options and Futures contracts; and
- iii) aligning CDCC Rules related to Adjustments in Contract Terms with the Options Clearing Corporation (“OCC”) rules. We examined best practices for corporate actions adjustments among international derivatives clearing corporations (Clearing houses of EUREX, EURONEXT, LSE, SGX, ASX) and decided it was more relevant to specifically benchmark and harmonize CDCC contract adjustments rules with OCC rules since an important portion of the Bourse equity Options and Futures are cross-listed on US exchanges. In addition, OCC’s treatment of corporate actions closely resembles the practices of the CDCC in contrast to European entities who have different methodologies (a comparative analysis of CDCC and OCC Adjustments Rules is provided in Appendix 1 to this Analysis).

The proposed amendments are intended to ensure that corporate action events are handled and executed under sound governance and practices in accordance with CDCC Rules. In addition, the changes will provide useful additional guidelines on how contracts will be adjusted following a corporate action event and thus, should make the process for adjustments more predictable for all market participants.

All adjustments are determined by the Committee who may also provide clarifying interpretative guidance on the application of the Rules in regards to contract adjustments.

b. Comparative Analysis

1. Proposed amendments to CDCC Rule A-9:

I) Changes of the level that triggers Adjustment provisions for special dividends

Under current CDCC Rule A-9, dividends paid by a company other than pursuant to dividend paid on a quarterly or other regular basis would be deemed “Special” and would ordinarily trigger a contract adjustment provided the value of the adjustment is at least \$12.50 per contract. However, certain inconsistencies may result when the threshold of \$12.50 per contract is applied across Options and Futures contracts of varying sizes on the same underlying security (as a result of adjustments for previous splits). In such an instance, adjusting some but not all Options of the same class in response to the same dividend event could be confusing to investors.

Thus, the CDCC considers that greater consistency across contracts with varying units of trading could be achieved by adopting a \$0.125 per share criteria and retaining the \$12.50 per contract threshold for contracts with a unit of trading that is greater than 100 shares.

The CDCC also considers that greater consistency will be achieved by aligning CDCC thresholds with OCC thresholds by expressing them as the Canadian dollar equivalent of US \$0.125 per share

and US \$12.50 per contract, respectively. This proposed amendment is compatible with OCC current rules¹.

II) Clarification of the scope of authority of the Committee

The proposed amendments to Rule A-9 clarifies that the Committee has the discretion to deviate from policy or precedent when it deems unusual circumstances make such a deviation appropriate at the time of such determination. It also clarifies that when the Committee is not informed in a timely manner of an event that could have possibly required an adjustment, CDCC will not be liable if the Committee does not proceed with such an adjustment, or if it proceeds with a delay. This proposed amendment is consistent with current OCC rules².

III) Clarification regarding criteria used when determining whether dividends or distributions are deemed to be 'ordinary' or 'special' (for which contract adjustments shall be made).

The proposed amended interpretation of Rule A-9 enumerates factors that the Committee may take into account in determining whether cash dividends or distributions that are paid pursuant to a company's regular dividend program, but that are subject to 'accelerated' or 'deferred' payment, shall be considered to be 'ordinary' and not occasion a contract adjustment. This amendment contributes to the protection of investors by making it more predictable when cash dividends and distributions by an issuer will result in an adjustment to an Option or Futures contract and thus make the process for adjustments more transparent. It is intended to allow the Committee not to adjust for 'special' cash dividends or distributions whose consistency and predictability of payment have been demonstrated. This proposed amendment is compatible with current OCC rules³.

IV) Enhanced consistency across options and futures

The CDCC seeks to add clarity to the Rule A-9 by specifically referring to the term 'Futures' in sections of the Rule that refers to this instrument and by making changes to ensure Futures contracts can be adjusted in a manner consistent with adjustments made to option contracts on the same underlying interest. In certain cases, proposed amendments to the Rules are intended to correct inconsistencies.

2. Proposed amendment to CDCC Rule B-3 (Section B-310)

Upon the announcement of a corporate action, the Bourse may cease listing any new expiry months. On occasion, a situation can occur in which the nearest term expiry is more than a month away from a corporate action's accelerated expiry effective date. Current Section B-310 of Rule B-3 does not allow the acceleration of the nearest term month, unnecessarily leaving

¹ (Article VI,Section 11A.(c) of OCC By-laws)

² (Article VI,Section 11(a) & (b) and Article XII,Section 3 (b) of OCC By-Laws)

³ (Article VI,Section 11A,Interpretations and policies .01 and Article XII,Section 3,Interpretations and Policies .01(a) of OCC By-Laws)

outstanding expiry months to be listed. This proposed amendment is also aligned with the OCC rules⁴.

c. Analysis of Impacts

i. Impacts on Market

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

ii. Impacts on Technology

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

iii. Impacts on trading functions

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

iv. Public Interest

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

IV. PROCESS

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

The proposed amendments are planned to take effect Q-1 2021.

V. ATTACHED DOCUMENTS

Appendix 1: Comparative analysis of CDCC and OCC Adjustments Rules

Appendix 2: Amended Rules A-9 and B-3

⁴ (OCC Rule 807)

CDCC/OCC Adjustment in Contract Terms Rules: Comparative Benchmarking Analysis

Yellow for different description than the other's Rules/Bylaws
Black is the Same

CDCC Rules (A-902)		OCC Bylaws (Article VI - Section 11) - Options		OCC Bylaws (Article XII - Section 3) - Futures	
Section	Description	Section	Description	Section	Description
1)	Whenever there is a dividend, stock dividend, stock distribution, stock split, <u>trust unit split</u> , reverse stock split, <u>reverse trust unit split</u> , rights offering, distribution, reorganization, recapitalization, reclassification or similar event in respect of any Underlying Interest, or a merger, consolidation, dissolution or liquidation of the issuer of any Underlying Interest, the number of <u>Derivative Instruments</u> the Unit of Trading, the Exercise Price, and the Underlying Interest, or any of them, with respect to all outstanding <u>Derivative Instruments</u> open for trading in that Underlying Interest may be adjusted in accordance with this Section A-902.	A a)	Whenever there is a dividend, stock dividend, stock distribution, stock split, reverse stock split, rights offering, distribution, reorganization, recapitalization, reclassification or similar event in respect of any underlying security, or a merger, consolidation, dissolution or liquidation of the issuer of any underlying security, the number of <u>option contracts</u> the unit of trading, the exercise price, and the underlying security, or any of them, with respect to all outstanding <u>option contracts</u> open for trading in that underlying security may be adjusted in accordance with this Section 11A.	b)	Whenever there is a dividend, stock dividend, stock distribution, stock split, reverse stock split, rights offering, distribution, reorganization, recapitalization, reclassification or similar event in respect of any underlying security, or a merger, consolidation, dissolution or liquidation of the issuer of any underlying security, the number of <u>stock futures</u> the unit of trading (<u>or settlement price</u>) and the underlying security, or any of them, with respect to all outstanding <u>security futures</u> open for trading in the underlying security may be adjusted in accordance with this Section 3. <u>If the Corporation does not learn, or does not learn in a timely manner, of an event for which the Corporation would have otherwise made an adjustment, the Corporation shall not be liable for any failure to make such adjustment or delay in making such adjustment. In making any adjustment determination, the Corporation shall apply the factors set forth in this Section 4 in light of the circumstances known to it at the time such determination is made.</u>
2)	<u>The Corporation, acting through a committee ("Adjustment Committee"), shall determine whether to make adjustments to reflect particular events in respect of an Underlying Interest, and the nature and extent of any such adjustment, based on its judgment as to what is appropriate for the protection of investors and the public interest, taking into account such factors as fairness to Clearing Members and the Corporation, the maintenance of a fair and orderly market in Derivative Instruments on the Underlying Interest, consistency of interpretation and practice, efficiency of exercise settlement procedures, and the coordination with other clearing agencies of the clearance and settlement of transactions in the Underlying Interest. The Adjustment Committee may, in addition to determining adjustments on a case-by-case basis, adopt statements of policy or interpretation having general application to specified types of events. Any such statements of policy or interpretation shall be disseminated to all Clearing Members. Exchanges and securities and/or derivative instruments regulatory authorities having jurisdiction over the Corporation. Every determination by the Adjustment Committee pursuant to this Section A-902 shall be within the sole discretion of the Adjustment Committee and shall be conclusive and binding on all Clearing Members and not subject to review, other than review by securities and/or derivative instruments regulatory authorities having jurisdiction over the Corporation pursuant to applicable provisions of the respective statutes.</u>	a)	<u>Unless otherwise provided in the By-Laws or Rules of the Corporation, all adjustments to the terms of outstanding cleared contracts shall be made by the Corporation, which shall determine whether to make adjustments to reflect particular events in respect of an underlying interest, and the nature and extent of any adjustment, based on its judgment as to what is appropriate for the protection of investors and the public interest, taking into account such factors as fairness to holders and writers (or purchasers and sellers) of the affected contracts, the maintenance of a fair and orderly market in the affected contracts, consistency of interpretation and practice, efficiency of exercise settlement procedures, and the coordination with other clearing agencies of the clearance and settlement of transactions in the underlying interest. The Securities Committee shall be authorized to adopt statements of policy or interpretations having general application to specified types of events or specified kinds of cleared contracts. In making any adjustment determination, the Corporation shall apply the factors set forth in this Section 11 and the policies and interpretations of the Securities Committee in light of the circumstances known to it at the time such determination is made, subject to the discretion of the Corporation to depart from policy or precedent where the Corporation determines that unusual circumstances make such a departure appropriate.</u>	a)	<u>Section 11 of Article VI of the By-Laws shall not apply to futures or futures options. Except as provided in paragraph (j) below, determinations as to whether and how to adjust the terms of futures and futures options to reflect events affecting underlying interests shall be made by the Corporation based on its judgment as to what is appropriate for the protection of investors and the public interest, taking into account such factors as fairness to the buyers and sellers of such futures and futures options, the maintenance of a fair and orderly market in futures on the underlying interest and options on such futures, consistency of interpretation and practice (including consistency with the actions of the Corporation in making adjustments to options on the same underlying interest), efficiency of settlement of delivery obligations arising from physically-settled stock futures, and the coordination with other clearing agencies of the clearance and settlement of transactions in the underlying interest. The Corporation may, in addition to determining adjustments to futures and futures options on a case-by-case basis, adopt statements of policy or interpretations having general application to specified types of events. Except as provided in paragraph (j) below, every determination by the Corporation in respect of futures or futures options pursuant to this Section 3, or pursuant to Section 4 or Section 4A of this Article shall be within the sole discretion of the Corporation. Such determinations shall be conclusive and binding on all investors and not subject to review. The following paragraphs of this Section 3 apply to stock futures only. Special rules for adjustment of index futures and futures options and variance futures and futures options are set out in Section 4. Special rules for adjustment of other cash-settled futures are set out in Section 4A.</u>
		b)	Every <u>adjustment</u> determination under the By-Laws or Rules of the Corporation shall be within the sole discretion of the Corporation and shall be conclusive and binding on all investors and not subject to review. <u>If the Corporation does not learn, or does not learn in a timely manner, of an event for which the Corporation would have otherwise made an adjustment, the Corporation shall not be liable for any failure to make such adjustment or delay in making such adjustment.</u>		

