NOTICE TO MEMBERS

No. 2021 - 147

October 19, 2021

Risk Model Change - Equity & Bond derivatives

Following CDCC board approval, CDCC would like to notify Clearing Members of the following change to the risk model.

As a response to the impacts of the COVID-19 market events on its Base Initial Margin ("**Base IM**"), the Canadian Clearing Derivatives Corporation ("**CDCC**" or "the **Corporation**") proposed the Model Change on Equity Derivatives (Notice to Members 020-21) and the Model Change on Bond Derivatives (Notice to Members 082-21). The model change is identical to Equity & Bond derivatives and targets the use of anti-procyclicality measures ("**APC measures**") in the calculation of the Margin Interval (MI): addition of a Stress Risk component based on the Stressed Value-at-Risk (SVaR), in complement to the current use of the 10-year volatility floor. The changes are reflected in the amended CDCC risk manual.

This model change comes as a permanent replacement to the temporary use of the 25% buffer on the 10-year volatility floor ("**the buffered floor**") (Notice to Members 113-20) targeting all Exchange Traded Derivative products, **with the exception** of Short-Term Interest Rates products (BAX, CRA, OBX) and Dividend Futures (SDV):

- Equity Derivatives: Index Futures, Share Futures, Index Options, Share Options and Currency Options
- Bond Derivatives: Government of Canada Bond Futures and Options on Government of Canada Bond Futures

As of **October 28, 2021**, the MI with SVaR will come into effect and the buffered floor will be permanently deactivated. Following the implementation, the impact of the most recent Total Margin Requirement will be visible in the MS06 report available at the 2nd IntraDay Batch (10:30 am ET).

In addition, please note that CDCC will communicate the expected impact to every Clearing Member several days prior to the implementation date.

Anne Fiddes
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