



NOTICE TO MEMBERS

No. 2019-061

May 16, 2019

SELF-CERTIFICATION

AMENDMENTS TO THE OPERATIONS MANUAL OF THE CANADIAN DERIVATIVES CLEARING CORPORATION

On May 2, 2019, the Board of Directors of the Canadian Derivatives Clearing Corporation (“CDCC”) approved amendments to the Operations Manual 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.

CDCC is proposing minor amendments to its Operations Manual to allow clearing members to offset positions on a standard option contract against positions on a mini option contract, in addition to positions on a standard futures contract against positions on a mini futures contract.

You will find attached hereto the amendments set to come into force and to be incorporated into the version of the Operations Manual of CDCC that will be made available on the CDCC website at www.cdcc.ca on **June 3, 2019**.

If you have any questions or concerns regarding this notice, please contact Alexandre Normandeau at 514-787-6623 or at alexandre.normandeau@tmx.com.

Jay Rajarathinam
President



**CANADIAN DERIVATIVES CLEARING CORPORATION
CORPORATION CANADIENNE DE COMPENSATION DE PRODUITS DÉRIVÉS**

OPERATIONS MANUAL

OCTOBER 5, 2018



TABLE OF CONTENTS

SECTIONS:

PREAMBLE AND DEFINITIONS	SECTION 1
TIME FRAMES	SECTION 2
REPORTS	SECTION 3
TRADE PROCESSING	SECTION 4
OPEN POSITIONS	SECTION 5
EXERCISES, TENDERS, ASSIGNMENTS AND DELIVERIES	SECTION 6
SETTLEMENT	SECTION 7
MARGIN PROCESSING	SECTION 8
CLEARING FEES	SECTION 9
CLEARING MEMBER SECURITY OFFICER	SECTION 10
ESCALATION PROCEDURE	SECTION 11

SCHEDULES:

I- RISK MANUAL	SCHEDULE A
<i>I.1- DEFAULT MANUAL</i>	<i>APPENDIX 1</i>
II - DEPOSITORY AGREEMENT	SCHEDULE B
<i>II.1- PUT ESCROW RECEIPT</i>	<i>EXHIBIT A</i>
<i>II.2- PUT PAYMENT ORDER</i>	<i>EXHIBIT B</i>

PREAMBLE AND DEFINITIONS

[...]

DEFINITIONS

“Automatic Exercise” – a process by which CDCS will exercise In-the-Money Options at a pre-determined threshold.

“CDCC Clearing Application” – CDCS and all the processes associated with it, as may be supplemented or otherwise changed from time to time.

“Closing Transaction” – any Transaction that is either a Closing Buy Transaction, a Closing Purchase Transaction, a Closing Sell Transaction or a Closing Writing Transaction, as such terms are defined in the Rules, and in all cases that reduces or eliminates the Clearing Member’s Open Interest.

“Converge” – marketing brand of the portion of the CDCC Clearing Application that captures and processes OTCI Transactions, including Fixed Income Transactions.

“Difference Fund Account” – the CDCS record provided to each Clearing Member containing any Additional Margin deposited by such Clearing Member to the CDCC, in respect of any of the following: (1) Unsettled Item, (2) Additional Capital Margin, (3) Advance Calls for Settlement of Losses, (4) OTCI Additional Margin, (5) Discretionary Margin, (6) Additional Margin for Intra-Day Variation Margin Risk, (7) Additional Margin for Mismatched Settlement Risk, (8) Additional Margin for Uncovered Risk of LCMs, and (9), Additional Margin for Variation Margin Delivery Risk; the whole in accordance with the Risk Manual or otherwise as set forth in Section 8-4 hereof.

“Eligible Collateral” – collateral which may be deposited with the Corporation for the purpose of fulfilling Margin requirements and which meets certain criteria described in the Risk Manual.

“Exerciser” – a Clearing Member that holds a Long Position in a particular Series of Options and submits an Exercise Notice to CDCC.

