



NOTICE TO MEMBERS

No. 2012-181

September 26, 2012

## REQUEST FOR COMMENTS

### AMENDMENT TO SECTION 2 OF THE OPERATIONS MANUAL OTCI – TIME FRAMES FOR ON-LINE ACCESS

On July 30, 2012, The Board of Directors of Canadian Derivatives Clearing Corporation (CDCC) approved the amendment to Section 2 of the Operations Manual of CDCC. The purpose of the proposed amendment is to change the cut-off time to enter an OTCI (other than Fixed Income Transaction) from 4:00 p.m. to 4:30 p.m.

Please find enclosed an analysis document as well as the proposed amendment.

#### **Process for Changes to the Rules**

CDCC is a recognized self-regulatory organization (SRO) by the Autorité des marchés financiers (AMF) and as such, carries on activities as a clearing house and as an SRO in Québec.

The Board of Directors of CDCC has the power to approve the adoption or amendment of Rules of CDCC. Amendments are submitted to the AMF in accordance with the self-certification process.

Comments on the proposed amendments must be submitted within 30 days following the date of publication of the present notice. Please submit your comments to:

*Pauline Ascoli  
Assistant Secretary  
Canadian Derivatives Clearing Corporation  
Tour de la Bourse  
P.O. Box 61, 800 Victoria Square  
Montréal, Québec H4Z 1A9  
E-mail: [legal@m-x.ca](mailto:legal@m-x.ca)*

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#### Canadian Derivatives Clearing Corporation

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[www.cdcc.ca](http://www.cdcc.ca)

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

*Anne-Marie Beaudoin  
Corporate Secretary  
Autorité des marchés financiers  
Tour de la Bourse, P.O. Box 246  
800 Victoria Square, 22<sup>nd</sup> Floor  
Montréal, Québec H4Z 1G3  
E-mail: [consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)*

For any question or clarification, Clearing Members may contact the CDCC Member Services.

Glenn Goucher  
President and Chief Clearing Officer



## OTCI – TIME FRAMES FOR ON-LINE ACCESS

### **AMENDMENT TO SECTION 2 OF THE OPERATIONS MANUAL OF CDCC**

#### **A. Overview**

Canadian Derivatives Clearing Corporation's (CDCC) Operations Manual states that the cut-off time for Clearing Members to enter an Over-The-Counter Instrument (OTCI) (other than Fixed Income Transactions) is 4:00 p.m. Currently, the only OTCI (other than Fixed Income Transactions) cleared by CDCC are Over-The-Counter (OTC) equity options. This poses a problem for Clearing Members because cash equity markets close at 4:00 p.m. and many OTC equity option transactions are based on the closing level of the underlying equity in the cash equity markets.

In order to leave enough time for the Clearing Members that use the closing level of the underlying equity in the cash equity markets to negotiate all the details of the OTC equity option transaction and then send those details to CDCC through the Converge application, CDCC is proposing to change the cut-off time to enter an OTCI (other than Fixed Income Transactions) from 4:00 p.m. to 4:30 p.m.

#### **B. Analysis**

##### Nature and Purpose of Proposed Changes:

CDCC proposes to amend Section 2 of the Operations Manual to reflect the change in the cut-off time to enter an OTCI (other than Fixed Income Transactions), from 4:00 p.m. to 4:30 p.m.

##### Description and Analysis of Impacts:

The objective of the proposed amendment of the Operations Manual of CDCC is to allow enough time for Clearing Members that use the closing level of the underlying equity in the cash equity markets to negotiate the details of the OTC equity option transaction and then send those details to CDCC.

##### Drafting Process:

N/A

##### Impacts on Technological Systems:

N/A

##### Benchmarking:

There are no comparable benchmarks.

**C. Public Interest**

These amendments to Section 2 of the Operations Manual of CDCC are not contrary to the public interest.

**D. Process**

The proposed regulatory amendment is submitted for approval by the CDCC Board. Once the approval has been obtained, the proposed amendment, including this analysis, will be transmitted to the Autorité des marchés financiers in accordance with the self-certification process and to the Ontario Securities Commission for information. The proposed amendment and analysis will also be submitted for approval to the Bank of Canada in accordance with the Oversight Regulatory Agreement.

