



October 2024

CDCC

Customized Equity Options Clearing

Converge® provides central counterparty clearing services for transactions that originate off-exchange. It allows market participants to submit their customized derivatives transactions for clearing at the Canadian Derivatives Clearing Corporation (CDCC). Converge is currently available to clear customized equity options.

High Level of Customization

Eligible Underlyings

Over 600 names:

- Single-name equities listed on all Canadian exchanges
- Exchange-traded funds (ETFs) listed on all Canadian exchanges
- Complete list of eligible underlying available at cdcc.ca

Exercise Style

European or American

Settlement

Cash or physical

Maturity

Up to 5 years

Strike Price

No constraints (0.001\$ increments)

Benefits of using Converge for clearing customized transactions

International Swaps and Derivatives Association (ISDA) agreement not required

as CDCC provides same legal framework as exchange-traded options traded on Montréal Exchange (MX).

Multilateral Netting (Customized and Exchange-Traded)

- Margin efficiencies
- Daily settlement
- Final settlement

Centralized Business Processes

Anonymity

Scalability: no position limits

Optimal usage of capital and collateral

Risk Mutualization

Option Pricing

For margin calculation purposes, CDCC computes a daily theoretical price for each customized equity option cleared through Converge.

Option Pricing Models

The option pricing model to use depends on the exercise style of the option:

American-style

- Barone-Adesi & Whaley

European-style

- Black-Scholes

Volatility

The volatility estimate, used as an input when computing the customized option's price, depends on whether or not the underlying has a listed option at the Montréal Exchange (MX):

Underlying has a listed option at MX

- Implied volatility derived from listed option prices

Underlying does not have a listed option at MX

- Historical volatility of underlying (annual)

FEE STRUCTURE

(PER LOT, PER SIDE, PER LEG)

FEE CAP

INSTRUMENTS	CLEARING MEMBER	CLIENT	CLEARING MEMBER	CLIENT
Single-Name Equity Options and ETF Options	\$0.30	\$0.70	\$3,000	\$7,000
Exercise fees	\$0.37	\$0.37	\$370	\$370



cdcc.ca