“Expiry Friday” – the third Friday of the month, unless that Friday is not a Business Day, then the Business Day preceding the third Friday of the month.

“FIFO Period” – the quarterly delivery period for Futures contracts on Government of Canada bonds, in accordance with Contract Specifications of the relevant Exchange.

“Forward Repurchase Transaction” – a Repurchase Transaction in respect of which the Open Leg has not settled yet at the time of the relevant report.

“FTP Downloads” – Clearing Member’s access to files and reports on an FTP server that is part of the CDCC Clearing Application.

“Inquiry Screen” – Graphical User Interface (GUI) view of the CDCC Clearing Application.

“Large Value Transfer System” or “LVTS” – an electronic wire system introduced by the Canadian Payments Association in February 1999 to facilitate the transfer of irrevocable payments in Canadian dollars across the country.

“Limited Clearing Member (LCM)” – has the meaning given thereto in Section A-102 of the Rules.



PREAMBLE AND DEFINITIONS

“Margin Fund Account” – the CDCC record provided to each Clearing Member containing all Margin deposited by such Clearing Member to CDCC, in respect of any of the following: (1) Base Initial Margin (or Adjusted Base Initial Margin, as the case may be), (2) Additional Margin for Concentration Risk, (3) Additional Margin for Specific Wrong-Way Risk, (4) Variation Margin for Options, and (5) Variation Margin for Unsettled Item; the whole in accordance with the Risk Manual, or otherwise as set forth in Section 8-1 hereof.

“Mini ~~Futures~~-Contract” – a Future or an Option that has the same Underlying Interest as a Standard ~~Futures~~ Contract but having a Unit of Trading that is a ratio of the Standard ~~Futures~~-Contract in accordance with applicable Contract Specifications.

“Net Settlement Position” – all the future Net Delivery Requirements and Net Payment Against Delivery Requirements of a Clearing Member, as reported by CDCC on a daily basis, taking into account all Fixed Income Transactions that have settled during the day and all new Fixed Income Transactions that have been novated to CDCC.

“Net Variation Margin Requirement” – has the meaning given thereto in Section D-601 of the Rules. Reference will be made to (Fixed Income) Net Variation Margin Requirement in this Manual.

“Open Position File” – database of the CDCC Clearing Application which compiles the Open Positions of all Clearing Members. Each Clearing Member can access the information pertaining to his accounts only, not to other Clearing Members’ accounts.

“Opening Transaction” – any Transaction that is either an Opening Buy Transaction, an Opening Purchase Transaction, an Opening Sell Transaction or an Opening Writing Transaction as set forth in Section A-102 of the Rules.

“Operational Notices” – formal notifications to the Clearing Members, representing items that are not published on CDCC’s website. These documents are available on the Secured Website.

“OTCI Equity Options” – over the counter options on an equity, bearing characteristics that differ from Exchange traded Options and are cleared by CDCC through *Converge*.

“Position Transfer” – this is the CDCC Clearing Application function to move a position from one Clearing Member to another.

“Production Schedule” – all of the time lines that are followed by CDCC, as set forth in Section 2 of this Operations Manual.

“Request for Standard vs Mini Offset” – the request by a Clearing Member, in the form prescribed by CDCC, to offset one (1) or more Long Position(s) on a Standard ~~Futures~~-Contract against the equivalent number of Short Positions on the corresponding Mini ~~Futures~~-Contract (totalling the same quantity of the Underlying Interest in accordance with the ratio prescribed in the Contract Specifications of the Mini ~~Futures~~-Contract), having the same Delivery Month and booked in the same Clearing Member’s account, or the other way around.

“Running Repurchase Transaction” – a Repurchase Transaction in respect of which the Open Leg has already settled at the time of the relevant report.

“Secured Website” – Clearing Members only secured web site that requires a sign on and password, where CDCC publishes Operational Notices as well as documents that are meant only for the Clearing Members.