**E. Attached Documents**

- Amended Operations Manual of CDCC - Section 2, Time Frames For On-Line Access.

## **TIME FRAMES**

### **ON-LINE ACCESS**

Clearing Members must be connected to the CDCC Clearing Application using their PC terminals to perform a variety of functions. (Clearing Members must supply their own PC terminals and Internet connection, at their own cost).

All instructions (corrections, Open Position changes, Position Transfers, Deposits, withdrawals, and submission of Exercise Notices and Tender Notices) must be entered on-line.

The CDCC Clearing Application allows Clearing Members to view their current information throughout the day electronically (except during scheduled maintenance or unforeseen outages). In addition, Clearing Members can download their reports after 7:00 p.m. every day using the FTP Download function.

Should a Clearing Member not have electronic access (due to technical issues) to the CDCC Clearing Application, CDCC can perform instructions on behalf of the Clearing Member. This requires a phone call from the Clearing Member to CDCC, along with the appropriate form faxed or scanned and e-mailed to CDCC. Such form must be authorized with the approved Clearing Member's stamp.

The regular business hours of CDCC are 7:00 a.m. to 5:30 p.m. on every Business Day.

With respect to operational activity related to Options with an Expiration Date on Saturday, CDCC staff members are on-site from 8:00 a.m. to forty-five (45) minutes after delivery of the Options Exercised and Assigned Report (MT02).

**TIME FRAMES**

**TIME FRAMES FOR ON-LINE ACCESS**

**ON EVERY BUSINESS DAY**

<b>Activity</b>	<b>Deadlines</b>
Settlement Time with respect to payments for overnight settlement	7:45 a.m.
Fixed Income Transactions – Morning Netting Cycle Timeframe in respect of any Pending Payment Against Delivery Requirements (Morning Net Payment Against Delivery Requirements sent to CDS for settlement during the Morning Net DVP Settlement Timeframe)	10:00 to 10:15 a.m.
Morning Net DVP Settlement Timeframe	10:15 to 10:30 a.m.
Morning Intra-Day Margin Call	10:30 a.m.
Afternoon Intra-Day Margin Call	1:15 p.m.
Specific Deposits (same day withdrawal)	1:15 p.m.
Fixed Income Transactions – – Afternoon Netting Cycle Timeframe in respect of any Pending Settlement Requirements (Afternoon Net DVP Settlement Requirements sent to CDS for settlement by End of Day DVP Settlement Time)	2:00 to 2:15 p.m.
Cash Deposits (Margin Deposits) – under \$2,000,000 (same day deposit)	2:45 p.m.
Cash Deposits (Margin Deposits) – of and over \$2,000,000 (2 Business Days notice)	2:45 p.m.
Cash withdrawal requests (Margin Deposits) – under \$2,000,000 (same day withdrawal)	2:45 p.m.
Cash withdrawal requests (Margin Deposits) – of and over \$2,000,000 (2 Business Days notice)	2:45 p.m.
Fixed Income Transactions – (Same Day Transactions) – Submission Cut-Off Time	3:30 p.m.
All assets deposits other than cash (Margin Deposits)	3:30 p.m.
All assets withdrawal requests other than cash (Margin Deposits) for same day withdrawal	3:30 p.m.
All assets substitution requests other than cash (Margin Deposits) for same day substitution	3:30 p.m.
Specific Deposits (overnight valuation)	3:30 p.m.
End of Day DVP Settlement Time	4:00 p.m.
OTCI (other than Fixed Income Transactions) – Unmatched entry	4:30 p.m.
Position Transfers	5:25 p.m.



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### TIME FRAMES

Same Day and T+1 Trade corrections	5:30 p.m.
Open Position changes	5:30 p.m.
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)	5:30 p.m.

