



NOTICE TO MEMBERS

No. 2017 – 027

February 21, 2017

SELF-CERTIFICATION

AMENDMENTS TO THE RULES OF THE CANADIAN DERIVATIVES CLEARING CORPORATION

NEW FOREIGN EXCHANGE RATE FIXING

On November 2, 2016, the Board of Directors of the Canadian Derivatives Clearing Corporation (“CDCC”) approved amendments to the Rules of CDCC. CDCC wishes to inform the Clearing Members that these amendments have been self-certified pursuant to the self-certification process set forth in the *Derivatives Act* (C.Q.L.R., c I-14.01) and submitted to the Ontario Securities Commission in accordance with the “Rule Change Not Requiring Approval in Ontario” process.

The purpose of the amendments is to replace the Bank of Canada “Noon Rate” by Bloomberg FX Fixings (“BFIX”) to determine, among other things, the final settlement price of the currency options contracts traded on the Montréal Exchange Inc. when such option contracts expire. The BFIX closing spot rate that will be used is the New York 12:30 p.m. fix.

You will find attached hereto the amendments set to come into force and to be incorporated into the version of the Rules of CDCC that will be made available on the CDCC website at www.cdcc.ca on February 28th, 2017, after market close.

If you have any questions or concerns regarding this notice, please contact CDCC’s Corporate Operations department or direct your email inquiries to cdcc-ops@tmx.com.

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CANADIAN DERIVATIVES CLEARING CORPORATION
RULES

RULE B-16 CURRENCY OPTIONS

This Rule B-16 is applicable only to European Style Options where the Underlying Interest is a currency. Such Options are referred to in this Rule B-16 as “Currency Options”.

SECTION B-1601 DEFINITIONS

Notwithstanding Section A-102 for the purpose of European Style Currency Options the following terms shall have the meanings specified:

“Aggregate Current Value” – The Bloomberg FX Fixing (BFIX) at 12:30 p.m. New-York time fix, Bank of Canada noon rate expressed in Canadian cents for one unit of foreign currency on the Expiration Date of the Option multiplied by the number of Units of Trading.

“Aggregate Exercise Price” – the Exercise Price of an Option multiplied by the number of Units of Trading of the Underlying Interest covered by the Option.

“Call” - an exchange-traded European Style Option which gives the holding Clearing Member the right to receive from the Corporation on the Expiration Date the Call Exercise Settlement Amount.

“Call Exercise Settlement Amount” – The cash difference when the Aggregate Exercise Price is deducted from the Aggregate Current Value.

“Put” – an exchange-traded European Style Option which gives the holding Clearing Member the right to receive from the Corporation on the Expiration Date the Put Exercise Settlement Amount.

“Put Exercise Settlement Amount” – The cash difference when the Aggregate Current Value is deducted from the Aggregate Exercise Price.

“Exercise Settlement Date” – the Business Day following the Expiration Date.

“Expiration Date” – the third Friday of the month.

“Underlying Interest” – The foreign currency which is the subject of the option.

“Unit of Trading” – 10,000 units, or a multiple thereof, of foreign currency.

SECTION B-1602 TRADE REPORTING OF OPTIONS TRANSACTIONS

Notwithstanding Subsection B-201(6) each Clearing Member shall have until 1.5 hours prior to the Close of Business on the Business Day following the day on which the trade took place to notify the Corporation, in the form prescribed, of any error, with the exception of the Expiration date. On Expiration date, the corporation must receive this notification 1.5 hours prior to the Close of Business on that Business Day. Unless such notification is received by the established cut-off hour, the exchange transactions accepted by the Corporation and as contained in the report shall be final and binding upon the Clearing Members reported as parties to such transaction.

SECTION B-1603 EXPIRATION DATE EXERCISE PROCEDURE

- 1) European Style Currency Options will be listed with American Style Options on the Expiry Report issued on the Expiration Date and all in-the-money Long Positions will be automatically exercised in accordance with Section B-307.
- 2) The term “closing price” as used in Section B-307 in reference to the currency underlying any European Style Currency Option shall mean the Bloomberg FX Fixing (BFIX) at 12:30 p.m. New-York time fix, ~~Bank of Canada noon rate~~ expressed in Canadian cents on the Expiration Date as reported to the Corporation by the relevant Exchange.