PREAMBLE AND DEFINITIONS

“**Specific Deposit**” – a Put Escrow Receipt, a Call Underlying Interest Deposit or a Futures Underlying Interest Deposit which are accepted by CDCC as Underlying Interest Equivalent to cover a specific Short Position.

“**Standard ~~Futures~~ Contract**” – a Future or Option in relation to which a Mini ~~Futures~~ Contract exists.

“**Tenderer**” – a Clearing Member that holds a Short Position in a particular Series of Futures and submits a Tender Notice, or is deemed to do so in accordance with the Rules, to CDCC.

“**Unsettled Item**” – any delivery of the Underlying Interest that has not been settled at the Central Securities Depository.

“**(Fixed Income) Variation Margin Account**” – the CDCC record provided to each Clearing Member containing all Margin deposits made by such Clearing Member to CDCC for (Fixed Income) Net Variation Margin Requirement purposes only, in accordance with Section D-607 of the Rules, or otherwise as set forth in Section 8-1 hereof.

“**Weekly Options**” – Options that expire on any Friday, other than Expiry Friday. Only monthly Options expire on Expiry Friday.

[...]



Section: 2 - 1

TIME FRAMES

ON-LINE ACCESS

Each Clearing Member must be connected to the CDCC Clearing Application using its PC terminals to perform a variety of functions. (Clearing Members must supply their own PC terminals and Internet connection, at their own cost).

All instructions (corrections, Open Position changes, Position Transfers, Deposits, withdrawals, and submission of Exercise Notices and Tender Notices) must be entered on-line.

The CDCC Clearing Application allows Clearing Members to view their current information throughout the day electronically (except during scheduled maintenance or unforeseen outages). In addition, Clearing Members can download their reports after 7:00 p.m. every day using the FTP Download function.

Should a Clearing Member not have electronic access (due to technical issues) to the CDCC Clearing Application during Office Hours, CDCC can perform instructions on behalf of the Clearing Member. This requires a phone call from the Clearing Member to CDCC, along with the appropriate form faxed or scanned and e-mailed to CDCC. Such form must be authorized with the approved Clearing Member's stamp.

With respect to operational activity related to Options with an Expiration Date on Expiry Friday, CDCC staff members are on-site from 7:00 a.m. to fifteen (15) minutes after delivery of the Options Exercised and Assigned Report (MT02).

TIME FRAMES

SETTLEMENT TIME FOR EVERY BUSINESS DAY

Activity	Time Frames	Activity Type
Start of Settlement Day at CDS and Clearing Day at CDCC	5:30 a.m.	System Activity
Clearing Member's (excluding LCMs) Early Morning Intra-Day Margin Calculation & Notification	7:15 a.m.	System Activity/Notification
Deadline to settle Early Morning Intra-Day Margin Call for Clearing Members (excluding LCMs)	1 hour after notification	Obligation Deadline
Assets Concentration Limits breach notification	7:30 a.m.	Notification
Deadline for Clearing Members (excluding LCMs) for Settlement Time with respect to payments for overnight settlement	7:45 a.m.	Obligation Deadline
Fixed Income Transactions – Netting Cycle Timeframe in respect of any Pending Settlement Requirements – 15 minutes cycle	8:30 a.m.	System Activity
Deadline for Clearing Members (excluding LCMs) to receive EOD Amount due from CDCC	8:45 a.m.	Obligation Deadline
Deadline for LCMs for Settlement Time with respect to payments for overnight settlement	9:00 a.m.	Obligation Deadline
Additional Capital Margin: Notification to Clearing Members (excluding LCMs)	9:30 a.m.	Publication
Fixed Income Transactions – Morning Netting Cycle Timeframe in respect of any Pending Payment Against Delivery Requirements (Morning Net Payment Against Delivery Requirements sent to CDS for settlement during the Morning Net DVP Settlement Timeframe) – 15 minutes cycle	10:00 a.m.	System Activity
Morning Net DVP Settlement Calculation	10:15 a.m.	System Activity
Deadline for Morning Net DVP Settlement	10:30 a.m.	Obligation Deadline
Clearing Member's (excluding LCMs) Morning Intra-Day Margin Calculation & Notification	10:30 a.m.	System Activity/Notification
Deadline to settle Morning Intra-Day Margin Call for Clearing Members (excluding LCMs)	1 hour after notification	Obligation Deadline

