

CDCC

# Converge FAQ

## Q1 What is Converge?

**A1** CDCC introduced its Converge® central counterparty clearing services in 2006 to offer Clearing Members and their clients the benefits of central clearing for equity and ETF options transactions that originate off-exchange. The result for Clearing Members and their clients is a combined register of their standardized listed options and customized options, extending the margin efficiencies and reduced costs typically offered by exchange-traded contracts.

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## Q2 Which option terms can be customized in Converge?

**A2** Converge allows you to customize the following option contract terms:

1. Type of option: Put or Call
  2. Maturity date: a Canadian business day up to 5 years from trade date
  3. Exercise rule: American or European
  4. Exercise price: any in increments of 0.001
  5. Settlement type: Cash or Physical
  6. Reference settlement price: Open or Close
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## Q3 Can a Converge option have the same terms as a regular listed option?

**A3** No, at least one term has to differ.

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**Q4 What are the eligibility criteria for underlying stocks?****A4** To be an eligible Underlying interest, a stock must meet all of the following criteria:

1. The stock is listed on all Canadian Exchanges;
2. The Value of Available Public Float is within the top thirty percentile (30%) of the aggregate Value of Available Public Float listed on all the Canadian Exchanges on the last Business Day of the current quarter; and
3. The daily average North American Volume of the Security for the last twenty (20) Business Days of the Current quarter is within the top thirty percentile (30%) of the North American Volume of the Securities listed on all the Canadian Exchanges on the last Business Day of the current quarter.

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**Q5 What are the eligibility criteria for underlying ETFs?****A5** To be an eligible Underlying interest, an ETF must meet all of the following criteria:

1. The ETF is listed on all Canadian Exchanges;
2. The Value of Available Public Float is equal to or greater the CAN\$20 million;
3. The Securities issued may be created or repurchased upon request every Business Day by the ETF for an amount based on the net asset value; and
4. The Corporation deems the documentation satisfactory.

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**Q6 Where can I find the list of eligible underlyings?****A6** The current list of eligible stocks and ETFs can be found [here](#).

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**Q7 Is it possible to add new underlying stocks or ETFs to the existing eligibility list?****A7** While we update the list quarterly, some stocks or ETFs may meet the eligibility criteria between these scheduled updates.

They can be added by contacting CDCC at: [cdcc-ops@tmx.com](mailto:cdcc-ops@tmx.com) or [cdcc-cs@tmx.com](mailto:cdcc-cs@tmx.com)

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**Q8 Can Converge and MX listed options be cross-margined?****A8** Yes, they can be cross-margined when held in the same account.

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**Q9 Are position limits applicable to Converge options?****A9** Converge options are not subject to Montréal Exchange position limits.

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**Q10 How are Converge options traded?**

**A10** Converge trades are negotiated bilaterally and are novated to CDCC upon submission for clearing, provided they meet the eligibility criteria.

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**Q11 How are Converge options priced?**

**A11** CDCC generates theoretical prices using implied volatilities for underlying with listed options, and historical volatilities for underlying with no listed options.

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**Q12 What do I need to trade Converge options?**

**A12** Trading Converge options require either CDCC Clearing Member status or a carrying broker relationship with a CDCC Clearing Member. A CDCC Clearing Member must report and book trades through SOLA®, CDCC's clearing platform.

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**Q13 Is an International Swaps and Derivatives Association (ISDA) agreement required to trade Converge options?**

**A13** An ISDA agreement is not required to trade Converge options.

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**Q14 Where are Converge options cleared?**

**A14** Converge options are cleared at CDCC as are regular listed options.

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**Q15 Are Converge options trades publicly reported?**

**A15** Neither the MX nor CDCC reports these trades, ensuring trading anonymity. However, all trades are reported to regulators.

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