SECTION B-1604 GENERAL RIGHTS AND OBLIGATIONS OF CLEARING MEMBERS

Notwithstanding Section B-110, for the purposes of Currency Options:

- a) A Clearing Member holding a Long Position in a Call Option has the right, on (and only on) the Expiration Date, to receive from the Corporation, on tender of an Exercise Notice, the Call Exercise Settlement Amount;
- b) A Clearing Member holding a Short Position in a Call Option is obligated, upon the assignment to the Clearing Member of an Exercise Notice in respect of such Option, to pay to the Corporation the Call Exercise Settlement Amount;
- c) A Clearing Member holding a Long Position in a Put Option has the right, on (and only on) the Expiration Date, to receive from the Corporation, on tender of an Exercise Notice, the Put Exercise Settlement Amount; and
- d) A Clearing Member holding a Short Position in a Put Option is obligated, upon the assignment to the Clearing Member of an Exercise Notice in respect of such Option, to pay to the Corporation the Put Exercise Settlement Amount.

RULE C-9 US DOLLAR FUTURES (SYMBOL - USD)

The Sections of this Rule C-9 are applicable only to Futures where the Underlying Interest is U.S. \$50,000 herein referred to as “U.S. Dollar Futures”.

SECTION C-901 DEFINITIONS

“Underlying Interest” - U.S. \$50,000.

SECTION C-902 SETTLEMENT IN CASH THROUGH THE CORPORATION

Notwithstanding Section C-502 for the purposes of U.S. Dollar Futures, the following applies.

Settlement of positions held following the close of trading on the last day of trading of the settlement month shall be made on the first Business Day following the last day of trading. Settlement shall be made by an exchange of cash between the Corporation and each of the short and the long Clearing Members. The amount to be paid or received in final settlement of each U.S. Dollar contract is the difference between:

- i) the Bloomberg FX Fixing (BFIX) at 12:30 p.m. New-York time fix, ~~Bank of Canada average noon rate~~ on the last day of trading, for one U.S. dollar in Canadian funds expressed to four decimal places and then multiplied by 50,000; and
- ii) the Settlement Price of the U.S. Dollar Contract on the previous trading day multiplied by 500 or; for positions opened on the last trading day, the Trade Price of the open contract multiplied by 500.

SECTION C-903 TENDER NOTICES

Rule C-5 shall not apply to the U.S. Dollar Futures as they are cash-settled.

SECTION C-904 PAYMENT AND RECEIPT OF PAYMENT OF THE TRADE PRICE

The Trade Price will be included with other settlements on the daily Detailed Futures Consolidated Activity Report and Futures Sub-Accounts Consolidated Activity Report.



Rule C-23 Futures Contracts on EQUITY INDICES with Cash Settlement in US Dollars

The Sections of this Rule C-23 are applicable only to Futures contracts on equity indices with Cash settlement in US Dollars.

SECTION C-2301 DEFINITIONS

Notwithstanding Section A-102, for the purposes of Futures contracts on equity indices with Cash settlement in US Dollars, the following terms are as defined:

“Cash” – money in the lawful currency of the United States.

“Eligible Equity Index” – the FTSE Emerging Markets Index.

“Exchange” – Bourse de Montréal Inc.

“Final Settlement Price” – the price determined by the Exchange as being the official closing price of the equity index, expressed in U.S. dollars, on the last day of trading, multiplied by the Multiplier.

“Multiplier” – the factor used to calculate the size of the Futures contract as specified by the Exchange.

“Underlying Interest” – the Eligible Equity Index which is the subject of the Futures contract.

