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 500 names:
  - Single-name equities listed on the Toronto Stock Exchange (TSX) and TSX Venture Exchange.
  - Exchange-traded funds (ETFs) listed on the TSX.
- **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 the Montreal Exchange (MX).
- **Multilateral Netting (Customized and Exchange-Traded)**
  - Positions
  - Collateral requirements
  - Daily settlement
  - Final settlement
- **Centralized Business Processes**
- **Anonymity**
- **Scalability**
- **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)

### MINIMUM SIZE
<table>
<thead>
<tr>
<th>Instruments</th>
<th>Minimum Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single-Name Equity Options</td>
<td>100 contracts</td>
</tr>
<tr>
<td>ETF Options</td>
<td>100 contracts</td>
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</tbody>
</table>

### FEE STRUCTURE
<table>
<thead>
<tr>
<th>Instruments (Single-Name Equity Options and ETF Options)</th>
<th>Clearing Member Cost (By contract)</th>
<th>Client Cost (By contract)</th>
<th>Maximum Clearing Member Cost (Total)</th>
<th>Maximum Client Cost (Total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All underlyings</td>
<td>$0.30</td>
<td>$0.70</td>
<td>$3,000</td>
<td>$7,000</td>
</tr>
</tbody>
</table>

* Exercise fees are also capped at 10,000 contracts

For more information, please visit our Website at [CDCC.CA](http://CDCC.CA)