CDCC/OCC Adjustment in Contract Terms Rules: Comparative Benchmarking Analysis

Yellow for different description than the other's Rules/Bylaws

Black is the Same

CDCC Rules (A-902)		OCC Bylaws (Article VI - Section 11) - Options		OCC Bylaws (Article XII - Section 3) - Futures	
Section	Description	Section	Description	Section	Description
		c)	<p><u>The composition and manner of acting of the Securities Committee and panels comprised of representatives of Securities Exchanges that have authority under the By-Laws and Rules to make certain determinations with respect to cleared contracts shall be as set forth below, unless otherwise provided in the By-Laws and Rules of the corporation:</u></p> <p><u>1) The Securities Committee shall consist of one designated representative of each Securities Exchange and the Executive Chairman. The Executive Chairman shall not be a voting member of the Committee or of any panel, except in the case of a tie vote, in which case the Executive Chairman shall have the right to cast a vote to break the tie and shall, for such purpose, be deemed to be a voting member.</u></p> <p><u>2) The vote of a majority of the voting members of the Securities Committee shall constitute the determination of the Securities Committee. With respect to a panel convened for the purpose of determining a required amount or value (other than as provided for in Article VI, Section 11A of the By-Laws), a majority of the Securities Exchanges on which such cleared contract is open for trading shall constitute a majority of the vote.</u></p> <p><u>3) The Securities Committee or any panel may transact its business by telephone or such other means as may be determined from time to time.</u></p> <p><u>4) Notwithstanding the foregoing provisions of this Section 11 or any other requirements of the By-Laws and Rules, the Executive Chairman may designate any other representative of the Corporation, and any representative of an Exchange may designate any other representative of such Exchange, to serve in his place at any meeting of the Securities Committee or of any panel. In the event of such designation, the designee shall, for the purposes of such meeting, have all of the powers and duties under this Section.</u></p>		
		Adjustments for Stock Option Contracts			
3)	It shall be the general rule that there will be no adjustments of <u>Options and similar instruments</u> to reflect ordinary cash dividends or distributions, or ordinary stock dividends or distributions, or <u>ordinary trust unit dividends or distributions</u> declared by the issuer of the Underlying Interest, or any cash dividend or distribution declared by the issuer of the Underlying Interest if such dividend or distribution is less than \$12.50 per contract.	A b)	<u>All adjustments hereunder shall be made by the Corporation in accordance with the policies and procedures set forth in Section 11.</u>		
		A c)	It shall be the general rule that there will be no adjustment to reflect (x) ordinary cash dividends or distributions or ordinary stock dividends or distributions (<u>collectively, "ordinary distributions"</u>) by the issuer of the underlying security or (y) any cash dividend or distribution by the issuer of the underlying security if such dividend or distribution <u>is less than \$0.125 per share provided that, in the case of a contract that is originally listed with a unit of trading larger than 100 shares, the applicable threshold shall be \$12.50 per contract.</u>		
4)	It shall be the general rule that there will be no adjustments of <u>Transactions other than Options and similar instruments</u> to reflect ordinary cash dividends or distributions, or ordinary stock dividends or distributions, or <u>ordinary trust unit dividends or distributions</u> declared by the issuer of the Underlying Interest <u>if such dividend or distribution is less than \$12.50 per contract.</u>			c)	<u>Except as provided in paragraph (j) below, it shall be the general rule that there will be no adjustments to reflect ordinary cash dividends or distributions or ordinary stock dividends or distributions (<u>collectively, "ordinary distributions"</u>) by the issuer of the underlying security.</u>

CDCC/OCC Adjustment in Contract Terms Rules: Comparative Benchmarking Analysis

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Black is the Same

CDCC Rules (A-902)		OCC Bylaws (Article VI - Section 11) - Options		OCC Bylaws (Article XII - Section 3) - Futures	
Section	Description	Section	Description	Section	Description
		A d)	It shall be the general rule that in the case of:	d)	It shall be the general rule that in the case of:
5) (i)	For all Options and similar instruments it shall be the general rule that in the case of a stock dividend, stock distribution, stock split, <u>trust unit dividend, trust unit distribution, trust unit split or similar event</u> whereby <u>one or more</u> whole number of additional shares of the Underlying Interest are issued with respect to each outstanding share, each Option <u>or similar instrument</u> covering that Underlying Interest shall be increased by the same number of additional contracts as the number of additional shares issued with respect to each share of the Underlying Interest, and the Exercise Price per share in effect immediately prior to such event shall be proportionately reduced, and the Unit of Trading shall remain the same.	A d) (i)	a stock dividend, stock distribution or stock split whereby a whole number of additional shares of the underlying security is issued with respect to each outstanding share, each option contract covering that underlying security shall be increased by the same number of additional option contracts as the additional number of shares issued with respect to each share of the underlying security, the exercise price per share in effect immediately prior to such event shall be proportionately reduced, and the unit of trading shall remain the same.		
5) (ii)	For all Options and similar instruments it shall be the general rule that in the case of a stock dividend, stock distribution, stock split, <u>trust unit dividend, trust unit distribution, trust unit split or similar event</u> whereby other than a whole number of shares of the Underlying Interest is issued in respect of each outstanding share, the Exercise Price in effect immediately prior to such event shall be proportionately reduced, and the Unit of Trading shall be proportionately increased.	A d) (ii)	a stock dividend, stock distribution or stock split whereby other than a whole number of shares of the underlying security is issued in respect of each outstanding share, the exercise price in effect immediately prior to such event shall be proportionately reduced and the unit of trading shall be proportionately increased.		
5) (iii)	For all Options and similar instruments it shall be the general rule that in the case of a reverse stock split, <u>consolidation</u> or combination of shares, or similar event, each <u>Option and similar instrument covering the affected Underlying Interest</u> shall be adjusted, solely for purposes of determining the property deliverable upon exercise of the Option <u>or similar instrument</u> , by decreasing the Unit of Trading to reflect the number of shares eliminated. If an adjustment is made in accordance with the preceding sentence, the Unit of Trading for all such adjusted series of Options or <u>similar instruments</u> shall remain unchanged for purposes of determining the aggregate Exercise Price of the Option or <u>similar instrument</u> and for purposes of determining the premium for any such instrument purchased and sold.	A d) (iii)	reverse stock splits, combinations of shares, or similar events, option contracts shall be adjusted solely for purposes of determining the property deliverable upon exercise of the option, by decreasing the unit of trading to reflect the number of shares eliminated. If an adjustment is made in accordance with the preceding sentence, the unit of trading for all such adjusted series of options shall remain unchanged for purposes of determining the aggregate exercise price of the option and for purposes of determining the premium for any such option purchased and sold.		
5) iv)	<u>For all Transactions other than those covering Options and similar instruments</u> it shall be the general rule that in the case of a stock dividend, stock distribution, stock split, <u>trust unit dividend, trust unit distribution, trust unit split or similar event</u> whereby <u>one or more</u> whole number of additional shares of the Underlying Interest are issued with respect to each outstanding share, <u>each Derivative Instrument</u> covering that Underlying Interest shall be increased by the same number of additional <u>contracts as</u> the number of additional shares issued with respect to each share of the Underlying Interest, the last Settlement Price established immediately before such event shall be proportionately reduced, and the Unit of Trading shall remain the same.			d) i)	a stock dividend, stock distribution or stock split whereby a whole number of additional shares of the underlying security is issued with respect to each outstanding share, each <u>stock future</u> covering that underlying security shall be increased by the same number of additional <u>stock futures</u> as the additional number of shares issued with respect to each share of the underlying security, the last settlement price established immediately before such event shall be proportionately reduced, and the unit of trading shall remain the same.

CDCC/OCC Adjustment in Contract Terms Rules: Comparative Benchmarking Analysis

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CDCC Rules (A-902)		OCC Bylaws (Article VI - Section 11) - Options		OCC Bylaws (Article XII - Section 3) - Futures	
Section	Description	Section	Description	Section	Description
5) v)	<i>For all Transactions other than those covering Options and similar instruments</i> it shall be the general rule that in the case of a stock dividend, stock distribution, stock split, <i>trust unit dividend, trust unit distribution, trust unit split or similar event</i> whereby other than a whole number of shares of the Underlying Interest is issued in respect of each outstanding share, the last Settlement Price established immediately before such event shall be proportionately reduced, and the Unit of Trading shall be proportionately increased.			d) ii)	a stock dividend, stock distribution or stock split whereby other than a whole number of shares of the underlying security is issued in respect of each outstanding share, the last settlement price established immediately before such event shall be proportionately reduced and the unit of trading shall be proportionately increased.
5) vi)	<i>For all Transactions other than those covering Options and similar instruments</i> it shall be the general rule that in the case of a reverse stock split, <i>consolidation</i> or combination of shares, or similar event, <i>each Derivative Instrument covering the affected Underlying Interest</i> shall be adjusted, solely for purposes of determining the property deliverable <i>upon exercise of the instrument</i> , by decreasing the Unit of Trading to reflect the number of shares eliminated. If an adjustment is made in accordance with the preceding sentence, the Unit of Trading for all such adjusted <i>series of Derivatives Instruments</i> shall remain unchanged for purposes of determining the aggregate Settlement <i>Price of the Derivatives Instrument</i> and for purposes of determining <i>the premium</i> for any such instrument purchased and sold.			d) iii)	reverse stock splits, combinations of shares, or similar events, <i>stock futures</i> shall be adjusted solely for purposes of determining the property deliverable in respect <i>of such futures contract</i> , by decreasing the unit of trading to reflect the number of shares eliminated. If an adjustment is made in accordance with the preceding sentence, the unit of trading for all such adjusted futures contracts shall remain unchanged for purposes of determining the aggregate settlement <i>value of the futures contract payable upon delivery</i> and for purposes of determining the <i>settlement value for any such futures contract purchased and sold</i> .
6)	It shall be the general rule that in the case of any distribution made with respect to shares of an Underlying Interest, other than ordinary <i>dividends</i> or distributions subject to Subsection (3) and (4) of this Section A-902 and other than <i>dividends</i> or distributions for which adjustments are provided in Subsection (5) of this Section A-902, if an adjustment is determined by the Adjustment Committee to be appropriate, <i>for Options and similar instruments</i> :	A e)		e)	
6) i)	the Exercise Price in effect immediately prior to such event shall be reduced by the value per share of the distributed property, in which event the Unit of Trading shall not be adjusted, or		It shall be the general rule that in the case of any distribution made with respect to shares of an underlying security, other than ordinary distributions and other than distributions for which adjustments are provided in paragraph (d) of this Section 11A, if an adjustment is determined by the Corporation to be appropriate, (i) the exercise price in effect immediately prior to such event shall be reduced by the value per share of the distributed property, in which event the unit of trading shall not be adjusted, or (ii) the unit of trading in effect immediately prior to such event shall be adjusted so as to include the amount of property distributed with respect to the number of shares of the underlying security represented by the unit of trading in effect prior to such adjustment, in which event the exercise price shall not be adjusted. <i>The Corporation shall, with respect to adjustments under this paragraph or any other paragraph of this Section 11A, have the authority to determine the</i>		It shall be the general rule that in the case of any distribution made with respect to shares of an underlying security other than ordinary distributions and other than distributions for which adjustments are provided in paragraph (d) of this Section 3, <i>if the Corporation determines that an adjustment to the terms of stock futures on such underlying security is appropriate</i> , (i) the last settlement price established immediately before such event shall be reduced by the value per share of the distributed property, in which event the unit of trading shall not be adjusted, <i>or alternatively</i> , (ii) the unit of trading in effect immediately before such event shall be adjusted so as to include the amount of property distributed with respect to the number of shares of the underlying security represented by the unit of trading in effect prior to such adjustment, in which event the settlement price shall not be adjusted. The Corporation shall, with respect to adjustments under this paragraph or any other paragraph of
6) ii)	the Unit of Trading in effect immediately prior to such event shall be adjusted so as to include the amount of property distributed with respect to the number of shares of the Underlying Interest represented by the Unit of Trading in effect prior to such adjustment, in which event the Exercise Price shall not be adjusted;				
6)	<i>For all other Transactions for which an Exercise Price is not available</i> :				
6) i)	the last Settlement Price established immediately before such event shall be reduced by the value per share of the distributed property, in which event the Unit of Trading shall not be adjusted, or				

