

RULE C-5 DELIVERY OF UNDERLYING INTEREST OF FUTURES

Section C-501 Definitions

Notwithstanding Section A-102 for the purposes of Delivery of Underlying Interest of Futures the following terms shall have the following meanings respectively:

"Security Funds" means any additional deposit(s) by a Clearing Member required by the Corporation to be placed with the Corporation to ensure performance of a Clearing Member's obligations; and

"Time of Delivery" means the time specified in Sections C-1004, C-1104, C-1304, C-1404, C-1604, C-1804 and C-1904 by which a Clearing Member must make delivery of, or accept delivery and make payment in respect of, an Underlying Interest without being considered to have failed in its obligations under these Rules.

Amended 9/95, 6/96, 5/08

Section C-502 Delivery Through the Corporation

Unless otherwise specified by the Corporation, delivery of the Underlying Interest and payment therefor shall be made through the Corporation pursuant to the forms and procedures prescribed by it, having regard to the Contract Specifications and the by-laws and rules of the Exchange on which it is traded.

Amended 6/96

Section C-503 Submission of Tender Notice

- (1) A Clearing Member acting on behalf of the seller of a Future may, subject to the Contract Specifications and the by-laws and rules of the Exchange on which it is traded, make delivery of the Underlying Interest which is the subject of the Future. A Clearing Member desiring to make delivery shall submit to the Corporation a Tender Notice in such form and containing such information as the Corporation may prescribe. Every submission of a Tender Notice in accordance herewith shall be irrevocable.
- (2) Every Clearing Member holding a Short Position in a series of Futures at the Close of Business on the last day of trading in such series of Futures shall immediately tender a Tender Notice in respect of such Short Position.
- (3) Where the day of submitting a Tender Notice or the day of delivery is a holiday, the Corporation shall determine the day on which a Tender Notice may be submitted.
- (4) If a Clearing Member fails to deliver a Tender Notice as required by these Rules, such Clearing Member shall be a Non-Conforming Member and the Corporation will submit a Tender Notice on behalf of that Non-Conforming Member and, in addition to any other sanction which may be imposed by the Corporation under Rule A-5, a penalty of \$1,000 shall be assessed against and shall be payable by that Non-Conforming Member.

Amended 9/95, 6/96, 9/98, 3/99

Section C-504 Acceptance of Tender Notice

A Tender Notice properly submitted to the Corporation in accordance with Section C-502 shall be accepted by the Corporation for assignment at the end of such Business Day.

Amended 9/95, 6/96

Section C-505 Assignment of Tender Notice

- (1) Tender Notices accepted by the Corporation shall be assigned, at the end of each Business Day on which the Contract Specifications permits Tender Notices to be tendered, in accordance with the Corporation's procedures of random selection, to Clearing Members with open Long Positions as of the close of trading on the day on which the Tender Notice is submitted.
- (2) A Tender Notice shall not be assigned to any Non-Conforming Member which has been suspended for default or insolvency. A Tender Notice assigned to a Clearing Member which is subsequently so suspended shall be withdrawn and thereupon assigned to another Clearing Member in accordance with this Section.

Amended 9/95, 6/96, 9/98

Section C-506 Notification of Tender and Assignment

The Corporation will issue a Futures Tenders and Assignments Report on the following Business Day to each Clearing Member who submitted, or on whose behalf was submitted, a Tender Notice that was assigned and to each assigned Clearing Member. Such Report shall identify the delivering Clearing Member, the assigned Clearing Member, the quantity and description of the Underlying Interest to be delivered, the delivery date, the Settlement Amount and the account.

Amended 5/90, 1/92, 9/95, 6/96

Section C-507 Assignment of Tender Notices to Customers

Each Clearing Member shall establish fixed procedures for the allocation of Tender Notices assigned to it in respect of a Long Position in the Clearing Member's Client Account. The allocation shall be on a basis that is fair and equitable to the Clearing Member's clients and consistent with the by-laws and rules of the Exchange on which the Future is traded. Such allocation procedures and any changes thereto shall be reported to the Corporation on request.

