



## NOTICE TO MEMBERS

Nº: 153-23 December  
19, 2023

### REQUEST FOR COMMENTS

#### **AMENDMENTS TO THE RULES, OPERATIONS MANUAL AND RISK MANUAL OF THE CANADIAN DERIVATIVES CLEARING CORPORATION TO MOVE TO T+1 SETTLEMENT**

On October 26, 2023, the Board of Directors of the Canadian Derivatives Clearing Corporation (“CDCC”) approved certain amendments to the Rules, Operations Manual and Risk Manual of the Canadian Derivatives Clearing Corporation to move to T+1 Settlement.

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 and the Operations Manual of CDCC. Amendments are submitted to the AMF in accordance with the self-certification process and to the OSC in accordance with the process provided in the Recognition Order.

Comments on the proposed amendments must be submitted before **January 18, 2024**. Please submit your comments to:

**Dima Ghozaïel**  
Legal Counsel  
*Canadian Derivatives Clearing Corporation*  
1800-1190 av. des Canadiens-de-Montréal, P.O. Box 37  
Montreal, Quebec H3B 0G7  
Email: [legal@tmx.com](mailto:legal@tmx.com)



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

M<sup>e</sup> Philippe Lebel  
Corporate Secretary and  
Executive Director, Legal Affairs  
Autorité des marchés financiers  
Place de la Cité, tour Cominar  
2640 Laurier boulevard, suite 400  
Québec (Québec) G1V 5C1  
Fax : (514) 864-8381  
E-mail: [consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)

Manager, Market Regulation  
Market Regulation Branch  
*Ontario Securities Commission*  
Suite 2200,  
20 Queen Street West  
Toronto, Ontario, M5H 3S8  
Fax: 416-595-8940  
Email: [marketregulation@osc.gov.on.ca](mailto:marketregulation@osc.gov.on.ca)

For any question or clarification, Clearing Members may contact Dima Ghozaiel, Legal Counsel, by email at [dima.ghozaiel@tmx.com](mailto:dima.ghozaiel@tmx.com).

George Kormas  
President



## **AMENDMENTS TO THE RULES, OPERATIONS MANUAL AND RISK MANUAL OF THE CANADIAN DERIVATIVES CLEARING CORPORATION TO MOVE TO T+1 SETTLEMENT**

### **I. DESCRIPTION**

The Canadian Derivatives Clearing Corporation (“CDCC”) settlement period for many of the underlying interest deliveries currently operates on a T+2 cycle, that is, a securities transaction would settle two business days following a trade (transaction date plus two business days). This applies to derivatives contracts with a physical delivery, where the delivery is made via the Canadian Depository for Securities Limited (“CDS”), on the second business day following the exercise date.

In light of the industry-wide changes in Canada and the U.S. to migrate to a standard T+1 settlement cycle with compliance by date of May 27, 2024, and May 28, 2024, respectively, CDCC is proposing various changes to its Rules, Operations Manual and Risk Manual for a successful migration.

Unless otherwise defined herein, any defined term used in this analysis will have the meaning described in the CDCC Rules or Manuals.

### **II. PROPOSED AMENDMENTS**

CDCC proposes to amend the Rules, Operations Manual and Risk Manual containing specific sections relating to the settlement cycle timeframe and hereby proposes the following modifications to accommodate the shift to the T+1 settlement cycle:

#### **CDCC Rules:**

- Amendment of the definition of the term “Last day of Trading” in Section B-1101;
- Amendment of Sections C-1103, C-1303, C-1403 and C-1603 regarding the tender notice submission process;
- Amendment of Sections C-1104, C-1304 and C-1804 regarding the day of delivery through the Central Securities Depository;
- Amendment of Sections C-1404 and C-1604 regarding the day of delivery through the Clearing Corporation;

- Amendment of Sections C-1904, C-1906 and C-1907 regarding the delivery of Carbon Dioxide Equivalent (CO<sub>2</sub>e).

#### **Operations Manual:**

- Amendment of the settlement time frames of Fixed Income Transactions and Futures contracts on Acceptable Securities (the “Technological Changes”).
- Amendment of the timing of Submission of Tender Notices for the CGB, CGF and CGZ contracts;
- Amendment of the Buy-In delivery date when initiated by a Receiver of Securities.

#### **Risk Manual:**

- Amendment of the definition of Expiry Period in Section 1.3 regarding the methodology used to calibrate Supplemental Liquidity Contributions.