CDCC/OCC Adjustment in Contract Terms Rules: Comparative Benchmarking Analysis

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CDCC Rules (A-902)		OCC Bylaws (Article VI - Section 11) - Options		OCC Bylaws (Article XII - Section 3) - Futures	
Section	Description	Section	Description	Section	Description
6) ii)	the Unit of Trading in effect immediately <i>prior</i> to such event shall be adjusted so as to include the amount of property distributed with respect to the number of shares of the Underlying Interest represented by the Unit of Trading in effect prior to such adjustment, in which event the Settlement Price shall not be adjusted.		<i>of this Section 11A, have the authority to determine the value of distributed property.</i>		this Section 3, have the authority to determine the value of distributed property.
6) iii)	The Adjustment Committee shall, with respect to adjustments under this Subsection or any other Subsection of this Section A-902, have the authority to determine the value of distributed property				
7)	In the case of any event for which adjustments are not provided in any of the foregoing Subsections of this Section A-902, the Adjustment Committee may make such adjustments, if any, with respect to <i>the characteristics of the Derivative Instrument</i> affected by such event as the Adjustment <i>Committee</i> determines.	A f)	In the case of any event for which adjustment is not provided in any of the foregoing paragraphs of this Section 11A, the Corporation may make such adjustments, if any, with respect to the <i>option contracts</i> affected by such event as the Corporation determines.	f)	In the case of any event for which adjustment is not provided in any of the foregoing paragraphs of this Section 3, the Corporation may make such adjustments, if any, with respect to the <i>stock futures</i> affected by such event as the Corporation determines.
8)	Adjustments pursuant to this Section A-902 as a general rule shall become effective in respect of Transactions outstanding on the "ex-dividend date" established <i>by the exchange or exchanges on which the Underlying Interest is traded. In the event that the "ex-dividend date" for an Underlying Interest traded on exchanges differs from one exchange to another, the Corporation shall deem the earliest date to be the "ex-dividend date" for the purposes of this Section A-902. "Ex-dividend dates" established by any other exchange or exchanges on which an Underlying Interest may be traded shall be disregarded</i>	A g)	Adjustments pursuant to this Section 11A shall as a general rule become effective in respect of option contracts outstanding on the "ex-date" established <i>by the primary market for the underlying security.</i>	g)	Adjustments pursuant to this Section 3 shall as a general rule become effective in respect of outstanding stock futures on the "ex-date" established by the <i>primary market for the underlying security.</i>
9)	It shall be the general rule that (i) all adjustments of the Exercise Price of an outstanding Option or <i>similar instrument</i> shall be rounded to the nearest adjustment increment, (ii) when an adjustment causes an Exercise Price to be equidistant between two adjustment increments, the Exercise Price shall be rounded up to the next highest adjustment increment, (iii) all adjustments of the Unit of Trading shall be rounded down to eliminate any fraction, and (iv) if the adjustment is made pursuant to subparagraph (5)(iii) above, the value of the fractional share so eliminated as determined by the Corporation shall be added to the Unit of Trading, or if the adjustment is made pursuant to subparagraph (5)(ii) above, if the Unit of Trading is rounded down to eliminate a fraction, the adjusted Exercise Price may be further adjusted, to the nearest adjustment increment, to reflect any diminution in the value of the Option or similar instrument resulting from the elimination of the fraction.	A h)	It shall be the general rule that (1) all adjustments of the exercise price of an outstanding option contract shall be rounded to the nearest adjustment increment, (2) when an adjustment causes an exercise price to be equidistant between two adjustment increments, the exercise price shall be rounded up to the next highest adjustment increment, (3) all adjustments of the unit of trading shall be rounded down to eliminate any fraction, and (4) if the adjustment is made pursuant to subparagraph (d)(ii) above and the unit of trading is rounded down to eliminate a fraction, the adjusted exercise price may be further adjusted, to the nearest adjustment increment, to reflect any diminution in the value of the option contract resulting from the elimination of the fraction, or if the adjustment is made pursuant to subparagraph (d)(iii) above <i>and the unit of trading is rounded down to eliminate a fraction</i> , the value of the fractional share so eliminated as determined by the Corporation shall be added to the unit of trading.		

CDCC/OCC Adjustment in Contract Terms Rules: Comparative Benchmarking Analysis

Yellow for different description than the other's Rules/Bylaws
Black is the Same

CDCC Rules (A-902)		OCC Bylaws (Article VI - Section 11) - Options		OCC Bylaws (Article XII - Section 3) - Futures	
Section	Description	Section	Description	Section	Description
10)	<p>It shall be the general rule that (i) all adjustments of the Settlement Price of an outstanding <u>transaction other than those covering an Option or similar instrument</u> shall be rounded to the nearest adjustment increment, (ii) when an adjustment causes a Settlement Price to be equidistant between two adjustment increments, the settlement price shall be rounded up to the next highest adjustment increment, (iii) all adjustments of the Unit of Trading shall be rounded down to eliminate any fraction, and (iv) if the adjustment is made pursuant to subparagraph (5)(v) above, the value of the fractional share so eliminated as determined by the Corporation shall be added to the Unit of Trading, or if the adjustment is made pursuant to subparagraph (5)(iv) above, if the Unit of Trading is rounded down to eliminate a fraction, the adjusted Settlement Price may be further adjusted, to the nearest adjustment increment, to reflect any diminution in the value of the Derivative Instrument resulting from the elimination of the fraction.</p>			h)	<p>It shall be the general rule that (i) all adjustments of the settlement price of an outstanding <u>stock future</u> shall be rounded to the nearest adjustment increment, (ii) when an adjustment causes a settlement price to be equidistant between two adjustment increments, the settlement price shall be rounded up to the next highest adjustment increment, (iii) all adjustments of the unit of trading shall be rounded down to eliminate any fraction, and (iv) if the adjustment is made pursuant to subparagraph (d)(ii) above and the unit of trading is rounded down to eliminate a fraction, the adjusted settlement price may be further adjusted, to the nearest adjustment increment, to reflect any diminution in the value of the <u>stock future</u> resulting from the elimination of the fraction, or if the adjustment is made pursuant to subparagraph (d)(iii) above <u>and the unit of trading is rounded down to eliminate a fraction</u>, the value of the fractional share so eliminated as determined by the Corporation shall be added to the unit of trading.</p>
11)	<p>Notwithstanding the general rules set forth in Subsections (3) through (9) of this Section A-902 or which may be set forth as interpretations and policies under this Section A-902, the Adjustment Committee shall have the power to make exceptions in those cases or groups of cases in which, in applying the standards set forth in Subsection (2) thereof the Adjustment Committee shall determine such exceptions to be appropriate. However, the general rules shall be applied unless the Adjustment Committee affirmatively determines to make an exception in a particular case or group of cases.</p>	A i)	<p>Notwithstanding the general rules set forth in paragraphs (c) through (h) of this Section 11A or which may be set forth as interpretations and policies under this Section 11A, the Corporation shall have the power to make exceptions in those cases or groups of cases <u>(which may include making exceptions for one or more series of flexibly structured options)</u> in which, in applying the standards set forth in Section 11(a) hereof, the Corporation shall determine such exceptions to be appropriate. However, the general rules shall be applied unless the Corporation affirmatively determines to make an exception in a particular case or group of cases.</p>	i)	<p>Notwithstanding the general rules set forth in paragraphs (c) through (h) and (j) of this Section 3 or which may be set forth as interpretations and policies under this Section 3, the Corporation shall have the power to make exceptions in those cases or groups of cases in which, in applying the standards set forth in paragraph (a) of this Section 3, the Corporation shall determine such exceptions to be appropriate. However, the general rules shall be applied unless the Corporation affirmatively determines to make an exception in a particular case or group of cases.</p>
				j)	<p><u>Notwithstanding the general rule set forth in paragraph (c), such security futures as may be designated by the Exchange on which such contracts are traded as subject to this paragraph (j) shall be adjusted for the aggregate amount of all cash dividends or distributions as reported by such Exchange to the Corporation. The settlement price of each such contract on the ex-date shall be adjusted by such aggregate amount of such dividend or distribution, provided that (i) the Exchange has reported such information to the Corporation prior to the ex-date in accordance with the Corporation's requirements, or (ii) the Exchange failed to provide the information on a timely basis or reported incorrect information to the Corporation, but provides such information or corrected information to the Corporation on the ex-date. The Corporation shall have no liability with respect to a dividend or distribution that</u></p>
	INTERPRETATIONS AND POLICIES		INTERPRETATIONS AND POLICIES		INTERPRETATIONS AND POLICIES

CDCC/OCC Adjustment in Contract Terms Rules: Comparative Benchmarking Analysis

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Black is the Same

CDCC Rules (A-902)		OCC Bylaws (Article VI - Section 11) - Options		OCC Bylaws (Article XII - Section 3) - Futures	
Section	Description	Section	Description	Section	Description
1) i)	Cash dividends or distributions (regardless of size) <u>declared</u> by the issuer of the Underlying Interest which the Corporation <u>considers</u> to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis, <u>as well as resumption of dividends or distributions</u> will, as a general rule, be deemed to be "ordinary cash dividends or distributions" within the meaning of Subsection A-902(3). <u>Cash dividends or distributions declared by the issuer of the Underlying Interest which are declared outside of a policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis will be deemed to be "special cash dividends or distributions" if they exceed the threshold of \$12.50 per contract.</u>	A .01	Cash dividends or distributions (regardless of size) by the issuer of the underlying security which the Corporation <u>believes</u> to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly or other regular basis or <u>which the Corporation believes represents an acceleration or deferral of such payments will</u> , as a general rule, be deemed to be "ordinary cash dividends or distributions" within the meaning of paragraph (c) of Section 11A. Stock dividends or distributions by the issuer of the underlying security (i) in an aggregate amount per dividend or distribution which does not exceed 10% of the number of shares or <u>other units</u> of the underlying security outstanding as of the close of trading on the declaration date, and (ii) which the Corporation <u>believes</u> to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis <u>or which the Corporation believes represents an acceleration or deferral of such payments</u> will, as a general rule, be deemed to be "ordinary stock dividends or distributions" within the meaning of paragraph (c) of Section 11A. The Corporation will determine on a case-by-case basis whether other dividends or distributions are "ordinary distributions" or whether they are dividends or distributions for which an adjustment should be made. <u>Where the Corporation determines to adjust for a dividend or distribution, the adjustment shall be made in accordance with paragraph (e) of Section 11A. Any issue as to whether a particular dividend or distribution was declared pursuant to a policy of paying such dividends or distributions on a quarterly or (where applicable) other regular basis shall be referred to the Corporation for a determination. In making such determinations, the Corporation may take into account such factors as it deems appropriate, including, without limitation, the issuer's stated dividend payment policy, the issuer's characterization of a particular dividend or distribution as "regular," "special," "accelerated" or "deferred," whether the dividend can be differentiated from other dividends (if any) paid on a quarterly or other regular basis, and the issuer's dividend payment history.</u> Normally, the Corporation shall classify a dividend or distribution as non-ordinary when it believes that similar dividends or distributions will not be paid on a quarterly or other regular basis.		
1) ii)	Stock dividends or distributions, or <u>trust unit dividends</u> or distributions declared by the issuer of the Underlying Interest in an aggregate amount that per dividend or distribution does not exceed 10% of the number of <u>shares</u> of the Underlying Interest outstanding as of the close of trading on the declaration date, and which the Corporation <u>considers to</u> have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis will, as a general rule, be deemed to be "ordinary stock dividends or distributions" or " <u>ordinary trust unit dividends or distributions</u> " within the meaning of Subsection A-902(3).				
1) iii)	<u>Cash dividends or distributions declared by the issuer of the Underlying Interest which the Corporation considers to have been declared outside of a regular policy or practice of paying such dividends or distributions and that exceeds \$12.50 per contract will be deemed to be "special cash dividends or distributions" within the meaning of Subsection A-902(3).</u>				

CDCC/OCC Adjustment in Contract Terms Rules: Comparative Benchmarking Analysis

Yellow for different description than the other's Rules/Bylaws

Black is the Same

CDCC Rules (A-902)		OCC Bylaws (Article VI - Section 11) - Options		OCC Bylaws (Article XII - Section 3) - Futures	
Section	Description	Section	Description	Section	Description
1) iv)	<u>Stock dividends or distributions, or trust unit dividends or distributions declared by the issuer of the Underlying Interest which the Corporation considers to have been declared outside of a regular policy and that exceeds 10% of the number of shares of the Underlying Interest will be deemed to be "special stock dividends or distributions" or "special trust unit dividends or distributions" within the meaning of Subsection A-902(3).</u>				
1) v)	Cash dividends or distributions <u>declared</u> by the issuer of the Underlying Interest which the Corporation considers to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis, <u>as well as resumption of dividends or distributions will</u> , as a general rule, be deemed to be "ordinary distributions" within the meaning of Subsection A-902(4). The Corporation will determine on a case-by-case basis whether other dividends or distributions are "ordinary distributions" or whether they are dividends or distributions for which an adjustment should be made.			.01 a)	Cash dividends or distributions by the issuer of the underlying security that the Corporation believes to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly or other regular basis or <u>which the Corporation believes represents an acceleration or deferral of such payments will, as</u> a general rule, be deemed to be "ordinary distributions" within the meaning of paragraph (c) of Section 3. The Corporation will determine on a case-by-case basis whether other dividends or distributions are "ordinary distributions" or whether they are dividends or distributions for which an adjustment should be made. <u>In making such determinations, the Corporation may take into account such factors as it deems appropriate, including, without limitation, the issuer's stated dividend payment policy, the issuer's characterization of a particular dividend or distribution as "regular," "special," "accelerated" or "deferred," whether the dividend can be differentiated from other dividends (if any) paid on a quarterly or other regular basis, and the issuer's dividend payment history.</u> Normally, the Corporation shall classify a dividend or distribution as non-ordinary when it believes that similar dividends or distributions will not be paid on a quarterly or other regular basis.
1) vi)	Stock dividends or distributions or <u>trust unit dividends or distributions</u> by the issuer of the Underlying Interest which the Corporation considers to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis will, as a general rule, be deemed to be "ordinary distributions" within the meaning of Subsection A-902(4). The Corporation will ordinarily adjust for other stock dividends and distributions.			.01 b)	Stock dividends or distributions by the issuer of the underlying security that the Corporation believes to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis will, as a general rule, be deemed to be "ordinary distributions" within the meaning of paragraph (c) of Section 3. The Corporation will ordinarily adjust for other stock dividends and distributions.
				.01 c)	<u>Where the Corporation determines to adjust for a cash or stock dividend or distribution, the adjustment shall be made in accordance with the applicable provisions of Section 3.</u>