Amended 6/96

Section C-508 Restriction on Allocation

No Clearing Member shall permit, unless there is no alternative, the allocation of a Tender Notice in respect of a Long Position that was opened on the day of such allocation.

Section C-509 Evidence of Intent to Deliver

Prior to the last day of trading, each Clearing Member shall require evidence for each account on its books that all positions in Futures which will not be offset on the last day of trading will be completed by delivery. If a customer of a Clearing Member is willing or unable to provide such evidence, the Clearing Member must liquidate the position on or before the last day of trading.

Amended 9/95, 6/96

Section C-510 Obligation to Deliver

The Clearing Member making delivery of an Underlying Interest pursuant to a Future (the "delivering Clearing Member") shall deliver the Underlying Interest which is the subject of the Tender Notice, or such documents as may be necessary to convey title and possession of such Underlying Interest, in Good Deliverable Form and duly endorsed, to the assigned Clearing Member (as defined below) against receipt of payment. The Clearing Member who has been assigned to take delivery shall notify the Corporation of non-delivery of the Underlying Interest, in the form prescribed by the Corporation, within the time prescribed in respect of the

particular Underlying Interest which was to have been delivered. Delivery shall be made at such times as is provided in the by-laws, rules and policies of the Exchanges and these Rules.

Amended 9/95, 6/96

Section C-511 Obligation to Take Delivery

A Clearing Member who has been assigned to take delivery of an Underlying Interest pursuant to a Future (the "assigned Clearing Member") shall accept delivery of the Underlying Interest which is the subject of the Future, or such documents as may be necessary to convey title and possession of such Underlying Interest, in Good Deliverable Form and duly endorsed, from the delivering Clearing Member. The Clearing Member delivering the Underlying Interest shall notify the Corporation of non-acceptance of delivery, in the form prescribed by the Corporation, within the time prescribed in respect of the particular Underlying Interest that was to have been accepted.

Amended 9/95, 6/96

Section C-512 Failure to Deliver

If the Clearing Member required to make delivery under Section C-510 fails to complete such delivery by the time required for delivery in the by-laws, rules and policies of the Exchanges and these Rules, the delivering Clearing Member will become a Non-Conforming Member. The Corporation may take or cause, authorize or require to be taken whatever steps it may deem necessary to effect delivery to or otherwise settle with, the assigned Clearing Member. Without limiting the generality of the foregoing, the Corporation may acquire and deliver the Underlying Interest to the assigned Clearing Member, reimburse or pay to the assigned Clearing Member any additional financial costs incurred as a result of the assigned Clearing Member acquiring the Underlying Interest on the open market, enter into an agreement with the assigned Clearing Member and the delivering Non-Conforming Member relating to the failed delivery, and/or take such other action as the Corporation may, in its absolute discretion, deem appropriate or necessary in order to ensure that a Non-Conforming Member's obligations are fulfilled. In the event the cost of effecting delivery to, or otherwise settling with, the assigned Clearing Member exceeds the settlement price at which the delivery was to be made, the Non-Conforming Member shall be liable for and shall promptly pay to the Corporation or the assigned Clearing Member as the case may be, the amount of such difference.

Amended 9/95, 6/96, 9/98

Section C-513 Failure to Accept Delivery and Make Payment

If the Clearing Member who is assigned a Tender Notice shall fail to accept delivery and make payment of the Settlement Amount to the delivering Clearing Member, or shall refuse to receive the Underlying Interest, or shall fail to pay the Settlement Amount for all the Underlying Interest or the documents of conveyance in respect thereof delivered to it in Good Deliverable Form in fulfillment of a Tender Notice, and such refusal or failure shall continue beyond the time required for delivery in the by-laws, rules and policies of the Exchanges and these Rules, the assigned Clearing Member shall become a Non-Conforming Member. The Corporation may take or cause, authorize or require to be taken whatever steps it deems necessary to effect payment to, or otherwise to settle with, the delivering Clearing Member. Without limiting the generality of the foregoing, the Corporation or the delivering Clearing Member may, upon notice to the assigned Non-Conforming Member and, if such action is taken by the delivering Clearing Member, to the Corporation, sell out in the best available market, for the amount and liability of the assigned Non-Conforming Member, all or any part of the undelivered Underlying Interest. The assigned Non-Conforming Member shall be liable for and shall promptly pay to the delivering Clearing Member or the Corporation as the case may be, the difference, if any, between the Settlement Amount of the undelivered Underlying Interest and the price at which such Underlying Interest was sold-out.