The changes proposed by CDCC have no impact on CDCC’s Default Manual.

The proposed amendments are provided herein in Appendices “A”, “B” and “C”.

### **III. ANALYSIS**

#### **a. Background**

The current, established, settlement period for security trades in North America is transaction date (T) plus two business days, commonly referred to as T+2. In 2021, the United States financial services industry, in coordination with regulators, began preparations to move to a T+1 settlement cycle; that is, a securities transaction would settle the business day following a trade. On February 15, 2023, the U.S. Securities and Exchange Commission (“SEC”) mandated the transition date for T+1 as Tuesday, May 28, 2024, due to the U.S. Memorial Day holiday on May 27<sup>1</sup>.

The Canadian Capital Markets Association (“CCMA”), which includes representatives from a broad range of Canadian securities and financial services entities, is coordinating the industry’s efforts to transition to a T+1 timeline and environment. The CCMA has established a T+1 Steering Committee (“T1SC”) and several working groups to collaborate with industry stakeholders and to ensure a smooth transition to T+1 for the Canadian market. Consequently, the CCMA announced a change to shorten the securities settlement cycle from two business days after the trade date

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<sup>1</sup> SEC Finalizes Rules to Reduce Risks in Clearance and Settlement: <https://www.sec.gov/news/press-release/2023-29>

(T+2) to one business day (T+1), effective Monday, May 27, 2024<sup>2</sup>. The decision is in sync with the SEC's decision to adopt T+1 given the interconnectivity of North American markets.

Canadian regulators, through a Staff Notice of the Canadian Securities Administrators ("CSA"), published a notice<sup>3</sup> outlining their views on the benefits of shorter settlement cycles and emphasizing the need for close collaboration and coordination across the Canadian securities industry in order to transition to T+1 in alignment with the U.S. markets.

CDCC is an active participant within the CCMA's Working Group and collaborates with CDS with regards to this initiative<sup>4</sup>.

## **b. Objectives**

CDCC proposes to amend the Rules, Operations and Risks Manuals to make appropriate adjustments to its settlement procedures in order to ensure a successful migration to T+1 settlement, fulfilling the following objectives:

- Ensure that settlement instructions with a T+1 settlement date are communicated to CDS for assigned physical deliveries.
- Support CDS T+1 industry members by developing a detailed T+1 testing plan with scenarios involving derivative contracts with a physical delivery and executing test cases.
- Align the methodology used to calibrate CDCC's Supplemental Liquidity Fund with the new industry standard of T+1 settlement.

## **c. Comparative Analysis**

Currently, the settlement period for security trades in North America is transaction date (T) plus two business days (T+2). However, the U.S. Securities and Exchange Commission (SEC) decided to adopt T+1. Given the interconnectivity of North American markets, it was decided that the Canadian financial market must move in tandem with the United States to a T+1 environment.

Similarly, CDS, which sits on the CCMA T1SC, has committed to facilitating the T+1 settlement transition. Among other things, CDS has published a T+1 industry test plan<sup>5</sup>, to be executed prior to implementation, in collaboration with the industry members through the recommendations agreed to at the CCMA.

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<sup>2</sup> CCMA Announces Canadian T+1 Start Date: <https://ccma-acmc.ca/en/wp-content/uploads/CCMA-Announces-Canadian-T1-Start-Date-March-14-2023.pdf>

<sup>3</sup> CSA updates industry on institutional trade matching deadline: <https://www.securities-administrators.ca/news/csa-updates-industry-on-institutional-trade-matching-deadline/>

<sup>4</sup> See CDS's website for more information on T+1: <https://www.cds.ca/solutions/cds-key-initiatives/t-1>

<sup>5</sup> CDS T+1 industry plan approach: <https://www.cds.ca/resource/en/472>

## **d. Analysis of Impacts**

### **i. Impacts on Market**

In general, the move to a T+1 settlement cycle is driven by Canadian and other global markets in an effort to reduce the risk associated with security settlement. It is generally expected to reduce counterparty risk and hence, margin requirements, and simultaneously, enhance liquidity efficiencies on the markets.

Overall, the impact for CDCC is minimal, as its infrastructure primarily supports the clearing of derivative financial contracts with limited exposure to the standard security settlement cycle. CDCC is exposed to the settlement cycle when physical instrument delivery is initiated through the exercise of a derivative contract, which represents a brief period of time when compared to the lifespan of the cleared derivative contract. Furthermore, only a subset of the products cleared by CDCC are subject to the exercise of physical deliveries (i.e. Equity options and futures, and Government of Canada Bond futures), as many major derivative financial contracts are designed to be cash-settled (e.g. Index and Sectorial futures, Short-Term Interest Rate futures, etc.), and are therefore not impacted in any way by the move to a T+1 settlement cycle.