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CDCC Rules (A-902)		OCC Bylaws (Article VI - Section 11) - Options		OCC Bylaws (Article XII - Section 3) - Futures	
Section	Description	Section	Description	Section	Description
1)	<p><i>Nevertheless</i>, the Adjustment Committee will determine, <i>on its sole discretion</i>, on a case-by-case basis whether other dividends or distributions are "ordinary dividends or distributions" or whether they are dividends or distributions for which adjustments should be made, <i>regardless of the threshold of \$12.50 per contract applied to "special distributions"</i>.</p> <p>Normally, the Adjustment Committee shall classify a cash dividend or cash distribution as non-ordinary when it believes that similar cash dividends or cash distributions will not be paid on a quarterly or other regular basis. <i>Notwithstanding that the Adjustment Committee has classified a cash dividend or cash distribution as non-ordinary, it may, with respect to events announced on or after February 1, 2012, classify subsequent cash dividends or cash distributions of a similar nature as ordinary if (i) the issuer discloses that it intends to pay such dividends or distributions on a quarterly or other regular basis, (ii) the issuer has paid such dividends or distributions for four or more consecutive months or quarters or five or more years after</i></p>				
2) i)	Adjustments will not ordinarily be made to reflect the issuance of so-called "poison pill" rights that are not immediately exercisable, trade as a unit or automatically with the Underlying Interest, and may be redeemed by the issuer. In the event such rights become exercisable, begin to trade separately from the Underlying Interest, or are redeemed, the Adjustment Committee will determine whether adjustments are appropriate.	A .02	Adjustments will not ordinarily be made to reflect the issuance of so-called "poison pill" rights that are not immediately exercisable, trade as a unit or automatically with the underlying security, and may be redeemed by the issuer. In the event such rights become exercisable, begin to trade separately from the underlying security, or are redeemed, the Corporation will determine whether an adjustment is appropriate.	.02	Adjustments will ordinarily be made for rights distributions, except as provided below in the case of certain "poison pill" rights. When an adjustment is made for a rights distribution, the unit of trading in effect immediately prior to the distribution will ordinarily be adjusted to include the number of rights distributed with respect to the number of shares or other units of the underlying security comprising the unit of trading. If, however, the Corporation determines that the rights are due to expire before the time they could be exercised upon delivery under the <i>futures</i> contract, then delivery of the rights will not be required. Instead, the Corporation will ordinarily adjust the last settlement price established before the rights expire to reflect the value, if any, of the rights as determined by the Corporation in its sole discretion. Adjustments will not ordinarily be made to reflect the issuance of so-called "poison pill" rights that are not immediately exercisable, trade as a unit or automatically with the underlying security, and may be redeemed by the issuer. In the event such rights become exercisable, begin to trade separately from the underlying security, or are redeemed, the Corporation will determine whether an adjustment is appropriate.
2) ii)	Except as provided above in the case of certain "poison pill" rights, adjustments for rights distributions will ordinarily be made to <i>Transactions other than those covering Options and similar instruments</i> . When an adjustment is made for a rights distribution, the Unit of Trading in effect immediately prior to the distribution will ordinarily be adjusted to include the number of rights distributed with respect to the number of shares of the Underlying Interest comprising the Unit of Trading. If, however, the Corporation determines that the rights are due to expire before the time they could be exercised upon delivery under the contract, then delivery of the rights will not be required. Instead, the Corporation will ordinarily adjust the last Settlement Price established before the rights expire to reflect the value, if any, of the rights as determined by the Corporation in its sole discretion.				
2) iii)	Adjustments will not be made to reflect <i>a take-over bid or issuer bid</i> made for the Underlying Interest, whether such offer is for cash, Securities or other property. This policy will apply without regard to whether the price of the Underlying Interest may be favourably or adversely affected by the offer or whether the offer may be deemed to be "coercive". Outstanding <i>Transactions</i> ordinarily will be adjusted to reflect a merger, <i>amalgamation</i> , arrangement or similar event that becomes effective following the completion <i>of a take-over bid</i> .	A .03	Adjustments will not be made to reflect <i>a tender offer or exchange offer to the holders</i> of the underlying security, whether such offer is made <i>by the issuer of the underlying security or by a third person</i> or whether the offer is for cash, securities or other property. This policy will apply without regard to whether the price of the underlying security may be favorably or adversely affected by the offer or whether the offer may be deemed to be "coercive." Outstanding <i>options</i> ordinarily will be adjusted to reflect a merger, <i>consolidation</i> or similar event that becomes effective following the completion <i>of a tender offer or exchange offer</i> .	.03	Adjustments will not be made to reflect <i>a tender offer or exchange offer to the holders</i> of the underlying security, whether such offer is made <i>by the issuer of the underlying security or by a third person</i> or whether the offer is for cash, securities or other property. This policy will apply without regard to whether the price of the underlying security may be favorably or adversely affected by the offer or whether the offer may be deemed to be "coercive." Outstanding <i>stock futures</i> ordinarily will be adjusted to reflect a merger, <i>consolidation</i> or similar event that becomes effective following the completion <i>of a tender offer or exchange offer</i> .

CDCC/OCC Adjustment in Contract Terms Rules: Comparative Benchmarking Analysis

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Black is the Same

CDCC Rules (A-902)		OCC Bylaws (Article VI - Section 11) - Options		OCC Bylaws (Article XII - Section 3) - Futures	
Section	Description	Section	Description	Section	Description
2) iv)	Adjustments will not be made to reflect changes in the capital structure of an issuer where all of the Underlying Interest in the hands of the public (other than dissenters' shares) are not changed into another Security, cash or other property. For example, adjustments will not be made merely to reflect the issuance (except as a distribution on an Underlying Interest) of new or additional debt, stock, <u>trust units</u> , or options, warrants or other securities convertible into or exercisable for the Underlying Interest, the refinancing of the issuer's outstanding debt, the repurchase by the issuer of less than all of the Underlying Interest outstanding or the sale by the issuer of significant capital assets.	A .04	Adjustments will not be made to reflect changes in the capital structure of an issuer where all of the underlying securities outstanding in the hands of the public (other than dissenters' shares) are not changed into another security, cash or other property. For example, adjustments will not be made merely to reflect the issuance (except as a distribution on an underlying security) of new or additional debt, stock, or options, warrants or other securities convertible into or exercisable for the underlying security, the refinancing of the issuer's outstanding debt, the repurchase by the issuer of less than all of the underlying securities outstanding, or the sale by the issuer of significant capital assets.	.04	Adjustments will not be made to reflect changes in the capital structure of an issuer where all of the underlying securities outstanding in the hands of the public (other than dissenters' shares) are not changed into another security, cash or other property. For example, adjustments will not be made merely to reflect the issuance (except as a distribution on an underlying security) of new or additional debt, stock, or options, warrants or other securities convertible into or exercisable for the underlying security, the refinancing of the issuer's outstanding debt, the repurchase by the issuer of less than all of the underlying securities outstanding, or the sale by the issuer of significant capital assets.
2) v)	When an Underlying Interest is converted into a right to receive a fixed amount of cash, such as in a merger, <u>amalgamation, arrangement or similar event</u> , outstanding Options or <u>similar instruments</u> will be adjusted to require the delivery upon exercise of cash in an amount per share equal to the conversion price. As a result of such adjustments, the value of all outstanding In-the-money Options or <u>similar instruments</u> will become fixed, and all At-the-money and Out-of-the-money Options or similar instruments will become worthless. Outstanding transactions other than those covering Options or similar instruments will be adjusted to replace such Underlying Interest with such fixed amount of cash as the Underlying Interest, and the Unit of Trading shall remain unchanged.	A .05	When an underlying security is converted into a right to receive a fixed amount of cash, such as in a merger or a <u>call or redemption of an entire class of index-linked securities</u> , outstanding options will be adjusted to require the delivery upon exercise of cash in an amount per share or unit equal to the conversion or <u>redemption price</u> . As a result of such adjustment, the value of all outstanding in-the-money options will become fixed, and all at-the-money and out-of-the-money options will become worthless. <u>No adjustment will ordinarily be made in the event of a call of less than an entire class of index-linked securities.</u>	.05	When an underlying security is converted into a right to receive a fixed amount of cash, such as in a merger <u>or a call or redemption of an entire class of index-linked securities</u> , outstanding stock <u>futures</u> will be adjusted to replace such underlying security with such fixed amount of cash as the underlying interest, and the unit of trading shall remain unchanged. <u>No adjustment will ordinarily be made in the event of a call of less than an entire class of index-linked securities.</u>
2) vi)	<u>In the case of a spin off or similar event by the issuer of an Underlying Interest which results in a property distribution, Derivatives Instruments will be adjusted to reflect such distribution. The value of the property distributed shall be reflected in the shares deliverable.</u>				
2) vii)	In the case of a corporate reorganization or similar occurrence by the issuer of an Underlying Interest which results in an automatic share-for-share exchange of the Underlying Interest for shares of another class in the capital of the issuer or in the resulting company, the <u>Transactions</u> on the Underlying Interest will ordinarily be adjusted to require delivery upon exercise of a like number of units of the shares of <u>such other class</u> or of the resulting company. Because the Securities are generally exchanged only on the books of the issuer and/or the resulting company, as the case may be, and are generally not exchanged physically, deliverable shares will ordinarily include certificates that are denominated on their face as shares in the original class of shares of the original issuer, but which, as a result of the corporate transaction, represent shares in the other class or in the resulting company, as the case may be.	A .06	In the case of a corporate reorganization, <u>reincorporation</u> or similar occurrence by the issuer of an underlying security which results in an automatic share-for-share exchange of shares <u>in the issuer for shares</u> in the resulting company, <u>the options</u> on the underlying security will ordinarily be adjusted to require delivery upon exercise of a like number of units of the shares of the resulting company. Because the securities are generally exchanged only on the books of the issuer and the resulting company, and are not generally exchanged physically, deliverable shares will ordinarily include certificates that are denominated on their face as shares in the original issuer, but which, as a result of the corporate transaction, represent shares in the resulting company.	.06	In the case of a corporate reorganization, <u>reincorporation</u> or similar occurrence by the issuer of an underlying security which results in an automatic share-for-share exchange of shares in the issuer for shares in the resulting company, <u>security futures</u> on the underlying security will ordinarily be adjusted by replacing such underlying security with a like number of units of the shares of the resulting company. Because the securities are generally exchanged only on the books of the issuer and the resulting company, and are not generally exchanged physically, deliverable shares will ordinarily include certificates that are denominated on their face as shares in the original issuer, but which, as a result of the corporate transaction, represent shares in the resulting company.