TIME FRAMES

SETTLEMENT TIME FOR EVERY BUSINESS DAY (continued)

Activity	Time Frames	Activity Type
Assets Concentration Limit breach correction deadline	11:45 a.m.	Obligation Deadline
Additional Capital Margin: Obligation to meet the Capital Requirement	12:00 p.m.	Obligation Deadline
Fixed Income Transactions – Netting Cycle Timeframe in respect of any Pending Settlement Requirements – 15 minutes cycle	12:15 p.m.	System Activity
Clearing Member's Afternoon Intra-Day Margin Calculation & Clearing Members (excluding LCMs) notification	12:45 p.m.	System Activity/Notification
Deadline to settle Afternoon Intra-Day Margin Call for Clearing Members (excluding LCMs)	1 hour after notification	Obligation Deadline
Specific Deposits (same day withdrawal)	12:45 p.m.	Operational Deadline
Additional Margin Call for Mismatched Settlement Risk	1:30 p.m.	Publication
Additional Margin Call for Intra-Day Variation Margin Risk	1:30 p.m.	Publication
Additional Margin Call for Variation Margin Delivery Risk	1:30 p.m.	Publication
Additional Margin Call for Uncovered Risk for LCMs	1:30 p.m.	Publication
LCM Intra-Day Margin Call and Additional Margins Notification	1:30 p.m.	Notification
Clearing Members (excluding LCMs) Additional Margins Notification	1:30 p.m.	Notification
Deadline to settle Additional Margins for Clearing Members (excluding LCMs)	1 hour after notification	Obligation Deadline
Deadline to settle Intra-Day Margin Call and Additional Margins for LCMs	The later of 3:30 p.m. or 2 hours after notification	Obligation Deadline
Fixed Income Transactions – Netting Cycle Timeframe in respect of any Pending Settlement Requirements – 15 minutes cycle	2:00 p.m.	System Activity



TIME FRAMES

SETTLEMENT TIME FOR EVERY BUSINESS DAY (continued)

Activity	Time Frames	Activity Type
Cash Deposits (Margin deposits) – \$10,000,000 and under (same day deposit)	2:45 p.m.	Operational Deadline
Cash Deposits (Margin deposits) – over \$10,000,000 (2 Business Days notice)	2:45 p.m.	Operational Deadline
Cash withdrawal requests (Margin deposits) – \$10,000,000 and under (same day withdrawal)	2:45 p.m.	Operational Deadline
Cash withdrawal requests (Margin deposits) – over \$10,000,000 (2 Business Days notice)	2:45 p.m.	Operational Deadline
Fixed Income Transactions – (Same Day Transactions) – Submission Cut-Off Time	3:30 p.m.	Operational Deadline
Clearing Members (excluding LCMs) - All assets deposits other than cash (Margin deposits)	3:30 p.m.	Operational Deadline
Clearing Members - All assets withdrawal requests other than cash (Margin deposits) for same day withdrawal	3:30 p.m.	Operational Deadline
Clearing Members - All assets substitution requests other than cash (Margin deposits) for same day substitution	3:30 p.m.	Operational Deadline
Fixed Income Transactions – Afternoon Netting Cycle Timeframe in respect of any Pending Settlement Requirements (Afternoon Net DVP Settlement Requirements sent to CDS for settlement by End of Day DVP Settlement Time) – 5 minutes cycle	3:35 p.m.	System Activity
CDS Payment Exchange, Net Wire Payment	4:00 p.m.	System Activity
End of Day DVP Settlement Time	4:00 p.m.	Obligation Deadline
Unsettled Item (Options Underlying deliveries only): Confirmation of settled items to be sent to CDCC	4:15 p.m.	Operational Deadline
Deadline for CDCC to respond to substitution or withdrawal request (other than (Fixed Income) Variation Margin)	4:30 p.m.	Obligation Deadline
OTCI (other than Fixed Income Transactions) – Trade Submission Deadline	4:30 p.m.	Operational Deadline
Projected Margin Report Computation	4:30 p.m.	System Activity
Futures —Request for Standard vs Mini Offset	5:00 p.m.	Operational Deadline