Amended 9/95, 6/96, 9/98

Section C-514 Penalties and Restrictions

- (1) The Board shall set by resolution, from time to time, the penalties payable in the event that a Clearing Member fails to make delivery or fails to accept delivery and make payment when required to do so in accordance with the Rules and By-laws; provided, however, that the penalty for any single failure shall not exceed \$250,000. The amount of these penalties shall be in addition to any other sanctions that may be imposed by the Corporation under the Rules in respect of such a default. If a Clearing Member fails to make delivery or accept delivery and make payment, as required under the Rules and By-laws, such penalty shall be assessed against it commencing as of the Time of Delivery and continuing until the Non-Conforming Member's obligations to the Corporation are fulfilled or the Non-Conforming Member is suspended, whichever is the sooner.
- (2) Where at the Time of Delivery a delivering Clearing Member fails to make delivery or an assigned Clearing Member fails to accept delivery and make payment and becomes a Non-Conforming Member the Non-Conforming Member's clearing activities shall immediately be restricted to closing transactions as defined in these Rules, unless the Corporation determines that it is not necessary to impose such restriction, in whole or in part. This restriction shall continue until the Non-Conforming Member deposits Security Funds with the Corporation in accordance with Sections C-516 and C-517, or, if such funds are not deposited, until otherwise determined by the Chairperson of the Board and any two directors. Nothing in this Section C-514(2) shall prevent the Corporation from immediately suspending a Non-Conforming Member.

New Rule 9/95, amended 9/98

Section C-515 Notification of Failure to Make Delivery/Make Payment

The Corporation shall report a Non-Conforming Member, and all circumstances surrounding the transaction that the Corporation deems relevant or appropriate, to each of the Exchanges, any appropriate self regulatory agency or regulatory agency, and to any other person or organization considered appropriate or necessary by the Corporation. Such notice may include, but is not restricted to, the following information: the identities of the delivering Clearing Member and the assigned Clearing Member, the notional value of the transaction, the issue to be delivered, the settlement amount and any other information considered appropriate or relevant by the Corporation.

New Rule 9/95, amended 9/98

Section C-516 Security Funds

For the purposes of all these Rules, "Security Funds" shall be equivalent to the form of deposits accepted by the Corporation pursuant to Section A-608.

New Rule 9/95, amended 02/06

Section C-517 Deposit of Security Funds

- (1) Where a Non-Conforming Member has defaulted on the delivery of an Underlying Interest, it must deliver to the Corporation, within one hour after the Time of Delivery, Security Funds in an amount equal to not less than 105% of the market value of the Underlying Interest to be delivered. Upon such delivery, the calculation of penalties and implementation of restrictions, as provided for in Section C-514, shall end. The deposit of the Security Funds with the Corporation as herein provided does not discharge any obligation of such Non-Conforming Member to the Corporation including the payment of any penalties or the payment of costs incurred by the Corporation in connection with the Non-Conforming Member's default, and does not preclude the suspension of such Non-Conforming Member, or the assessment of additional sanctions under Rule A-5.
- (2) Where a Non-Conforming Member has failed to accept the delivery of an Underlying Interest and make payment therefor, it must deliver to the Corporation, within one hour after the Time of Delivery, Security

Funds equal to the settlement value, or, in the absolute discretion of the Corporation, in an amount equal to the difference between the liquidating value of the Underlying Interest and the settlement value, or such other amount as the Corporation may determine. Upon such delivery, the calculation of penalties and implementation of restrictions, as provided for in Section C-514, shall end. The deposit of the Security Funds with the Corporation, after the required delivery time, does not discharge any obligation of such Non-Conforming Member to the Corporation including the payment of any penalties or payment of costs incurred by the Corporation in connection with the Non-Conforming Member's default, and does not preclude the suspension of such Non-Conforming Member or the assessment of additional sanctions under Rule A-5.