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Section	Description	Section	Description	Section	Description
2) viii)	When an Underlying Interest is converted in whole or in part into a debt security and/or a preferred stock, as in a merger, and interest or dividends on such debt security or preferred stock are payable in the form of additional units thereof, outstanding Transactions that have been adjusted to call for delivery of such debt security or preferred stock shall be further adjusted, effective as of the ex-date for each payment of interest or dividends thereon, to call for delivery of the securities distributed as interest or dividends thereon.	A .07	When an underlying security is converted in whole or in part into a debt security and/or a preferred stock, as in a merger, and interest or dividends on such debt security or preferred stock are payable in the form of additional units thereof, outstanding options that have been adjusted to call for delivery of such debt security or preferred stock shall be further adjusted, effective as of the ex-date for each payment of interest or dividends thereon, to call for delivery of the securities distributed as interest or dividends thereon.	.07	When an underlying security is converted in whole or in part into a debt security and/or a preferred stock, as in a merger, and interest or dividends on such debt security or preferred stock are payable in the form of additional units thereof, outstanding stock futures that have been adjusted by replacing the original underlying security with the security into which the original underlying security has been converted shall be further adjusted, effective as of the ex-date for each payment of interest or dividends thereon, by increasing the unit of trading by the number of units of the new underlying security distributed as interest or dividends thereon.
2) ix)	Notwithstanding paragraph 1) of Interpretations and Policies under Section A-902, (i) "ordinary cash dividends or distributions" within the meaning of paragraph (3) of Section A-902 shall not, as a general rule, be deemed to include distributions of short-term or long-term capital gains by the issuer of the Underlying Interest, and (ii) "ordinary cash dividends or distributions" within the meaning of paragraph (3) of Section A-902 shall not, as a general rule, be deemed to include other distributions by the issuer of the Underlying Interest, provided that (a) the issuer is an entity that holds securities or replicates holding of securities that track the performance of an index that underlies a class of index Options or index Futures, and the distribution on the Underlying Interest includes or reflects a dividend or other distribution on a security part of the index that resulted in an adjustment of the index divisor; or (b) the distribution on the Underlying Interest includes or reflects a dividend or other distribution on a security part of the index (I) that results in an adjustment of Options and similar instruments on other Underlying Interest pursuant to clause (ii) (a), or (II) that is not deemed an ordinary dividend or distribution under Interpretation (1) above. Adjustments of the terms of Options and similar instruments on such Underlying Interest for distributions described in clause (i) or (ii) above shall be made in accordance with paragraph (6) of Section A-902, unless the Adjustment Committee determines, on a case-by-case basis, not to adjust for such a distribution; provided, however, that no adjustment shall be made for any such distribution where the amount of the adjustment would be less than \$.125 per Underlying Interest.	A .08	Notwithstanding Interpretation and Policy .01 under Section 11A of Article VI of the By-Laws, (i) distributions of short-term or long-term capital gains in respect of fund shares by the issuer thereof shall not, as a general rule, be deemed to be "ordinary distributions" within the meaning of paragraph (c) of Section 11A, and (ii) other distributions in respect of fund shares by the issuer thereof shall not, as a general rule, be deemed to be "ordinary distributions" within the meaning of paragraph (c) of this Section 11A if (x) the fund tracks the performance of an index that underlies a class of index options or index futures, and the distribution on the fund shares includes or reflects a dividend or other distribution on a portfolio security that resulted in an adjustment of the index divisor; or (y) the distribution on the fund shares includes or reflects a dividend or other distribution on a portfolio security (I) that results in an adjustment of options on other fund shares pursuant to clause (ii)(x), or (II) that is not deemed an ordinary distribution under Interpretation .01 above. Adjustments of the terms of options on such fund shares for distributions described in clause (i) or (ii) above shall be made in accordance with paragraph (e) of Section 11A, unless the Corporation determines, on a case-by-case basis, not to adjust for such a distribution; provided, however, that no adjustment shall be made for any such distribution that is less than \$.125 per fund share and provided that, in the case of a contract that is originally listed with a unit of trading larger than 100 fund shares, the applicable threshold shall be \$12.50 per contract.	.08	Notwithstanding Interpretation and Policy .01 above, (i) distributions of short-term and long-term capital gains in respect of fund shares by the issuer thereof shall not, as a general rule, be deemed to be "ordinary distributions" within the meaning of paragraph (c) of this Section 3 and (ii) other distributions in respect of fund shares by the issuer thereof shall not, as a general rule, be deemed to be "ordinary distributions" within the meaning of paragraph (c) of Section 3 if (x) the fund tracks the performance of an index that underlies a class of index options or index futures, and the distribution on the fund shares includes or reflects a dividend or other distribution on a portfolio security that resulted in an adjustment of the index divisor; or (y) the distribution on the fund shares includes or reflects a dividend or other distribution on a portfolio security (I) that results in an adjustment of stock futures on other fund shares pursuant to clause (ii)(x) or (II) that is not deemed an ordinary distribution under Interpretation .01 above. Adjustments of the terms of stock futures on such fund shares for distributions described in clause (i) or (ii) above shall be made in accordance with paragraph (e) of this Section 3 unless the Corporation determines, on a case-by-case basis, not to adjust for such a distribution.

CDCC/OCC Adjustment in Contract Terms Rules: Comparative Benchmarking Analysis

Yellow for different description than the other's Rules/Bylaws
Black is the Same

CDCC Rules (A-902)		OCC Bylaws (Article VI - Section 11) - Options		OCC Bylaws (Article XII - Section 3) - Futures	
Section	Description	Section	Description	Section	Description
		A .09	<p><i>Interest payments on index-linked securities will, as a general rule, be deemed to be "ordinary cash dividends or distributions" within the meaning of paragraph (c) of this Section 11A.</i></p>	.09	<p><i>Other than as provided for in the By-Laws and Rules, including in paragraph (j) of this Section 3, the Corporation will not adjust officially reported settlement prices, even if the information provided by the Exchange regarding dividends or distributions is subsequently found to have been erroneous, except in extraordinary circumstances. Such circumstances might be found to exist where, for example, the information initially provided by the Exchange is clearly erroneous or the Corporation otherwise learns of the error, and corrected information is promptly provided by the Exchange. In no event will a completed settlement be adjusted due to errors discovered after settlement.</i></p>
				.10	<p><i>Interest payments on index-linked securities will, as a general rule, be deemed to be "ordinary cash dividends or distributions" within the meaning of paragraph (c) of this Section 3. [Section 3 of this Article replaces Article VI, Section 11A of the By-Laws.]</i></p>

CDCC		OCC	
Section	Description	Section	Description
B-310	<p>When a Security Option contract, where the Underlying Interest is an equity stock, is adjusted pursuant to Rule A-9 – Adjustment In Contract Terms, to require the delivery upon exercise of a fixed amount of cash, the Expiration Date of the Option contract will ordinarily be accelerated to fall on or shortly after the date on which the <u>conversion</u> of the underlying security to a right to receive Cash occurs. <u>The Expiration Date of the closest month’s Option contract will remain unchanged. All Options contracts set to expire after this date will be revised to expire on the business days after that of the closest month’s Options contracts. OTCI contracts that expire prior to the expiration of the closest month’s expiration date will not be revised.</u> <u>Exercised Options will continue to settle with the delivery delay as defined within the Contract Specification.</u> <u>The fixed amount of Cash will be delivered according to CDCC’s payment process.</u></p>	807	<p>When a stock option contract is adjusted pursuant to Section 11 of Article VI of the By-Laws to require the delivery upon exercise of a fixed amount of cash, the expiration date of the option contract will ordinarily be accelerated to fall on or shortly after the date on which the <u>conversion</u> of the underlying security to a right to receive cash occurs.</p> <p><u>... Interpretations and Policies:</u> <u>.01 When option contracts are adjusted to require delivery of a fixed amount of cash and the expiration date is accelerated, the “exercise by exception” threshold for such contracts for purposes of Rule 805 (d)(2) shall be \$.01 per share.</u></p>

APPENDIX 2: AMENDED RULES A-9 AND B-3
AMENDED VERSION

RULE A-9
ADJUSTMENTS IN CONTRACT TERMS

Section A-901
APPLICATION

This Rule A-9 is applicable to Transactions where the Underlying Interest is a Security.

Notwithstanding Section A-102, for the purposes of the Rule A-9, the following term is defined as:

“**Similar Instruments**” Over-the-Counter Instruments or any other instruments which are determined by the Corporation as acceptable for clearing.

Section A-902
ADJUSTMENTS IN TERMS

- 1) Whenever there is a dividend, stock dividend, stock distribution, stock split, trust unit split, reverse stock split, reverse trust unit split, rights offering, distribution, reorganization, recapitalization, reclassification or similar event in respect of any Underlying Interest, or a merger, consolidation, dissolution or liquidation of the issuer of any Underlying Interest, the number of contracts of the Derivative Instruments, the Unit of Trading, the Settlement Price, the Exercise Price, and the Underlying Interest, or any of them, with respect to all outstanding Derivative Instruments open for trading in that Underlying Interest may be adjusted in accordance with this Section A-902.
- 2) The Corporation, acting through a committee (“Adjustment Committee”), shall determine whether to make adjustments to reflect particular events in respect of an Underlying Interest, and the nature and extent of any such adjustment, based on its judgment as to what is appropriate for the protection of investors and the public interest, taking into account such factors as fairness to buyers and sellers of the affected Derivative Instruments and to Clearing Members and the Corporation, the maintenance of a fair and orderly market in Derivative Instruments on the Underlying Interest, consistency of interpretation and practice, efficiency of exercise settlement procedures, efficiency of Futures settlement procedures and the coordination with other clearing agencies of the clearance and settlement of transactions in the Underlying Interest. The Adjustment Committee may, in addition to determining adjustments on a case-by-case basis, adopt statements of policy or interpretation having general application to specified types of events. Any such statements of policy or interpretation shall be disseminated to all Clearing Members, Exchanges and securities and/or derivative instruments regulatory authorities having jurisdiction over the Corporation. Every determination by the Adjustment Committee pursuant to this Section A-902 shall be within the sole discretion of the Adjustment Committee, as it deems necessary in such circumstances and at the time of such determination, and shall be conclusive and binding on all investors and Clearing

Members and not subject to review, other than review by securities and/or derivative instruments regulatory authorities having jurisdiction over the Corporation pursuant to applicable provisions of the respective statutes. The Adjustment Committee has the discretion to deviate from policy or precedent when it deems unusual circumstances make such a deviation appropriate. If the Adjustment Committee is not informed of an event, or not informed in a timely manner, and such an event could possibly have required an adjustment, the Corporation will not be liable in any circumstances if i) it does not proceed with such adjustment or ii) it proceeds with an adjustment with a delay.

- 3) It shall be the general rule that there will be no adjustments of Options and ~~s~~Similar ~~i~~struments to reflect ordinary cash dividends or distributions, or ordinary stock dividends or distributions, or ordinary trust unit dividends or distributions declared by the issuer of the Underlying Interest, or any cash dividend or distribution declared by the issuer of the Underlying Interest if such dividend or distribution is less than ~~\$12.50 per contract~~ the Canadian dollars equivalent of US\$ 0.125 per share provided that, in the case of a contract that is listed with a unit of trading greater than 100 shares, the applicable threshold shall be the Canadian dollars equivalent of US\$ 12.50 per contract.
- 4) It shall be the general rule that there will be no adjustments of ~~Futures and Transactions other than Options and~~ ~~s~~Similar ~~i~~struments to reflect ordinary cash dividends or distributions, or ordinary stock dividends or distributions, or ordinary trust unit dividends or distributions declared by the issuer of the Underlying Interest if such dividend or distribution is less than ~~\$12.50 per contract~~ the Canadian dollars equivalent of US\$ 0.125 per share provided that, in the case of a contract that is listed with a unit of trading greater than 100 shares, the applicable threshold shall be the Canadian dollars equivalent of US\$ 12.50 per contract.
- 5)
 - i) For all Options and ~~s~~Similar ~~i~~struments it shall be the general rule that in the case of a stock dividend, stock distribution, stock split, trust unit dividend, trust unit distribution, trust unit split or similar event whereby one or more whole number of additional shares of the Underlying Interest are issued with respect to each outstanding share, each Option ~~and~~ ~~or~~ ~~s~~Similar ~~i~~struments covering that Underlying Interest shall be increased by the same number of additional contracts as the number of additional shares issued with respect to each share of the Underlying Interest, and the Exercise Price per share in effect immediately prior to such event shall be proportionately reduced, and the Unit of Trading shall remain the same.
 - ii) For all Options and ~~s~~Similar ~~i~~struments it shall be the general rule that in the case of a stock dividend, stock distribution, stock split, trust unit dividend, trust unit distribution, trust unit split or similar event whereby other than a whole number of shares of the Underlying Interest is issued in respect of each outstanding share, the Exercise Price in effect immediately prior to such event shall be proportionately reduced, and the Unit of Trading shall be proportionately increased.
 - iii) For all Options and ~~s~~Similar ~~i~~struments it shall be the general rule that in the case of a reverse stock split, consolidation or combination of shares, or similar event, each Option and ~~s~~Similar ~~i~~struments covering the affected Underlying Interest shall be adjusted, solely for purposes of determining the property deliverable upon exercise of the Option ~~or~~ ~~and~~ ~~s~~Similar ~~i~~struments, by decreasing the Unit of Trading to reflect the number of shares eliminated. If an adjustment is made in

accordance with the preceding sentence, the Unit of Trading for all such adjusted series of Options ~~or and s~~Similar ~~i~~nstruments shall remain unchanged for purposes of determining the aggregate Exercise Price of the Option ~~or and s~~Similar ~~i~~nstruments and for purposes of determining the premium for any such Option and Similar ~~i~~nstruments purchased and sold.

- iv) For all ~~Transactions other than those covering Options and s~~ Futures and Similar ~~i~~nstruments it shall be the general rule that in the case of a stock dividend, stock distribution, stock split, trust unit dividend, trust unit distribution, trust unit split or similar event whereby one or more whole number of additional shares of the Underlying Interest are issued with respect to each outstanding share, each Futures and Similar Instruments ~~Derivative Instrument~~ covering that Underlying Interest shall be increased by the same number of additional contracts as the number of additional shares issued with respect to each share of the Underlying Interest, the last Settlement Price established immediately before such event shall be proportionately reduced, and the Unit of Trading shall remain the same.
- v) For all ~~Transactions other than those covering Options and Futures and s~~Similar ~~i~~nstruments it shall be the general rule that in the case of a stock dividend, stock distribution, stock split, trust unit dividend, trust unit distribution, trust unit split or similar event whereby other than a whole number of shares of the Underlying Interest is issued in respect of each outstanding share, the last Settlement Price established immediately before such event shall be proportionately reduced, and the Unit of Trading shall be proportionately increased.
- vi) For all ~~Transactions other than those covering Options Futures and s~~Similar ~~i~~nstruments it shall be the general rule that in the case of a reverse stock split, consolidation or combination of shares, or similar event, each Futures and Similar Instruments ~~Derivative Instrument~~ covering the affected Underlying Interest shall be adjusted, solely for purposes of determining the property deliverable in respect of such Futures and Similar Instruments~~upon exercise of the instrument~~, by decreasing the Unit of Trading to reflect the number of shares eliminated. If an adjustment is made in accordance with the preceding sentence, the Unit of Trading for all such adjusted ~~series of Futures and Similar Instruments ~~Derivatives Instruments~~~~ shall remain unchanged for purposes of determining the aggregate ~~S~~ettlement ~~value~~ ~~Price~~ of the Futures and Similar Instruments ~~Derivatives Instrument payable upon delivery~~ and for purposes of determining the ~~premium~~ settlement value for any such Futures and Similar ~~i~~nstruments purchased and sold.