TIME FRAMES

SETTLEMENT TIME FOR EVERY BUSINESS DAY (continued)

Activity	Time Frames	Activity Type
Position Transfers	5:25 p.m.	Operational Deadline
Same Day and T+1 Trade corrections	5:30 p.m.	Operational Deadline
Open Position changes	5:30 p.m.	Operational Deadline
Futures – Tender Notices submission	5:30 p.m.	Operational Deadline
Options – Exercise Notices submission	5:30 p.m.	Operational Deadline
Fixed Income Transactions and Futures contracts on Acceptable Securities – Netting Cut Off Time (Netted settlement instructions (Net Delivery Requirements and Net Payment Against Delivery Requirements) sent to CDS for settlement on the next business day)	5:30 p.m.	System Activity
CDCC Clearing Application shutdown – Close of Business	5:30 p.m.	System Activity
FIFO: Daily reporting by Clearing Members of the Long Positions in each of their accounts in chronological order	5:30 p.m.	Operational Deadline
FIFO: Submission of Tender Notices	5:30 p.m.	Operational Deadline
LCM Only - All assets deposits other than cash (in respect of all Margin requirements)	6:30 p.m.	Operational Deadline
Fixed Income Transactions – available (next Business Day start)	7:00 p.m.	System Activity



TIME FRAMES

SETTLEMENT TIME FOR (FIXED INCOME) VARIATION MARGIN FOR EVERY BUSINESS DAY

Activity	Time Frames	Activity Type
Deadline to deliver securities to CDCC to settle Net Variation Margin Requirement	9:30 a.m.	Obligation Deadline
Deadline to submit to CDCC a (Fixed Income) Buy-In request for same day settlement	10:00 a.m.	Operational Deadline
Deadline to deliver securities to Clearing Members by CDCC to settle (Fixed Income) Variation Margin amount	10:30 a.m.	Obligation Deadline
Deadline to submit substitutions for same day settlement	11:00 a.m.	Operation Deadline
Deadline for CDCC to submit substitution instructions to Clearing Members for same day settlement	12:00 (noon)	Operational Deadline
Deadline to deliver same day settlement substitution to CDCC	3:00 p.m.	Obligation Deadline
Deadline for CDCC to deliver same day substitutions For (Fixed Income) Variation Margin	4:00 p.m.	Obligation Deadline
EOD Net Variation Margin Requirement Computation	4:30 p.m.	System Activity

TIME FRAMES

SETTLEMENT TIME FOR MONTHLY EXPIRY

Activity	Time Frames	Activity Type
Reports available (FTP Download): <ul style="list-style-type: none"> ➤ Expiry Report (MX01) ➤ Expiry Options Daily Transaction Report (MT01) ➤ List of Options/Cash Adjustments (MT03) 	7:15 p.m.	Publication
CDCC Clearing Application available for: <ul style="list-style-type: none"> ➤ Trade corrections ➤ Open Position changes ➤ Position Transfers ➤ Changes to Automatic Exercises ➤ Exercise Notices input ➤ Cancel / correct Friday's exercises 	7:15 to 10:15 p.m.	Operational Deadline
CDCC Clearing Application shutdown: <ul style="list-style-type: none"> ➤ CDCC processes expiry entries 	10:15 p.m.	Operational Deadline
Reports available (FTP Download): <ul style="list-style-type: none"> ➤ List of Expiry Adjustments Report (MX02) ➤ Expiry Difference Report (MX03) 	10:30 p.m.	Publication
CDCC Clearing Application available again for: <ul style="list-style-type: none"> ➤ Review of expiry entries ➤ Corrections to expiry entries 	10:30 to 10:45 p.m.	Operational Deadline
CDCC Clearing Application shutdown <ul style="list-style-type: none"> ➤ Close of Business 	10:45 p.m.	Operational Deadline
Reports available (FTP Download): <ul style="list-style-type: none"> ➤ Options Exercised and Assigned Report (MT02) ➤ Other reports and files also available 	12:30 a.m.	Publication