SECTION C-2302 FINAL SETTLEMENT IN CASH THROUGH THE CORPORATION

Unless otherwise specified by the Corporation, settlement of positions held following the close of trading on the last day of trading in a Series of Futures contracts shall be made on the first Business Day following the last day of trading. Settlement shall be made by an exchange of cash between the Corporation and each of the Clearing Members holding Long Positions and Short Positions. The amount to be paid or received in final settlement of:

- a) each position opened prior to the last day of trading is the difference between:
 - i) the Final Settlement Price, and
 - ii) the Settlement Price of the Futures contract on the Business Day before the last day of trading,

multiplied by the Multiplier of the Futures contract; and

- a) each position opened on the last day of trading is the difference between
 - i) the Final Settlement Price, and
 - ii) the Trade Price of the open Futures contract

multiplied by the Multiplier of the Futures contract.

SECTION C-2303 TENDER NOTICES

Rule C-5 shall not apply to Futures contracts on equity indices with Cash settlement in US Dollars as they are Cash settled.

SECTION C-2304 ADJUSTMENTS

No adjustments will ordinarily be made in the terms of Futures contracts on equity indices with Cash settlement in US Dollars in the event that securities composing the Eligible Equity Index are added to or deleted or when their relative weight is changed. However, the Corporation may, at the request of the Exchange, adjust the terms of the affected Futures contracts on equity indices with Cash settlement in US Dollars.

SECTION C-2305 UNAVAILABILITY OR INACCURACY OF CURRENT VALUE

- 1) If the Corporation shall determine that the Final Settlement Price for an equity index underlying any series of Futures contracts on equity indices with cash settlement in US Dollars is unreported or otherwise unavailable for purposes of calculating the gains and losses, then, in addition to any other actions that the Corporation may be entitled to take under these Rules, the Corporation may do any or all of the following:
 - a) suspend the Settlement of Gains and Losses. At such times as the Corporation determines that the required Final Settlement Price is available, the Corporation shall fix a new date for Settlement of the Gains and Losses.
 - b) fix the Final Settlement Price in accordance with the best information available as to the correct Final Settlement Price.
- 2) The Final Settlement Price as reported by the Exchange shall be conclusively deemed to be accurate except that where the Corporation determines in its discretion that there is a material inaccuracy in the reported Final Settlement Price, it may take such action as it determines in its discretion to be fair and appropriate in the circumstances. Without limiting the generality of the foregoing, the Corporation may amend the Final Settlement Price to be used for settlement purposes.

SECTION C-2306 PAYMENT AND RECEIPT OF PAYMENT OF THE TRADE PRICE

The settlement value of maturing contracts will be included with other settlements on the daily Futures Consolidated Activity Report.

SECTION C-2307 FORCE MAJEURE OR EMERGENCY

If settlement or acceptance or any precondition or requirement is prevented by *force majeure* or Emergency, the affected Clearing Member shall immediately notify the Exchange and the Corporation. If the Exchange and the Corporation decide that a *force majeure* or Emergency is in progress, by their own means or following the reception of a notice to this effect from a Clearing Member, they shall take all necessary actions in the circumstances and their decision shall be binding upon all parties to Futures contracts on

equity indices with Cash settlement in US Dollars affected by the *force majeure* or Emergency. Without limiting the generality of the foregoing, the Corporation may take one or many of the following measures:

- a) modify the Settlement Time;
- b) modify the settlement date;
- c) designate alternate or new settlement points or alternate or new procedures in the event of conditions interfering with the normal operations of approved facilities or settlement process;
- d) fix a Settlement Price.

Neither the Exchange nor the Corporation shall be liable for any failure or delay in the performance of the Corporation's obligations to any Clearing Member if such failure or delay arises out of a *force majeure* or Emergency.

SECTION C-2308 CURRENCY

All trading, settlement and variation margin requirements related to the Futures contracts on equity indices with Cash settlement in US Dollars takes place in United States funds. Initial margin requirements will be converted to Canadian funds at the Bloomberg FX Fixing (BFIX) at 12:30 p.m. New-York time fix, Bank of Canada daily exchange noon rate. All clearing fees in relation to Futures contracts on equity indices with Cash settlement in US Dollars will be payable in Canadian funds.

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