6) It shall be the general rule that in the case of any distribution made with respect to shares of an Underlying Interest, other than ordinary dividends or distributions subject to Subsection (3) and (4) of this Section A-902 and other than dividends or distributions for which adjustments are provided in Subsection (5) of this Section A-902, if an adjustment is determined by the Adjustment Committee to be appropriate, for Options and ~~s~~Similar ~~i~~nstruments:

- i) the Exercise Price in effect immediately prior to such event shall be reduced by the value per share of the distributed property, in which event the Unit of Trading shall not be adjusted, or
- ii) the Unit of Trading in effect immediately prior to such event shall be adjusted so as to include the amount of property distributed with respect to the number of shares

of the Underlying Interest represented by the Unit of Trading in effect prior to such adjustment, in which event the Exercise Price shall not be adjusted;

for all other ~~Futures and Similar Instruments~~ ~~Transactions for which an Exercise Price is not available:~~

- i) the last Settlement Price established immediately before such event shall be reduced by the value per share of the distributed property, in which event the Unit of Trading shall not be adjusted, or
 - ii) the Unit of Trading in effect immediately prior to such event shall be adjusted so as to include the amount of property distributed with respect to the number of shares of the Underlying Interest represented by the Unit of Trading in effect prior to such adjustment, in which event the Settlement Price shall not be adjusted.
 - iii) The Adjustment Committee shall, with respect to adjustments under this Subsection or any other Subsection of this Section A-902, have the authority to determine the value of distributed property.
- 7) In the case of any event for which adjustments are not provided in any of the foregoing Subsections of this Section A-902, the Adjustment Committee may make such adjustments, if any, with respect to the characteristics of the Derivative Instrument affected by such event as the Adjustment Committee determines.
- 8) Adjustments pursuant to this Section A-902 as a general rule shall become effective in respect of ~~Derivatives Instruments~~ ~~Transactions~~ outstanding on the “ex-dividend date” established by the exchange or exchanges on which the Underlying Interest is traded. In the event that the “ex-dividend date” for an Underlying Interest traded on exchanges differs from one exchange to another, the ~~Corporation Adjustment Committee~~ shall deem the earliest date to be the “ex-dividend date” for the purposes of this Section A-902. “Ex-dividend dates” established by any other exchange or exchanges on which an Underlying Interest may be traded shall be disregarded.
- 9) It shall be the general rule that (i) all adjustments of the Exercise Price of an outstanding Option ~~and of s~~ ~~Similar i~~ ~~Instruments~~ shall be rounded to the nearest adjustment increment, (ii) when an adjustment causes an Exercise Price to be equidistant between two adjustment increments, the Exercise Price shall be rounded up to the next highest adjustment increment, (iii) all adjustments of the Unit of Trading shall be rounded down to eliminate any fraction, and (iv) if the adjustment is made pursuant to subparagraph (5)(iii) above, and the Unit of Trading is rounded down to eliminate a fraction the value of the fractional share so eliminated as determined by the ~~Corporation Adjustment Committee~~ shall be added to the Unit of Trading, or if the adjustment is made pursuant to subparagraph (5)(ii) above, ~~and if~~ the Unit of Trading is rounded down to eliminate a fraction, the adjusted Exercise Price may be further adjusted, to the nearest adjustment increment, to reflect any diminution in the value of the Option ~~or and s~~ ~~Similar i~~ ~~Instruments~~ resulting from the elimination of the fraction.
- 10) It shall be the general rule that (i) all adjustments of the Settlement Price of an outstanding ~~transaction other than those covering an Option or Futures and s~~ ~~Similar i~~ ~~Instruments~~ shall be rounded to the nearest adjustment increment, (ii) when an adjustment causes a Settlement Price to be equidistant between two adjustment increments, the settlement price shall be rounded up to the next highest adjustment increment, (iii) all adjustments of the Unit of Trading shall be rounded down to eliminate any fraction, and (iv) if the adjustment is made pursuant to subparagraph (5)(v) above, and the Unit of Trading is rounded down to eliminate a fraction, the value of the fractional share so eliminated as determined by the ~~Corporation Adjustment Committee~~ shall be added to the

Unit of Trading, or if the adjustment is made pursuant to subparagraph (5)(iv) above, ~~if and~~ the Unit of Trading is rounded down to eliminate a fraction, the adjusted Settlement Price may be further adjusted, to the nearest adjustment increment, to reflect any diminution in the value of the Futures and Similar Instruments ~~Derivative Instrument~~ resulting from the elimination of the fraction.

- 11) Notwithstanding the general rules set forth in Subsections (3) through (9) of this Section A-902 or which may be set forth as interpretations and policies under this Section A-902, the Adjustment Committee shall have the power to make exceptions in those cases or groups of cases in which, in applying the standards set forth in Subsection (2) thereof the Adjustment Committee shall determine such exceptions to be appropriate. However, the general rules shall be applied unless the Adjustment Committee affirmatively determines to make an exception in a particular case or group of cases.

INTERPRETATIONS AND POLICIES

1)

- i) Cash dividends or distributions (regardless of size) declared by the issuer of the Underlying Interest which the Adjustment Committee Corporation considers to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis, or which the Adjustment Committee considers to represent an acceleration or deferral of such payments as well as resumption of dividends or distributions will, as a general rule, be deemed to be “ordinary cash dividends or distributions” within the meaning of Subsection A-902(3). ~~Cash dividends or distributions declared by the issuer of the Underlying Interest which are declared outside of a policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis will be deemed to be “special cash dividends or distributions” if they exceed the threshold of \$12.50 per contract.~~
- ii) Stock dividends or distributions, or trust unit dividends or distributions declared by the issuer of the Underlying Interest in an aggregate amount that per dividend or distribution does not exceed 10% of the number of shares or other units of the Underlying Interest outstanding as of the close of trading on the declaration date, and which the Adjustment Committee Corporation considers to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis ~~;~~ or which the Adjustment Committee considers to represent an acceleration or deferral of such payments will, as a general rule, be deemed to be “ordinary stock dividends or distributions” or “ordinary trust unit dividends or distributions” within the meaning of Subsection A-902(3).
- iii) Cash dividends or distributions declared by the issuer of the Underlying Interest which the Adjustment Committee Corporation considers to have been declared outside of a regular policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis ~~and that exceeds \$12.50 per contract~~ will be deemed to be “special cash dividends or distributions” within the meaning of Subsections A-902(3) and A-902(4).
- iv) Stock dividends or distributions, or trust unit dividends or distributions declared by the issuer of the Underlying Interest which the Adjustment Committee Corporation considers to have been declared outside of a regular policy and that exceeds 10% of

- the number of shares or other units of the Underlying Interest will be deemed to be “special stock dividends or distributions” or “special trust unit dividends or distributions” within the meaning of Subsections A-902(3) and A-902(4).
- v) Cash dividends or distributions declared by the issuer of the Underlying Interest which the Adjustment Committee Corporation considers to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis, or which the Adjustment Committee considers to represent an acceleration or deferral of such payment as well as resumption of dividends or distributions will, as a general rule, be deemed to be “ordinary cash dividends or distributions” within the meaning of Subsection A-902(4). ~~The Corporation will determine on a case-by-case basis whether other dividends or distributions are “ordinary distributions” or whether they are dividends or distributions for which an adjustment should be made.~~
- vi) Stock dividends or distributions or trust unit dividends or distributions by the issuer of the Underlying Interest which the Adjustment Committee Corporation considers to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis, or which the Adjustment Committee considers to represent an acceleration or deferral of such payment, will, as a general rule, be deemed to be “ordinary stock dividends or distributions” or “ordinary trust unit dividends or distribution” within the meaning of Subsection A-902(4). The ~~Corporation~~ Adjustment Committee will ordinarily adjust for other stock and trust units dividends and distributions.

Nevertheless, the Adjustment Committee will determine, on its sole discretion, on a case-by-case basis whether other dividends or distributions are “ordinary dividends or distributions” or whether they are dividends or distributions for which adjustments should be made, ~~regardless of the threshold of \$12.50 per contract applied to “special dividends or distributions”~~. In making such determinations, the Adjustment Committee may take into account such factors as it deems appropriate, including, without limitation, the issuer’s stated dividend payment policy, the issuer’s characterization of a particular dividend or distribution as ‘regular’, ‘special’, ‘accelerated’ or ‘deferred’, whether the dividend can be differentiated from other dividends (if any) paid on a quarterly or other regular basis, and the issuer’s dividend payment history.

Normally, the Adjustment Committee shall classify a cash dividend or cash distribution as non-ordinary when it believes that similar cash dividends or cash distributions will not be paid on a quarterly or other regular basis. Notwithstanding that the Adjustment Committee has classified a cash dividend or cash distribution as non-ordinary, at a certain time, it may, ~~with respect to events announced on or after February 1, 2012~~, classify subsequent cash dividends or cash distributions of a similar nature as ordinary if (i) the issuer discloses that it intends to pay such dividends or distributions on a quarterly or other regular basis, (ii) the issuer has paid such dividends or distributions for four or more consecutive months or quarters or two or more years after the initial payment, whether or not the amounts paid were the same from period to period, or (iii) the Adjustment Committee determines for other reasons that the issuer has a policy or practice of paying such dividends or distributions on a quarterly or other regular basis.

2)

- i) Adjustments will not ordinarily be made to reflect the issuance of so-called “poison pill” rights that are not immediately exercisable, trade as a unit or automatically with the Underlying Interest, and may be redeemed by the issuer. In the event such rights become exercisable, begin to trade separately from the Underlying Interest, or are

- redeemed, the Adjustment Committee will determine whether adjustments are appropriate.
- ii) Except as provided above in the case of certain “poison pill” rights, adjustments for rights distributions will ordinarily be made to ~~Transactions other than those covering Options and Futures and S~~similar ~~i~~Instruments. When an adjustment is made for a rights distribution, the Unit of Trading in effect immediately prior to the distribution will ordinarily be adjusted to include the number of rights distributed with respect to the number of shares of the Underlying Interest comprising the Unit of Trading. If, however, the ~~Corporation Adjustment Committee~~ determines that the rights are due to expire before the time they could be exercised upon delivery under the contract, then delivery of the rights will not be required. Instead, the Adjustment Committee Corporation will ordinarily adjust the last Settlement Price established before the rights expire to reflect the value, if any, of the rights as determined by the ~~Corporation Adjustment Committee~~ in its sole discretion.
 - iii) Adjustments will not be made to reflect a take-over bid or issuer bid made for the Underlying Interest, whether such offer is for cash, Securities or other property. This policy will apply without regard to whether the price of the Underlying Interest may be favourably or adversely affected by the offer or whether the offer may be deemed to be “coercive”. Outstanding ~~Transactions Derivative Instruments~~ ordinarily will be adjusted to reflect a merger, amalgamation, arrangement or similar event that becomes effective following the completion of a take-over bid.
 - iv) Adjustments will not be made to reflect changes in the capital structure of an issuer where all of the Underlying Interest in the hands of the public (other than dissenters' shares) are not changed into another Security, cash or other property. For example, adjustments will not be made merely to reflect the issuance (except as a distribution on an Underlying Interest) of new or additional debt, stock, trust units, or options, warrants or other securities convertible into or exercisable for the Underlying Interest, the refinancing of the issuer's outstanding debt, the repurchase by the issuer of less than all of the Underlying Interest outstanding or the sale by the issuer of significant capital assets.
 - v) When an Underlying Interest is converted into a right to receive a fixed amount of cash, such as in a merger, amalgamation, arrangement or similar event, outstanding Options ~~or and s~~Similar ~~i~~Instruments will be adjusted to require the delivery upon exercise of cash in an amount per share or unit equal to the conversion price. As a result of such adjustments, the value of all outstanding In-the-money Options ~~or and s~~Similar ~~i~~Instruments will become fixed, and all At-the-money and Out-of-the-money Options ~~or and s~~Similar ~~i~~Instruments will become worthless. ~~Outstanding transactions other than those covering Options or Futures and s~~Similar ~~i~~Instruments will be adjusted to replace such Underlying Interest with such fixed amount of cash as the Underlying Interest, and the Unit of Trading shall remain unchanged.
 - vi) In the case of a spin off or similar event by the issuer of an Underlying Interest which results in a property distribution, ~~Derivatives~~ Instruments will be adjusted to reflect such distribution. The value of the property distributed shall be reflected in the ~~shares~~-deliverable shares.
 - vii) In the case of a corporate reorganization or similar occurrence by the issuer of an Underlying Interest which results in an automatic share-for-share exchange of the Underlying Interest for shares of another class in the capital of the issuer or in the resulting company, the ~~Transactions Derivative Instruments~~ on the Underlying