- (3) The Security Funds deposited by a Non-Conforming Member shall be used, together with the Non-Conforming Member's Margin or Clearing Fund deposits, any excess Margin and Clearing Fund deposits placed by that Non-Conforming Member with the Corporation, and any other Non-Conforming Members' funds held by the Corporation for such purposes, by the Corporation to effect delivery of or make payment in respect of the Underlying Interest, or otherwise meet the Corporation's obligations in respect of the transaction.

New Rule 9/95, amended 9/98

Section C- 518 Effecting Delivery/Payment

- (1) Where a delivering Non-Conforming Member has failed to make a delivery or an assigned Non-Conforming Member has failed to accept a delivery and make payment therefor, the Corporation shall use any funds available to it for such purposes, in such manner as it shall, in its sole discretion, consider appropriate, to effect delivery of or make payment in respect of the Underlying Interest, or otherwise settle such failed transaction. The Corporation will endeavour to effect delivery or make payment as soon as practicable, given the nature of the Underlying Interest and all of the circumstances of the particular transaction.
- (2) Where the Corporation has effected delivery of or made payment for the Underlying Interest, or otherwise settled the transaction, and the cost of so doing exceeds the Security Funds (if any) deposited under Section C-517, and the Non-Conforming Member's Margin or Clearing Fund deposits, the Non-Conforming Member shall be liable to and shall promptly pay the Corporation the amount of the excess, in addition to any penalties and other sanctions that may be assessed, and the Corporation's reasonable expenses, including legal fees.
- (3) Where the Corporation has effected delivery of or made payment for the Underlying Interest, or otherwise settled the transaction, and the cost of so doing is less than the Security Funds (if any) deposited under Section C-517, any excess, less all assessed penalties and reasonable expenses, including legal fees, incurred by the Corporation, will be promptly returned to the Non-Conforming Member.

New Rule 9/95, amended 9/98

Section C-519 Other Powers of the Corporation

Notwithstanding the foregoing, the Corporation shall have the power to require a Non-Conforming Member to deposit such other funds or Security as the Corporation may, in its discretion, determine is necessary or advisable given the nature and value of the Underlying Interest and all of the circumstances of the failed transaction. A Non-Conforming Member shall cooperate fully with the Corporation in respect of the failed transaction and shall promptly provide the Corporation with such information relating thereto and to the Non-Conforming Member, as the Corporation may request.

New Rule 9/95, amended 9/98

Section C- 520 Suspension and Other Disciplinary Action

Notwithstanding any penalties or restrictions imposed on the Non-Conforming Member pursuant to Section C-514, the Corporation may suspend or impose the sanctions provided for in Section A-1A04 and Rules A-4 and A-5 on a Non-Conforming Member.

New Rule 5/95, amended 9/98

Section C-521 Force Majeure

If delivery, settlement or acceptance or any precondition or requirement is prevented by “Force Majeure” such as but not limited to strike, fire, accident, act of government, act of God or other emergency the affected Clearing Member shall immediately notify the Exchange involved and the Corporation. The Exchange involved and the Corporation shall take such action as they deem necessary under the circumstances and their decision shall be binding upon all parties to the contract. Without limiting the generality of the foregoing, they may modify the Settlement Time and/or the settlement date; designate alternate or new delivery and settlement points or alternate or new procedures in the event of conditions interfering with the normal operations of approved facilities or delivery and settlement process; and/or fix a Settlement Price.

Amended 9/95, 6/96, 9/96, 9/98, 02/06