With the shift to a T+1 settlement cycle, and in line with the general expected benefits for Canadian markets, the unsettled transactions that result from the exercise or assignment of a derivative contract will be now margined for a period of one business day instead of two business days. The margin methodology is not impacted by this change but considering that the unsettled transactions will be margined for a shorter period of time, CDCC expects a reduction in the margin requirement. For the sake of clarity, the expected reduction in margin obligation is solely due to the reduced length of time of holding marginable unsettled positions, whereas the size of the margin that applies to such positions will not be affected since the move to T+1 settlement does not have any direct impact on the calibration of CDCC's margin parameters<sup>6</sup>.

The shift to T+1 will be integrated in the assumptions used to size the Supplemental Liquidity Fund ("SLF")<sup>7</sup>. Since the impact is limited to a subset of transactions, the overall impact on the SLF is not significant and consequently, does not imply any other changes to the existing methodology. From a default management perspective, the switch to T+1 settlement has the potential to reduce CDCC's overall market exposure during periods of stress, however, the liquidity exposure will be compressed by one business day.

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<sup>6</sup> It is worth clarifying that the proposed change does not affect the Margin Period Of Risk ("MPOR") assumption that is distinct from the concept of standard settlement period, and used widely across CDCC's risk architecture. The MPOR corresponds to the period required by the Corporation to close-out non-concentrated positions in a particular contract (or either through liquidation, auction or by hedging or neutralizing the market risk).

<sup>7</sup> The SLF is designed to ensure that CDCC constantly has sufficient liquidity to meet its payment obligations during stressed market conditions, thus preventing any potential "Liquidity Cover-1 breach".

## **ii. Impacts on Technology**

CDCC anticipates a few technological changes to its own systems that will be subject to approvals and/or notifications to its regulators in compliance with the applicable regulatory rules.

As a central clearing counterparty, CDCC supports the industry members by developing a detailed T+1 testing plan, seamlessly integrated with CDS. This comprehensive integrated plan equips industry members, including stakeholders and testing participants with all the necessary details for their T+1 testing activities, helping them plan, prepare and execute tests effectively.

Generally, CDCC's changes to accommodate the migration to T+1 are all parameter-driven and under the control of CDCC. However, in order to properly manage the physical T+1 settlement of Government of Canada Bond Futures, CDCC needs to amend its end-of-day process and delay the generation of the next day fixed income settlement instructions from approximately 5:30 p.m. to after the generation of the derivative product tender/exercises and assignments process at approximately 6:15 p.m.

These Technological Changes have been integrated into the broader CDS industry testing plan for T+1 settlement, where CDCC will create positions (Equity options and futures, and Government of Canada Bond Futures) as well as perform exercises/tenders on behalf of Clearing Members and will additionally provide ledger positions to CDS. Clearing Members will then be able to ensure tendered/assigned Government of Canada Bond Futures have become Fixed Income positions with a T+1 "next day" settlement date and that they can consume "next day" settlement messages according to the new timeline.

## **iii. Impacts on Trading Functions**

The proposed CDCC amendments will not have any impact on the Bourse trading systems or rules. Please note that the Bourse will also be making amendments to its rules regarding the transition to T+1 settlement in accordance with its own regulatory rule change process.

## **iv. Public Interest**

In CDCC's opinion, the proposed amendments are not contrary to the public interest. In fact, it was determined that due to the interconnectedness of the Canadian and American markets, Canada must move in tandem with the United States to a T+1 environment. CDCC is simply adapting its rules, manuals and systems to give effect to the market change.

#### **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 "A" of CDCC Recognition Order dated June 15, 2023 (as amended from time to time). The proposed amendments and analysis will also be submitted to the Bank of Canada in accordance with the Oversight Agreement. Subject to public comments, the Technological Changes are expected to take effect in Q1 2024 and the other proposed amendments are expected to take effect on May 24, 2024, after market close.



**APPENDIX A  
PROPOSED AMENDMENTS TO THE RULES  
BLACKLINE VERSION**

**CANADIAN DERIVATIVES CLEARING CORPORATION  
RULES  
XX, 2023**

## Section B-1101 – Definitions

Notwithstanding Section A-102 for the purpose of Bond Futures Options, the following terms shall have the meaning specified:

[...]