- Interest will ordinarily be adjusted by replacing such Underlying Interest with ~~to require delivery upon exercise of~~ a like number of units of the shares of such other class or of the resulting company. Because the Securities are generally exchanged only on the books of the issuer and/or the resulting company, as the case may be, and are generally not exchanged physically, deliverable shares will ordinarily include certificates that are denominated on their face as shares in the original class of shares of the original issuer, but which, as a result of the corporate transaction, represent shares in the other class or in the resulting company, as the case may be.
- viii) When an Underlying Interest is converted in whole or in part into a debt security and/or a preferred stock, as in a merger, and interest or dividends on such debt security or preferred stock are payable in the form of additional units thereof, outstanding ~~Derivative Instruments Transactions~~ that have been adjusted to call for delivery of such debt security or preferred stock shall be further adjusted, effective as of the ex-date for each payment of interest or dividends thereon, to call for delivery of the securities distributed as interest or dividends thereon.
- ix) Notwithstanding paragraph 1) of Interpretations and Policies under Section A-902, (i) "ordinary ~~cash~~ dividends or distributions" within the meaning of paragraphs (3) and (4) of Section A-902 shall not, as a general rule, be deemed to include distributions of short-term or long-term capital gains by the issuer of the Underlying Interest, and (ii) "ordinary ~~cash~~ dividends or distributions" within the meaning of paragraphs (3) and (4) of Section A-902 shall not, as a general rule, be deemed to include other distributions by the issuer of the Underlying Interest, provided that (a) the issuer is an entity that holds securities or replicates holding of securities that track the performance of an index that underlies a class of index Options or index Futures, and the distribution on the Underlying Interest includes or reflects a dividend or other distribution on a security part of the index that resulted in an adjustment of the index divisor; or (b) the distribution on the Underlying Interest includes or reflects a dividend or other distribution on a security part of the index (I) that results in an adjustment of ~~Options and sSimilar Derivative i~~ Instruments on other Underlying Interest pursuant to clause (ii)(a), or (II) that is not deemed an ordinary dividend or distribution under Interpretation (1) above.

Adjustments of the terms of ~~Options and sSimilar Derivative i~~ Instruments on such Underlying Interest for distributions described in clause (i) or (ii) above shall be made in accordance with paragraph (6) of Section A-902, unless the Adjustment Committee determines, on a case-by-case basis, not to adjust for such a distribution; provided, however, that no adjustment shall be made for any such distribution where the amount of the adjustment would be less than the Canadian dollars equivalent of US \$0.125 per share or units of the Underlying Interest and provided that, in the case of a contract that is listed with a unit of trading greater than 100 shares, the applicable threshold shall be the Canadian dollars equivalent of US\$12.50 per contract.



**RULE B-3
TENDER AND ASSIGNMENT OF EXERCISE NOTICES**

Section B-310
ACCELERATION OF EXPIRATION DATE

When a Security Option contract, where the Underlying Interest is a class of shares ~~an equity stock~~, is adjusted pursuant to Rule A-9 – Adjustment In Contract Terms, to require the delivery upon exercise of a fixed amount of cash, the Expiration Date of the Option contract will ordinarily be accelerated to fall on or shortly after the date on which the conversion ~~conversion~~ of the underlying security to a right to receive Cash occurs.

~~The Expiration Date of the closest month's Option contract will remain unchanged. All Options contracts set to expire after this date will be revised to expire on the business days after that of the closest month's Options contracts. OTCI contracts that expire prior to the expiration of the closest month's expiration date will not be revised.~~

~~Exercised Options will continue to settle with the delivery delay as defined within the Contract Specification.~~

~~The fixed amount of Cash will be delivered according to CDCC's payment process.~~

CLEAN VERSION

RULE A-9 ADJUSTMENTS IN CONTRACT TERMS

Section A-901 APPLICATION

This Rule A-9 is applicable to Transactions where the Underlying Interest is a Security.

Notwithstanding Section A-102, for the purposes of the Rule A-9, the following term is defined as:

“Similar Instruments” Over-the-Counter Instruments or any other instruments which are determined by the Corporation as acceptable for clearing.

Section A-902 ADJUSTMENTS IN TERMS

- 1) Whenever there is a dividend, stock dividend, stock distribution, stock split, trust unit split, reverse stock split, reverse trust unit split, rights offering, distribution, reorganization, recapitalization, reclassification or similar event in respect of any Underlying Interest, or a merger, consolidation, dissolution or liquidation of the issuer of any Underlying Interest, the number of contracts of the Derivative Instruments, the Unit of Trading, the Settlement Price, the Exercise Price, and the Underlying Interest, or any of them, with respect to all outstanding Derivative Instruments open for trading in that Underlying Interest may be adjusted in accordance with this Section A-902.
- 2) The Corporation, acting through a committee (“Adjustment Committee”), shall determine whether to make adjustments to reflect particular events in respect of an Underlying Interest, and the nature and extent of any such adjustment, based on its judgment as to what is appropriate for the protection of investors and the public interest, taking into account such factors as fairness to buyers and sellers of the affected Derivative Instruments and to Clearing Members and the Corporation, the maintenance of a fair and orderly market in Derivative Instruments on the Underlying Interest, consistency of interpretation and practice, efficiency of exercise settlement procedures, efficiency of Futures settlement procedures and the coordination with other clearing agencies of the clearance and settlement of transactions in the Underlying Interest. The Adjustment Committee may, in addition to determining adjustments on a case-by-case basis, adopt statements of policy or interpretation having general application to specified types of events. Any such statements of policy or interpretation shall be disseminated to all Clearing Members, Exchanges and securities and/or derivative instruments regulatory authorities having jurisdiction over the Corporation. Every determination by the Adjustment Committee pursuant to this Section A-902 shall be within the sole discretion of the Adjustment Committee, as it deems necessary in such circumstances and at the time of such determination, and shall be conclusive and binding on all investors and Clearing Members and not subject to review, other than review by securities and/or derivative instruments regulatory authorities having jurisdiction over the Corporation pursuant to applicable provisions of

the respective statutes. The Adjustment Committee has the discretion to deviate from policy or precedent when it deems unusual circumstances make such a deviation appropriate. If the Adjustment Committee is not informed of an event, or not informed in a timely manner, and such an event could possibly have required an adjustment, the Corporation will not be liable in any circumstances if i) it does not proceed with such adjustment or ii) it proceeds with an adjustment with a delay.

- 3) It shall be the general rule that there will be no adjustments of Options and Similar Instruments to reflect ordinary cash dividends or distributions, or ordinary stock dividends or distributions, or ordinary trust unit dividends or distributions declared by the issuer of the Underlying Interest, or any cash dividend or distribution declared by the issuer of the Underlying Interest if such dividend or distribution is less than the Canadian dollars equivalent of US\$ 0.125 per share provided that, in the case of a contract that is listed with a unit of trading greater than 100 shares, the applicable threshold shall be the Canadian dollars equivalent of US\$ 12.50 per contract.
- 4) It shall be the general rule that there will be no adjustments of Futures and Similar Instruments to reflect ordinary cash dividends or distributions, or ordinary stock dividends or distributions, or ordinary trust unit dividends or distributions declared by the issuer of the Underlying Interest if such dividend or distribution is less than the Canadian dollars equivalent of US\$ 0.125 per share provided that, in the case of a contract that is listed with a unit of trading greater than 100 shares, the applicable threshold shall be the Canadian dollars equivalent of US\$ 12.50 per contract.
- 5)
 - i) For all Options and Similar Instruments it shall be the general rule that in the case of a stock dividend, stock distribution, stock split, trust unit dividend, trust unit distribution, trust unit split or similar event whereby one or more whole number of additional shares of the Underlying Interest are issued with respect to each outstanding share, each Option and Similar Instruments covering that Underlying Interest shall be increased by the same number of additional contracts as the number of additional shares issued with respect to each share of the Underlying Interest, and the Exercise Price per share in effect immediately prior to such event shall be proportionately reduced, and the Unit of Trading shall remain the same.
 - ii) For all Options and Similar Instruments it shall be the general rule that in the case of a stock dividend, stock distribution, stock split, trust unit dividend, trust unit distribution, trust unit split or similar event whereby other than a whole number of shares of the Underlying Interest is issued in respect of each outstanding share, the Exercise Price in effect immediately prior to such event shall be proportionately reduced, and the Unit of Trading shall be proportionately increased.
 - iii) For all Options and Similar Instruments it shall be the general rule that in the case of a reverse stock split, consolidation or combination of shares, or similar event, each Option and Similar Instruments covering the affected Underlying Interest shall be adjusted, solely for purposes of determining the property deliverable upon exercise of the Option and Similar Instruments, by decreasing the Unit of Trading to reflect the number of shares eliminated. If an adjustment is made in accordance with the preceding sentence, the Unit of Trading for all such adjusted series of Options and Similar Instruments shall remain unchanged for purposes of determining the aggregate Exercise Price of the Option and Similar Instruments and for purposes of

- determining the premium for any such Option and Similar Instruments purchased and sold.
- iv) For all Futures and Similar Instruments it shall be the general rule that in the case of a stock dividend, stock distribution, stock split, trust unit dividend, trust unit distribution, trust unit split or similar event whereby one or more whole number of additional shares of the Underlying Interest are issued with respect to each outstanding share, each Futures and Similar Instruments covering that Underlying Interest shall be increased by the same number of additional contracts as the number of additional shares issued with respect to each share of the Underlying Interest, the last Settlement Price established immediately before such event shall be proportionately reduced, and the Unit of Trading shall remain the same.
 - v) For all Futures and Similar Instruments it shall be the general rule that in the case of a stock dividend, stock distribution, stock split, trust unit dividend, trust unit distribution, trust unit split or similar event whereby other than a whole number of shares of the Underlying Interest is issued in respect of each outstanding share, the last Settlement Price established immediately before such event shall be proportionately reduced, and the Unit of Trading shall be proportionately increased.
 - vi) For all Futures and Similar Instruments it shall be the general rule that in the case of a reverse stock split, consolidation or combination of shares, or similar event, each Futures and Similar Instruments covering the affected Underlying Interest shall be adjusted, solely for purposes of determining the property deliverable in respect of such Futures and Similar Instruments, by decreasing the Unit of Trading to reflect the number of shares eliminated. If an adjustment is made in accordance with the preceding sentence, the Unit of Trading for all such adjusted Futures and Similar Instruments shall remain unchanged for purposes of determining the aggregate settlement value of the Futures and Similar Instruments payable upon delivery and for purposes of determining the settlement value for any such Futures and Similar Instruments purchased and sold.
- 6) It shall be the general rule that in the case of any distribution made with respect to shares of an Underlying Interest, other than ordinary dividends or distributions subject to Subsection (3) and (4) of this Section A-902 and other than dividends or distributions for which adjustments are provided in Subsection (5) of this Section A-902, if an adjustment is determined by the Adjustment Committee to be appropriate, for Options and Similar Instruments:
- i) the Exercise Price in effect immediately prior to such event shall be reduced by the value per share of the distributed property, in which event the Unit of Trading shall not be adjusted, or
 - ii) the Unit of Trading in effect immediately prior to such event shall be adjusted so as to include the amount of property distributed with respect to the number of shares of the Underlying Interest represented by the Unit of Trading in effect prior to such adjustment, in which event the Exercise Price shall not be adjusted;
- for all other Futures and Similar Instruments:
- i) the last Settlement Price established immediately before such event shall be reduced by the value per share of the distributed property, in which event the Unit of Trading shall not be adjusted, or