TIME FRAMES

SETTLEMENT TIME FOR WEEKLY EXPIRY

Activity	Time Frames	Activity Type
CDCC Clearing Application available for: <ul style="list-style-type: none"> ➤ Trade corrections ➤ Open Position changes ➤ Position Transfers ➤ Changes to Automatic Exercises 	7:00 to 8:00 p.m.	Operational Deadline
CDCC Clearing Application shutdown: <ul style="list-style-type: none"> ➤ Close of Business 	8:00 p.m.	Operational Deadline
Reports available (FTP Download): <ul style="list-style-type: none"> ➤ Options Exercised and Assigned Report (MT02) ➤ Other reports and files also available 	9:45 p.m.	Operational Deadline

[...]

OPEN POSITIONS

INTRODUCTION

Having accepted a Transaction, the next step in the CDCC Clearing Application is the determination of the Open Position. Each Clearing Member can view all the information related to their accounts on the Open Position File which records the open Long Position and Short Position for each Series of Options and Series of Futures, OTCI and Fixed Income Transactions for each account type, updating the information as each Transaction is accepted.

Each Clearing Member is responsible for reconciling the information recorded on the Open Position File and all relevant reports issued by CDCC against their internal records. Careful attention must be paid to account designation and whether the Transaction is coded as “opening” or “closing” in the relevant file or report. Reports are available for FTP Download as per Section 2 of this Operations Manual.

Open Interest is updated automatically as each Transaction, Exercise Notice and Tender Notice is processed.

ADJUSTMENTS OF OPEN POSITIONS

GENERAL

Occasionally the need will arise to adjust an already processed Transaction. In such cases, the adjustment will affect the Clearing Member's Open Position accordingly. For example, an adjustment designed to change the original Opening Buy Transaction (or Opening Purchase Transaction) to a Closing Buy Transaction (or Closing Purchase Transaction) will result in a decrease in the Long Position in the Series of Futures or Series of Options by the volume of the original Transaction. Any Settlement of Gains and Losses (or Premium) adjustments will be shown as adjustments on the relevant report.

Generally this situation will occur when:

1. The transactional details were incorrectly recorded, e.g. Clearing Member number, price, series and volume.
2. Information pertaining to only one side of the Transaction such as the opening/closing or account designation was erroneously reported on the original trade.
3. The source document of the relevant Exchange was input incorrectly.
4. Transfer of Open Positions from one account to another account of a Clearing Member.
5. Transfer of Open Positions from an account of one Clearing Member to an account of another Clearing Member.

Types of Adjustments

The following adjustments are acceptable for Exchange Transactions and OTCI (other than Fixed Income Transactions):

1. Same Day Trade Corrections (T). Same day trade corrections are only permitted on account type, sub-account designation and opening/closing and no corrections are permitted on OTCI Transactions after a Trade Confirmation has been issued by CDCC.