“Last Day of Trading” - The third Friday of the Expiration Month provided that such Friday is a Business Day and precedes by at least ~~one~~~~two~~ Business Days the first day on which a Tender Notice may be submitted for the Underlying Interest. Otherwise the Last Day of Trading shall be the Business Day prior to such Friday which precedes by ~~two~~~~one~~ Business Days the first day on which a Tender Notice may be submitted for the Underlying Interest.

[...]

## Section C-1103- Submission of Tender Notices

(1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from ~~two~~~~one~~ Business Days preceding the first Business Day of the Delivery Month up to and including the ~~second~~~~first~~ last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada Bonds being delivered.

[...]

## Section C-1104 - Delivery Through the Central Securities Depository

(1) Day of Delivery – Delivery of long term Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the ~~first~~~~second~~ Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation.

[...]

## Section C-1303- Submission of Tender Notices

(1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from ~~two~~~~one~~ Business Days preceding the first Business Day of the Delivery Month up to and including the ~~first~~~~second~~ last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada bonds being delivered.

(2) A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable series shall submit a Tender Notice to the Corporation indicating the maturity of the Government of Canada Bonds being delivered. Such Notice must be tendered

no later than the ~~second~~-first Business Day preceding the last Business Day of the Delivery Month.

This Section C-1303 supplements Section C-503.

#### **Section C-1304 - Delivery Through the Central Securities Depository**

- (1) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the ~~second~~-first Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation. Delivery must be made no later than the last Business Day of the Delivery Month.

[...]

#### **Section C-1403- Submission of Tender Notices**

- (1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from ~~two~~-one Business Days preceding to the first Business Day of the Delivery Month up to and including the ~~second~~-first last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada bonds being delivered.
- (2) A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable series shall submit a Tender Notice to the Corporation indicating the maturity of the Government of Canada Bonds being delivered. Such Notice must be tendered no later than the ~~second~~-first Business Day preceding the last Business Day of the Delivery Month.

[...]

#### **Section C-1404 - Delivery Through the Clearing Corporation**

- (1) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the ~~second~~-first Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation. Delivery must be made no later than the last Business Day of the Delivery Month.

[...]

#### **Section C-1603- Submission of Tender Notices**

- (1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from ~~two~~-one Business Days preceding the first Business Day of the Delivery Month up to and including the ~~second~~-first last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada bonds being delivered.

(2) A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable series shall submit a Tender Notice to the Corporation indicating the maturity of the Government of Canada Bonds being delivered. Such Notice must be tendered no later than the ~~second~~first Business Day preceding the last Business Day of the Delivery Month.

[...]

#### **Section C-1604 - Delivery Through the Clearing Corporation**

(1) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the ~~second~~first Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation. Delivery must be made no later than the last Business Day of the Delivery Month.

[...]

#### **Section C-1804 - Delivery Through the Central Securities Depository**

(1) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the ~~second~~first Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation.

[...]

#### **Section C-1904 - Delivery Through the Corporation**

(1) Day of Delivery – Delivery of Carbon Dioxide Equivalent (CO2e) Units as required by this Rule shall be made by the Clearing Member on the first~~second~~ Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation.

[...]

#### **Section C-1906 - Shortage of Deliverable Carbon Dioxide Equivalent (CO2e) Units**

[...]

A Final Settlement Price will be determined by the Exchange on the last day of trading. The final settlement in cash shall be made in accordance with the procedure specified in Section C-2002 on the final settlement date, which shall be the same date as the Day of Delivery described in Subsection C-1904(1), that is the ~~second~~first Business Day following the last day of trading, or on a day as otherwise determined by the Corporation.

[...]

#### **Section C-1907 - Alternative Delivery Procedure**

[...]

The Corporation is released from any responsibility towards these Clearing Members and for the Futures Contract on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units with Physical Settlement once an Alternative Delivery Procedure agreement and its terms have been confirmed by the two Clearing Members and the Corporation. Clearing Members who agree on an Alternative Delivery Procedure undertake to indemnify the Corporation in respect of any costs, charges and expenses incurred by the Corporation in connection with this contract and such agreement, including, without limitation, any costs, charges and expenses incurred as a result of a failure on the part of a Clearing Member to meet its obligations under an Alternative Delivery Procedure agreement. The Alternative Delivery Procedure agreement must be confirmed by the two Clearing Members and the Corporation no later than 2:45 p.m. on the ~~second~~first Business Day that follows the last day of trading, otherwise the relevant Clearing Members will be considered to have failed to their delivery related obligations under the Rules of the Corporation.