- ii) the Unit of Trading in effect immediately prior to such event shall be adjusted so as to include the amount of property distributed with respect to the number of shares of the Underlying Interest represented by the Unit of Trading in effect prior to such adjustment, in which event the Settlement Price shall not be adjusted.
 - iii) The Adjustment Committee shall, with respect to adjustments under this Subsection or any other Subsection of this Section A-902, have the authority to determine the value of distributed property.
- 7) In the case of any event for which adjustments are not provided in any of the foregoing Subsections of this Section A-902, the Adjustment Committee may make such adjustments, if any, with respect to the characteristics of the Derivative Instrument affected by such event as the Adjustment Committee determines.
- 8) Adjustments pursuant to this Section A-902 as a general rule shall become effective in respect of Derivatives Instruments outstanding on the “ex-dividend date” established by the exchange or exchanges on which the Underlying Interest is traded. In the event that the “ex-dividend date” for an Underlying Interest traded on exchanges differs from one exchange to another, the Adjustment Committee shall deem the earliest date to be the “ex-dividend date” for the purposes of this Section A-902. “Ex-dividend dates” established by any other exchange or exchanges on which an Underlying Interest may be traded shall be disregarded.
- 9) It shall be the general rule that (i) all adjustments of the Exercise Price of an outstanding Option and Similar Instruments shall be rounded to the nearest adjustment increment, (ii) when an adjustment causes an Exercise Price to be equidistant between two adjustment increments, the Exercise Price shall be rounded up to the next highest adjustment increment, (iii) all adjustments of the Unit of Trading shall be rounded down to eliminate any fraction, and (iv) if the adjustment is made pursuant to subparagraph (5)(iii) above, and the Unit of Trading is rounded down to eliminate a fraction the value of the fractional share so eliminated as determined by the Adjustment Committee shall be added to the Unit of Trading, or if the adjustment is made pursuant to subparagraph (5)(ii) above, and the Unit of Trading is rounded down to eliminate a fraction, the adjusted Exercise Price may be further adjusted, to the nearest adjustment increment, to reflect any diminution in the value of the Option and Similar Instruments resulting from the elimination of the fraction.
- 10) It shall be the general rule that (i) all adjustments of the Settlement Price of an outstanding Futures and Similar Instruments shall be rounded to the nearest adjustment increment, (ii) when an adjustment causes a Settlement Price to be equidistant between two adjustment increments, the settlement price shall be rounded up to the next highest adjustment increment, (iii) all adjustments of the Unit of Trading shall be rounded down to eliminate any fraction, and (iv) if the adjustment is made pursuant to subparagraph (5)(vi) above, and the Unit of Trading is rounded down to eliminate a fraction, the value of the fractional share so eliminated as determined by the Adjustment Committee shall be added to the Unit of Trading, or if the adjustment is made pursuant to subparagraph (5)(v) above, and the Unit of Trading is rounded down to eliminate a fraction, the adjusted Settlement Price may be further adjusted, to the nearest adjustment increment, to reflect any diminution in the value of the Futures and Similar Instruments resulting from the elimination of the fraction.
- 11) Notwithstanding the general rules set forth in Subsections (3) through (9) of this Section A-902 or which may be set forth as interpretations and policies under this Section A-902, the Adjustment

Committee shall have the power to make exceptions in those cases or groups of cases in which, in applying the standards set forth in Subsection (2) thereof the Adjustment Committee shall determine such exceptions to be appropriate. However, the general rules shall be applied unless the Adjustment Committee affirmatively determines to make an exception in a particular case or group of cases.

INTERPRETATIONS AND POLICIES

1)

- i) Cash dividends or distributions (regardless of size) declared by the issuer of the Underlying Interest which the Adjustment Committee considers to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis, or which the Adjustment Committee considers to represent an acceleration or deferral of such payments as well as resumption of dividends or distributions will, as a general rule, be deemed to be “ordinary cash dividends or distributions” within the meaning of Subsection A-902(3).
- ii) Stock dividends or distributions, or trust unit dividends or distributions declared by the issuer of the Underlying Interest in an aggregate amount that per dividend or distribution does not exceed 10% of the number of shares or other units of the Underlying Interest outstanding as of the close of trading on the declaration date, and which the Adjustment Committee considers to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis or which the Adjustment Committee considers to represent an acceleration or deferral of such payments will, as a general rule, be deemed to be “ordinary stock dividends or distributions” or “ordinary trust unit dividends or distributions” within the meaning of Subsection A-902(3).
- iii) Cash dividends or distributions declared by the issuer of the Underlying Interest which the Adjustment Committee considers to have been declared outside of a regular policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis will be deemed to be “special cash dividends or distributions” within the meaning of Subsections A-902(3) and A-902(4).
- iv) Stock dividends or distributions, or trust unit dividends or distributions declared by the issuer of the Underlying Interest which the Adjustment Committee considers to have been declared outside of a regular policy and that exceeds 10% of the number of shares or other units of the Underlying Interest will be deemed to be “special stock dividends or distributions” or “special trust unit dividends or distributions” within the meaning of Subsections A-902(3) and A-902(4).
- v) Cash dividends or distributions declared by the issuer of the Underlying Interest which the Adjustment Committee considers to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis, or which the Adjustment Committee considers to represent an acceleration or deferral of such payment as well as resumption of dividends or distributions will, as a general rule, be deemed to be “ordinary cash dividends or distributions” within the meaning of Subsection A-902(4).
- vi) Stock dividends or distributions or trust unit dividends or distributions by the issuer of the Underlying Interest which the Adjustment Committee considers to have been

declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis, or which the Adjustment Committee considers to represent an acceleration or deferral of such payment, will, as a general rule, be deemed to be “ordinary stock dividends or distributions” or “ordinary trust unit dividends or distribution” within the meaning of Subsection A-902(4). The Adjustment Committee will ordinarily adjust for other stock and trust units dividends and distributions.

Nevertheless, the Adjustment Committee will determine, on its sole discretion, on a case-by-case basis whether other dividends or distributions are “ordinary dividends or distributions” or whether they are dividends or distributions for which adjustments should be made. In making such determinations, the Adjustment Committee may take into account such factors as it deems appropriate, including, without limitation, the issuer’s stated dividend payment policy, the issuer’s characterization of a particular dividend or distribution as “regular”, “special”, “accelerated” or “deferred”, whether the dividend can be differentiated from other dividends (if any) paid on a quarterly or other regular basis, and the issuer’s dividend payment history.

Normally, the Adjustment Committee shall classify a cash dividend or cash distribution as non-ordinary when it believes that similar cash dividends or cash distributions will not be paid on a quarterly or other regular basis. Notwithstanding that the Adjustment Committee has classified a cash dividend or cash distribution as non-ordinary, at a certain time, it may, classify subsequent cash dividends or cash distributions of a similar nature as ordinary if (i) the issuer discloses that it intends to pay such dividends or distributions on a quarterly or other regular basis, (ii) the issuer has paid such dividends or distributions for four or more consecutive months or quarters or two or more years after the initial payment, whether or not the amounts paid were the same from period to period, or (iii) the Adjustment Committee determines for other reasons that the issuer has a policy or practice of paying such dividends or distributions on a quarterly or other regular basis.

2)

- i) Adjustments will not ordinarily be made to reflect the issuance of so-called “poison pill” rights that are not immediately exercisable, trade as a unit or automatically with the Underlying Interest, and may be redeemed by the issuer. In the event such rights become exercisable, begin to trade separately from the Underlying Interest, or are redeemed, the Adjustment Committee will determine whether adjustments are appropriate.
- ii) Except as provided above in the case of certain “poison pill” rights, adjustments for rights distributions will ordinarily be made to Futures and Similar Instruments. When an adjustment is made for a rights distribution, the Unit of Trading in effect immediately prior to the distribution will ordinarily be adjusted to include the number of rights distributed with respect to the number of shares of the Underlying Interest comprising the Unit of Trading. If, however, the Adjustment Committee determines that the rights are due to expire before the time they could be exercised upon delivery under the contract, then delivery of the rights will not be required. Instead, the Adjustment Committee will ordinarily adjust the last Settlement Price established before the rights expire to reflect the value, if any, of the rights as determined by the Adjustment Committee in its sole discretion.
- iii) Adjustments will not be made to reflect a take-over bid or issuer bid made for the Underlying Interest, whether such offer is for cash, Securities or other property. This

- policy will apply without regard to whether the price of the Underlying Interest may be favourably or adversely affected by the offer or whether the offer may be deemed to be “coercive”. Outstanding Derivative Instruments ordinarily will be adjusted to reflect a merger, amalgamation, arrangement or similar event that becomes effective following the completion of a take-over bid.
- iv) Adjustments will not be made to reflect changes in the capital structure of an issuer where all of the Underlying Interest in the hands of the public (other than dissenters' shares) are not changed into another Security, cash or other property. For example, adjustments will not be made merely to reflect the issuance (except as a distribution on an Underlying Interest) of new or additional debt, stock, trust units, or options, warrants or other securities convertible into or exercisable for the Underlying Interest, the refinancing of the issuer's outstanding debt, the repurchase by the issuer of less than all of the Underlying Interest outstanding or the sale by the issuer of significant capital assets.
 - v) When an Underlying Interest is converted into a right to receive a fixed amount of cash, such as in a merger, amalgamation, arrangement or similar event, outstanding Options and Similar Instruments will be adjusted to require the delivery upon exercise of cash in an amount per share or unit equal to the conversion price. As a result of such adjustments, the value of all outstanding In-the-money Options and Similar Instruments will become fixed, and all At-the-money and Out-of-the-money Options and Similar Instruments will become worthless. Futures and Similar Instruments will be adjusted to replace such Underlying Interest with such fixed amount of cash as the Underlying Interest, and the Unit of Trading shall remain unchanged.
 - vi) In the case of a spin off or similar event by the issuer of an Underlying Interest which results in a property distribution, Derivative Instruments will be adjusted to reflect such distribution. The value of the property distributed shall be reflected in the deliverable shares.
 - vii) In the case of a corporate reorganization or similar occurrence by the issuer of an Underlying Interest which results in an automatic share-for-share exchange of the Underlying Interest for shares of another class in the capital of the issuer or in the resulting company, the Derivative Instruments on the Underlying Interest will ordinarily be adjusted by replacing such Underlying Interest with a like number of units of the shares of such other class or of the resulting company. Because the Securities are generally exchanged only on the books of the issuer and/or the resulting company, as the case may be, and are generally not exchanged physically, deliverable shares will ordinarily include certificates that are denominated on their face as shares in the original class of shares of the original issuer, but which, as a result of the corporate transaction, represent shares in the other class or in the resulting company, as the case may be.
 - viii) When an Underlying Interest is converted in whole or in part into a debt security and/or a preferred stock, as in a merger, and interest or dividends on such debt security or preferred stock are payable in the form of additional units thereof, outstanding Derivative Instruments that have been adjusted to call for delivery of such debt security or preferred stock shall be further adjusted, effective as of the ex-date for each payment of interest or dividends thereon, to call for delivery of the securities distributed as interest or dividends thereon.

- ix) Notwithstanding paragraph 1) of Interpretations and Policies under Section A-902, (i) "ordinary dividends or distributions" within the meaning of paragraphs (3) and (4) of Section A-902 shall not, as a general rule, be deemed to include distributions of short-term or long-term capital gains by the issuer of the Underlying Interest, and (ii) "ordinary dividends or distributions" within the meaning of paragraphs (3) and (4) of Section A-902 shall not, as a general rule, be deemed to include other distributions by the issuer of the Underlying Interest, provided that (a) the issuer is an entity that holds securities or replicates holding of securities that track the performance of an index that underlies a class of index Options or index Futures, and the distribution on the Underlying Interest includes or reflects a dividend or other distribution on a security part of the index that resulted in an adjustment of the index divisor; or (b) the distribution on the Underlying Interest includes or reflects a dividend or other distribution on a security part of the index (I) that results in an adjustment of Derivative Instruments on other Underlying Interest pursuant to clause (ii)(a), or (II) that is not deemed an ordinary dividend or distribution under Interpretation (1) above.

Adjustments of the terms of Derivative Instruments on such Underlying Interest for distributions described in clause (i) or (ii) above shall be made in accordance with paragraph (6) of Section A-902, unless the Adjustment Committee determines, on a case-by-case basis, not to adjust for such a distribution; provided, however, that no adjustment shall be made for any such distribution where the amount of the adjustment would be less than the Canadian dollars equivalent of US \$0.125 per share or units of the Underlying Interest and provided that, in the case of a contract that is listed with a unit of trading greater than 100 shares, the applicable threshold shall be the Canadian dollars equivalent of US\$12.50 per contract.



RULE B-3
TENDER AND ASSIGNMENT OF EXERCISE NOTICES

Section B-310
ACCELERATION OF EXPIRATION DATE

When a Security Option contract, where the Underlying Interest is a class of shares , is adjusted pursuant to Rule A-9 – Adjustment In Contract Terms, to require the delivery upon exercise of a fixed amount of cash, the Expiration Date of the Option contract will ordinarily be accelerated to fall on or shortly after the date on which the conversion of the underlying security to a right to receive Cash occurs.