OPEN POSITIONS

2. Trade Date + 1 Corrections (T+1). Modifications of any type are subject to approval by the relevant Exchange and no corrections permitted on OTCI Transactions.
3. Open Position Changes. For OTCI Transactions, these will be performed through the Position Transfer function of the CDCC Clearing Application. Note: there is a Position Transfer fee per contract.
4. Position Transfers. Specific function of the CDCC Clearing Application to move positions from one Clearing Member to another or between accounts of a same Clearing Member on a post trade basis. Note: there is a Position Transfer fee per contract.
5. Standard vs Mini Offset. Upon the receipt of a Request for Standard vs Mini Offset in the prescribed form, CDCC will offset (i) one or more existing Standard ~~Futures-Contract~~ Long Position(s) against the equivalent number of existing Mini ~~Futures-Contract~~ Short Positions (totalling the same quantity of the Underlying Interest in accordance with the ratio prescribed in the Contract Specifications of the Mini ~~Futures-Contract~~) having the same Delivery Month and booked in the same Clearing Member's account, or (ii) a number of existing Mini ~~Futures-Contract~~ Long Positions against one or more Standard ~~Contract Futures~~ Short Position(s) (totalling the same quantity of the Underlying Interest in accordance with the ratio prescribed in the Contract Specifications of the Mini ~~Futures-Contract~~) having the same Delivery Month and booked in the same Clearing Member's account, based on the instructions provided in the Request for Standard s Mini Offset. Such Long Positions and Short Positions shall be offset at the previous day's Settlement Price, with the effect of reducing the Open Positions that the Clearing Member has on the relevant Series of Futures in the relevant account. A Future may only be offset against a Future and an Option may only be offset against an Option.

Conditions applicable to adjustments:

If there are any adjustments that affect another Clearing Member (on the opposite side of the original Transaction), both Clearing Members must come to an agreement as to the adjustments to be implemented. If one Clearing Member does not enter any changes through the CDCC Clearing Application, the Transaction will stay as is with respect to both Clearing Members.

Notification of all adjustments must be completed prior to the time specified in Section 2 of this Operations Manual. All completed adjustments are processed when they have been verified and validated by CDCC.

[...]



**CANADIAN DERIVATIVES CLEARING CORPORATION
CORPORATION CANADIENNE DE COMPENSATION DE PRODUITS DÉRIVÉS
OPERATIONS MANUAL**



TABLE OF CONTENTS

SECTIONS:

PREAMBLE AND DEFINITIONS	SECTION 1
TIME FRAMES	SECTION 2
REPORTS	SECTION 3
TRADE PROCESSING	SECTION 4
OPEN POSITIONS	SECTION 5
EXERCISES, TENDERS, ASSIGNMENTS AND DELIVERIES	SECTION 6
SETTLEMENT	SECTION 7
MARGIN PROCESSING	SECTION 8
CLEARING FEES	SECTION 9
CLEARING MEMBER SECURITY OFFICER	SECTION 10
ESCALATION PROCEDURE	SECTION 11

SCHEDULES:

I- RISK MANUAL	SCHEDULE A
<i>I.1- DEFAULT MANUAL</i>	<i>APPENDIX 1</i>
II - DEPOSITORY AGREEMENT	SCHEDULE B
<i>II.1- PUT ESCROW RECEIPT</i>	<i>EXHIBIT A</i>
<i>II.2- PUT PAYMENT ORDER</i>	<i>EXHIBIT B</i>

PREAMBLE AND DEFINITIONS

[...]

DEFINITIONS

“Automatic Exercise” – a process by which CDCS will exercise In-the-Money Options at a pre-determined threshold.

“CDCC Clearing Application” – CDCS and all the processes associated with it, as may be supplemented or otherwise changed from time to time.

“Closing Transaction” – any Transaction that is either a Closing Buy Transaction, a Closing Purchase Transaction, a Closing Sell Transaction or a Closing Writing Transaction, as such terms are defined in the Rules, and in all cases that reduces or eliminates the Clearing Member’s Open Interest.

“Converge” – marketing brand of the portion of the CDCC Clearing Application that captures and processes OTCI Transactions, including Fixed Income Transactions.

“Difference Fund Account” – the CDCS record provided to each Clearing Member containing any Additional Margin deposited by such Clearing Member to the CDCC, in respect of any of the following: (1) Unsettled Item, (2) Additional Capital Margin, (3) Advance Calls for Settlement of Losses , (4) OTCI Additional Margin, (5) Discretionary Margin, (6) Additional Margin for Intra-Day Variation Margin Risk, (7) Additional Margin for Mismatched Settlement Risk, (8) Additional Margin for Uncovered Risk of LCMs, and (9), Additional Margin for Variation Margin Delivery Risk; the whole in accordance with the Risk Manual or otherwise as set forth in Section 8-4 hereof.