[...]

**APPENDIX B  
PROPOSED AMENDMENTS TO THE OPERATIONS MANUAL  
BLACKLINE VERSION**

**CANADIAN DERIVATIVES CLEARING CORPORATION  
OPERATIONS MANUAL**

## TIME FRAMES

[...]

Activity	Time Frames	Activity Type
Fixed Income Transactions and Futures contracts on Acceptable Securities – Netting Cut Off Time (Netted settlement instructions (Net Delivery Requirements and Net Payment Against Delivery Requirements) sent to CDS for settlement on the next business day)	<del>65:1530</del>	System Activity

[...]

## EXERCISES, TENDERS, ASSIGNMENTS AND DELIVERIES

### FUTURES

#### Submission of Tender Notices

Notices must be submitted before Close of Business during the relevant FIFO Period (which, subject to any contract adjustment by the Exchange, shall be as follows):

CGB, CGF and CGZ ~~oneto~~ Business Days preceding the first Business Day of the Delivery Month up to and including the ~~second~~-last Business Day preceding the last Business Day of the Delivery Month.

[...]

#### Buy-In Process (excluding Fixed Income Variation Margin Buy-Ins)

[...]

When initiated by a Receiver of Securities, the Buy-In process shall be as follows:

1. The Receiver of Securities who wants to initiate a Buy-In must send to CDCC the appropriate Buy-In Scan Form (which is accessible on CDCC's Secured Website) duly completed, with the following information:

- Clearing Member's Name;
- Clearing Member's Number;
- The Acceptable Security (ISIN) involved;
- The total quantity of the Failed Delivery;
- The quantity requested in the Buy-In;
- The Buy-In delivery date, which shall be the current Business Day + not less than ~~oneto~~ (12) complete Business Days.

**APPENDIX C  
PROPOSED AMENDMENTS TO THE RISK MANUAL  
BLACKLINE VERSION**

**CANADIAN DERIVATIVES CLEARING CORPORATION  
RISK MANUAL**



### 1.3 SUPPLEMENTAL LIQUIDITY CONTRIBUTIONS

[...]

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

**APPENDIX A  
PROPOSED AMENDMENTS TO THE RULES  
CLEAN VERSION**

**CANADIAN DERIVATIVES CLEARING CORPORATION  
RULES  
XX, 2023**

## **Section B-1101 – Definitions**

Notwithstanding Section A-102 for the purpose of Bond Futures Options, the following terms shall have the meaning specified:

[...]

“Last Day of Trading” - The third Friday of the Expiration Month provided that such Friday is a Business Day and precedes by at least one Business Day the first day on which a Tender Notice may be submitted for the Underlying Interest. Otherwise the Last Day of Trading shall be the Business Day prior to such Friday which precedes by one Business Day the first day on which a Tender Notice may be submitted for the Underlying Interest.

[...]

## **Section C-1103- Submission of Tender Notices**

- (1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from one Business Day preceding the first Business Day of the Delivery Month up to and including the first last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada Bonds being delivered.

[...]

## **Section C-1104 - Delivery Through the Central Securities Depository**

- (1) Day of Delivery – Delivery of long term Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the first Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation.

[...]

## **Section C-1303- Submission of Tender Notices**

- (1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from one Business Day preceding the first Business Day of the Delivery Month up to and including the first last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada bonds being delivered.
- (2) A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable series shall submit a Tender Notice to the Corporation indicating the maturity of the Government of Canada Bonds being delivered. Such Notice must be tendered no later than the first Business Day preceding the last Business Day of the Delivery Month.

This Section C-1303 supplements Section C-503.

### **Section C-1304 - Delivery Through the Central Securities Depository**

- (1) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the first Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation. Delivery must be made no later than the last Business Day of the Delivery Month.

[...]

### **Section C-1403- Submission of Tender Notices**

- (1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from one Business Day preceding to the first Business Day of the Delivery Month up to and including the first last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada bonds being delivered.
- (2) A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable series shall submit a Tender Notice to the Corporation indicating the maturity of the Government of Canada Bonds being delivered. Such Notice must be tendered no later than the first Business Day preceding the last Business Day of the Delivery Month.

[...]

