



NOTICE TO MEMBERS

No. 2014 - 208

November 7, 2014

SELF-CERTIFICATION

AMENDMENT TO THE OPERATIONS MANUAL

DEPARTMENT NAME CHANGE “MEMBER SERVICES” TO “CORPORATE OPERATIONS”

On July 30, 2014, the Board of Directors of the Canadian Derivatives Clearing Corporation (CDCC) has approved amendments to the Operations Manual of CDCC. CDCC wishes to advise Clearing Members that these amendments have been self-certified in accordance with the self-certification process as established in the *Derivatives Act* (R.S.Q., chapter I-14.01).

The purposes of the amendment are to reflect an internal structure change within the Member Services department which will now be known as the Corporate Operations.

Please find enclosed the amendment which will be in effect and will be incorporated in the version of the Operations Manual of CDCC which will be available on CDCC's web site (www.cdcc.ca) as of November 7, 2014.

If you have any questions or concerns, please contact CDCC's Member Services department or direct your e-mail inquiries to cdccops@cdcc.ca.

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**CANADIAN DERIVATIVES CLEARING CORPORATION
CORPORATION CANADIENNE DE COMPENSATION DE PRODUITS DÉRIVÉS**

OPERATIONS MANUAL

VERSION OF ~~JUNE-13~~, 2014

CLEARING FEES

Clearing services fees

Clearing fees are charged to both Clearing Members submitting a Transaction for clearing to CDCC and are based on the number of contracts involved. There is a minimum monthly clearing fee charge with respect to each product type (Futures, Options, OTCI (other than Fixed Income Transactions), Fixed Income Transactions). Once a Clearing Member, otherwise eligible to do so in accordance with the Rules, starts using a particular clearing service by submitting a first Transaction of such product type, the applicable minimum monthly clearing fee shall be charged to the Clearing Member thereafter whether the Clearing Member actually uses the services or not during any given month, until the Clearing Member duly notifies CDCC in writing that it wishes to withdraw from the clearing services for that product type, effective sixty (60) days after CDCC receives such notice, provided there is no outstanding Transaction of such product type standing to an account of the Clearing Member at such time. Notwithstanding the foregoing, with respect to Fixed Income Clearing, the applicable minimum monthly clearing fee shall be charged to the Fixed Income Clearing Member upon the request to use this clearing service being submitted by the Clearing Member in the form prescribed by CDCC and countersigned by CDCC. Clearing Members should refer to the CDCC website www.cdcc.ca for a complete list of applicable fees.

Clearing fees are collected as a separate pay figure and are payable to CDCC on the morning of the 5th Business Day of each month through LVTS or any other payment method approved by CDCC. The MB01 Monthly Clearing Fees Invoice, MB02 Monthly Clearing Fees Details Reports and MB03 Monthly Fixed Income Clearing Fees Invoice are generated on every 2nd Business Day of each month and are available to Clearing Members on the morning of the 3rd Business Day of each month.

Fees for additional services

There are a number of discretionary services available to Clearing Members, in addition to the normal clearing services. These are published periodically as an Operational Notice to Members and can be viewed on the Secured Website. CDCC issues a statement on a monthly basis for these services. The fees are collected as per the date on the statement through LVTS or any other payment method approved by CDCC.

Fees for cost incurred at CDS (or other Central Securities Depository)

Any settlement cost incurred by CDCC within CDSX (or the settlement platform of another Central Securities Depository) will be charged to the Clearing Member with which CDCC is settling. Such cost will be included on the Monthly Clearing Fees Details Report (MB01) of the second Business Day of each month as a separate pay figure, payable to CDCC on the 5th Business Day of each month through LVTS or any other payment method approved by CDCC.

CLEARING MEMBER SECURITY OFFICER

Clearing Members shall designate up to three (3) individuals within their firm who will be responsible for handling the Clearing Member's User Profiles ("Security Officers"). The designation of Securities Officers is done by filing with CDCC a SOLA Clearing – Security Officer Identification form, which form shall be renewed on an annual basis.

Once duly designated, a Security Officer shall submit a SOLA Clearing User Profile Request form to request that CDCC add or delete a User Profile (this form is accessible on CDCC's Secured Website).

The Security Officer must complete this form with the authorization stamp of the Clearing Member properly affixed on the form (with initials). When the form is complete, the Clearing Member can either scan the form and send it to the Corporate Operations~~Member Services~~ group e-mail address: cdccops@cdcc.ca, or fax the form to one of CDCC's offices.