**TIME FRAMES**

**TIME FRAMES FOR ON-LINE ACCESS (continued)**

**ON EVERY BUSINESS DAY (continued)**

<b>Activity</b>	<b>Deadlines</b>
Futures – Request for Standard vs Mini Offset	5:00 p.m.
Futures – Tender Notices submission	5:30 p.m.
Options – Exercise Notices submission	5:30 p.m.
CDCC Clearing Application shutdown – Close of Business	5:30 p.m.
Fixed Income Transactions – available (next Business Day start)	7:00 p.m.
<b>Unsettled Item</b>	
Confirmation of settled items to be sent to CDCC	4:15 p.m.
<b>Daily Capital Margin Monitoring Calls</b>	
CDCC notifies Clearing Members of additional Margin required	9:30 a.m.
Clearing Member’s obligation to cover any deficit	12:00 (noon)

**TIME FRAMES FOR ON-LINE ACCESS (continued on next page)**



**TIME FRAMES**

**TIME FRAMES FOR ON-LINE ACCESS (continued)**

**EXPIRY SATURDAY**

<b>Activity</b>	<b>Deadlines</b>
Reports available (FTP Download): <ul style="list-style-type: none"> <li>➤ Expiry Report (MX01)</li> <li>➤ Expiry Options Daily Transaction Report (MT01)</li> <li>➤ List of Options/Cash Adjustments (MT03)</li> </ul>	6:00 a.m.
CDCC Clearing Application available for: <ul style="list-style-type: none"> <li>➤ Trade corrections</li> <li>➤ Open Position changes</li> <li>➤ Position Transfers</li> <li>➤ Changes to Automatic Exercises</li> <li>➤ Exercise Notices input</li> <li>➤ Cancel / correct previous (Friday) exercises</li> </ul>	6:00 a.m. to 10:00 a.m.
CDCC Clearing Application shutdown: <ul style="list-style-type: none"> <li>➤ CDCC processes expiry entries</li> </ul>	10:01 a.m.
Reports available (FTP Download): <ul style="list-style-type: none"> <li>➤ List of Expiry Adjustments Report (MX02)</li> <li>➤ Expiry Difference Report (MX03)</li> </ul>	10:15 a.m. to 11:30 a.m.
CDCC Clearing Application available again for: <ul style="list-style-type: none"> <li>➤ Review of expiry entries</li> <li>➤ Corrections to expiry entries</li> </ul>	10:15 a.m. to 10:30 a.m.
CDCC Clearing Application shutdown <ul style="list-style-type: none"> <li>➤ Close of Business</li> </ul>	10:30 a.m.
Reports available (FTP Download): <ul style="list-style-type: none"> <li>➤ Options Exercised and Assigned Report (MT02)</li> <li>➤ Other reports and files also available</li> </ul>	11:45 a.m.

**TIME FRAMES FOR ON-LINE ACCESS (continued on next page)**

**TIME FRAMES****TIME FRAMES FOR ON-LINE ACCESS (continued)****FIFO PERIOD**

<b>Activity</b>	<b>Deadlines</b>
Daily reporting by Clearing Members of the Long Positions in each of their accounts in chronological order	5:30 p.m.
Submission of Tender Notices	5:30 p.m.

**PLEDGING**

Clearing Members must input requests for deposit or withdrawal of Acceptable Collateral on the pledging screen of the CDCC Clearing Application.

CDCC monitors the pledging screens between 9:00 a.m. and 3:30 p.m. on Business Days.

CDCC verifies the validity of each deposit made by Clearing Members and ensures that withdrawals do not create deficits in the Clearing Members' accounts (Margin, Clearing Fund or Difference Fund). Any request for the withdrawal of a Specific Deposit should be entered prior to when the intra-day margin call process runs as deposits are valued at this time. Any withdrawal of this type entered after such time will not be processed as such withdrawal cannot be properly valued.

The entries on the pledging screen of the CDCC Clearing Application are matched by CDCC to corresponding entries on the reporting system of the relevant Central Securities Depository.

In some cases an exchange of document at a CDCC Office by the Clearing Members (accompanied by a screen print of the entry bearing the Clearing Member's stamp) may be accepted by CDCC as constituting a physical deposit or withdrawal.

After performing all the validation processes, CDCC confirms within the CDCC Clearing Application the Clearing Members' deposits and/or withdrawals.

Deposits, withdrawals and changes thereto will be reflected on the immediately following Business Day Deposits and Withdrawals Report (MA01). In accordance with CDCC's Rules, any discrepancies that the Clearing Member notices against its own records should be reported to CDCC immediately.