### **Section C-1404 - Delivery Through the Clearing Corporation**

- (1) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the first Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation. Delivery must be made no later than the last Business Day of the Delivery Month.

[...]

### **Section C-1603- Submission of Tender Notices**

- (1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from one Business Day preceding the first Business Day of the Delivery Month up to and including the first last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada bonds being delivered.
- (2) A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable series shall submit a Tender Notice to the Corporation indicating the maturity of the Government of Canada Bonds being delivered. Such Notice must be tendered no later than the first Business Day preceding the last Business Day of the Delivery Month.

[...]

#### **Section C-1604 - Delivery Through the Clearing Corporation**

- (1) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the first Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation. Delivery must be made no later than the last Business Day of the Delivery Month.

[...]

#### **Section C-1804 - Delivery Through the Central Securities Depository**

- (1) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the first Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation.

[...]

#### **Section C-1904 - Delivery Through the Corporation**

- (1) Day of Delivery – Delivery of Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units as required by this Rule shall be made by the Clearing Member on the first Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation.

[...]

#### **Section C-1906 - Shortage of Deliverable Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units**

[...]

A Final Settlement Price will be determined by the Exchange on the last day of trading. The final settlement in cash shall be made in accordance with the procedure specified in Section C-2002 on the final settlement date, which shall be the same date as the Day of Delivery described in Subsection C-1904(1), that is the first Business Day following the last day of trading, or on a day as otherwise determined by the Corporation.

[...]

#### **Section C-1907 - Alternative Delivery Procedure**

[...]

The Corporation is released from any responsibility towards these Clearing Members and for the Futures Contract on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units with Physical Settlement once an Alternative Delivery Procedure agreement and its terms have been confirmed by the two Clearing Members and the Corporation. Clearing Members who agree on an Alternative Delivery Procedure undertake to indemnify the Corporation in respect of any costs, charges and expenses incurred by the Corporation in connection with this contract and such agreement, including, without limitation,

any costs, charges and expenses incurred as a result of a failure on the part of a Clearing Member to meet its obligations under an Alternative Delivery Procedure agreement. The Alternative Delivery Procedure agreement must be confirmed by the two Clearing Members and the Corporation no later than 2:45 p.m. on the first Business Day that follows the last day of trading, otherwise the relevant Clearing Members will be considered to have failed to their delivery related obligations under the Rules of the Corporation.

[...]

**APPENDIX B  
PROPOSED AMENDMENTS TO THE OPERATIONS MANUAL  
CLEAN VERSION**

**CANADIAN DERIVATIVES CLEARING CORPORATION  
OPERATIONS MANUAL**

## TIME FRAMES

[...]

Activity	Time Frames	Activity Type
Fixed Income Transactions and Futures contracts on Acceptable Securities – Netting Cut Off Time (Netted settlement instructions (Net Delivery Requirements and Net Payment Against Delivery Requirements) sent to CDS for settlement on the next business day)	6:15	System Activity

[...]

## EXERCISES, TENDERS, ASSIGNMENTS AND DELIVERIES

### FUTURES

#### Submission of Tender Notices

Notices must be submitted before Close of Business during the relevant FIFO Period (which, subject to any contract adjustment by the Exchange, shall be as follows):

CGB, CGF and CGZ	one Business Day preceding the first Business Day of the Delivery Month up to and including the last Business Day preceding the last Business Day of the Delivery Month.
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[...]

#### Buy-In Process (excluding Fixed Income Variation Margin Buy-Ins)

[...]

When initiated by a Receiver of Securities, the Buy-In process shall be as follows:

1. The Receiver of Securities who wants to initiate a Buy-In must send to CDCC the appropriate Buy-In Scan Form (which is accessible on CDCC's Secured Website) duly completed, with the following information:

- Clearing Member's Name;
- Clearing Member's Number;
- The Acceptable Security (ISIN) involved;
- The total quantity of the Failed Delivery;
- The quantity requested in the Buy-In;
- The Buy-In delivery date, which shall be the current Business Day + not less than one (1) complete Business Day .



**APPENDIX C  
PROPOSED AMENDMENTS TO THE RISK MANUAL  
CLEAN VERSION**

**CANADIAN DERIVATIVES CLEARING CORPORATION  
RISK MANUAL**

### 1.3 SUPPLEMENTAL LIQUIDITY CONTRIBUTIONS

[...]

For the purposes of this Section 1.3, an “expiry period” generally covers two “expiry days”: the expiry day and the next Business Day.