Upon receipt of the form, the process for the addition / deletion is performed by one of CDCC's senior managers.

Default Manual

Section 2: Default Management Governance Procedures

In this section, the Corporation outlines the specific actions to be taken by its staff, management and the Board, in order to ensure that it quickly identifies, reacts to, and effectively manages a condition of default

CORPORATION PREROGATIVES/RESPONSIBILITIES PRIOR TO THE DECLARATION OF NON-CONFORMING MEMBER OR SUSPENSION

In the default process, it is important for the Corporation to react in as timely a fashion as possible to identify the potential for a default by a Clearing Member. As such, under the authority of the President or his designee, if at any point the Corporation receives information which would, in its view, acting reasonably, likely lead to a default event by any Clearing Member, it will convene a meeting as soon as practicable of the Default Management Committee, which is comprised of the individuals holding the following positions (and/or any other representatives or designees deemed appropriate to involve in the process):

- Managing Director
- President and Chief Clearing Officer
- Secretary
- Assistant Secretary
- Treasurer
- Director of Risk Management
- Director of ~~Corporate Operations~~~~Member Services~~

At this meeting, the Default Management Committee will strike an Emergency Committee which will include the Director of Risk Management as Chairman, and whose members will also include the Director of ~~Corporate Operations~~~~Member Services~~ and/or the Treasurer. It will be the responsibility of the Emergency Committee to provide an ongoing assessment of the situation, and to report back, as appropriate, to the Default Management Committee and the Board, so as to ensure these bodies are in a position to render informed decisions throughout the process.

In addition to the process of organizing these three committees, the Corporation has the following set of prerogatives and responsibilities, and will act according to the following protocols, in managing any situation, which, in its judgment places it in a condition where the risks of default are elevated.

Section 3: Default Management and Staff

As indicated in Section 2, the Corporation's procedures for the management of a default are governed, under the auspices of the Board, by two Committees, presented below in their hierarchical order:

- Default Management Committee
- Emergency Committee

In this section, the Manual addresses the activities of the Emergency Committee, which is tasked with the specific, real-time and day-to-day oversight of the default control process. Key members of this Committee include the individuals holding the following positions and/or their designees:

- Director of Risk Management, Committee Chairman
- Director of ~~Corporate Operations~~Member Services
- Treasurer

Each of these individuals, in managing their departments, must act with due rigor to assess issues, identify associated magnitudes, recommend actions and inform management, the Board and other Corporation stakeholders, as appropriate.

The key responsibilities of each department are described below:

FINANCIAL DEPARTMENT

The main responsibility of the Financial Department in the event of a Clearing Member default is to manage the process of securing all cash and collateral needed by the Corporation to ensure that any losses pursuant to the default are managed to their absolute minimum. These sources of funds include:

- Defaulting Clearing Member Margin Deposit
- Defaulting Clearing Member Clearing Fund Contribution
- Other assets sourced from the defaulting Clearing Member working in conjunction with the Legal Department

The key areas of responsibility for the Legal, Audit, Financial and Risk Departments, who have the primary front line responsibilities in the default mitigation process, are summarized in the following table:

	Legal	Audit	Financial	Risk
Role	Determine legal status of Non-Conforming Member	Review books and records at Clearing Member, identify if fraud has occurred Determine the cause of failure and isolate impaired accounts	Freeze all settlements of Non-Conforming Member Convert all collateral to cash Assist in potential remedies	Determine exposures on a net basis Oversee netting of positions, and liquidation process
Monitoring	Review relationship with any affiliates Review parental guarantees	Create a ledger of all good Client Accounts, and move all Non -Conforming accounts to a Firm Account	Work with other CCOs Oversight of potential remedies	Will consider the path to liquidating securities to minimize potential loss to CDCC May consider hedges and risk offsets May run an auction for non-liquidated positions May request assistance of outside parties Provide daily or more frequent updates to CDCC staff, Default Management

	Legal	Audit	Financial	Risk
				Committee and Board

OTHER DEPARTMENTS

The Corporation's other Departments will work in conjunction with the groups named above, as deemed appropriate under the specific circumstances of the default. The ~~Corporate Operations~~Member Services Department will work specifically on all aspects of position and collateral management, as directed by the Emergency Committee.