“Eligible Collateral” – collateral which may be deposited with the Corporation for the purpose of fulfilling Margin requirements and which meets certain criteria described in the Risk Manual.

“Exerciser” – a Clearing Member that holds a Long Position in a particular Series of Options and submits an Exercise Notice to CDCC.

“Expiry Friday” – the third Friday of the month, unless that Friday is not a Business Day, then the Business Day preceding the third Friday of the month.

“FIFO Period” – the quarterly delivery period for Futures contracts on Government of Canada bonds, in accordance with Contract Specifications of the relevant Exchange.

“Forward Repurchase Transaction” – a Repurchase Transaction in respect of which the Open Leg has not settled yet at the time of the relevant report.

“FTP Downloads” – Clearing Member’s access to files and reports on an FTP server that is part of the CDCC Clearing Application.

“Inquiry Screen” – Graphical User Interface (GUI) view of the CDCC Clearing Application.

“Large Value Transfer System” or “LVTS” – an electronic wire system introduced by the Canadian Payments Association in February 1999 to facilitate the transfer of irrevocable payments in Canadian dollars across the country.

“Limited Clearing Member (LCM)” – has the meaning given thereto in Section A-102 of the Rules.

PREAMBLE AND DEFINITIONS

“Margin Fund Account” – the CDCC record provided to each Clearing Member containing all Margin deposited by such Clearing Member to CDCC, in respect of any of the following: (1) Base Initial Margin (or Adjusted Base Initial Margin, as the case may be), (2) Additional Margin for Concentration Risk, (3) Additional Margin for Specific Wrong-Way Risk, (4) Variation Margin for Options, and (5) Variation Margin for Unsettled Item; the whole in accordance with the Risk Manual, or otherwise as set forth in Section 8-1 hereof.

“Mini Contract” – a Future or an Option that has the same Underlying Interest as a Standard Contract but having a Unit of Trading that is a ratio of the Standard Contract in accordance with applicable Contract Specifications.

“Net Settlement Position” – all the future Net Delivery Requirements and Net Payment Against Delivery Requirements of a Clearing Member, as reported by CDCC on a daily basis, taking into account all Fixed Income Transactions that have settled during the day and all new Fixed Income Transactions that have been novated to CDCC.

“Net Variation Margin Requirement” – has the meaning given thereto in Section D-601 of the Rules. Reference will be made to (Fixed Income) Net Variation Margin Requirement in this Manual.

“Open Position File” – database of the CDCC Clearing Application which compiles the Open Positions of all Clearing Members. Each Clearing Member can access the information pertaining to his accounts only, not to other Clearing Members’ accounts.

“Opening Transaction” – any Transaction that is either an Opening Buy Transaction, an Opening Purchase Transaction, an Opening Sell Transaction or an Opening Writing Transaction as set forth in Section A-102 of the Rules.

“Operational Notices” – formal notifications to the Clearing Members, representing items that are not published on CDCC’s website. These documents are available on the Secured Website.

“OTCI Equity Options” – over the counter options on an equity, bearing characteristics that differ from Exchange traded Options and are cleared by CDCC through *Converge*.

“Position Transfer” – this is the CDCC Clearing Application function to move a position from one Clearing Member to another.

“Production Schedule” – all of the time lines that are followed by CDCC, as set forth in Section 2 of this Operations Manual.

“Request for Standard vs Mini Offset” – the request by a Clearing Member, in the form prescribed by CDCC, to offset one (1) or more Long Position(s) on a Standard Contract against the equivalent number of Short Positions on the corresponding Mini Contract (totalling the same quantity of the Underlying Interest in accordance with the ratio prescribed in the Contract Specifications of the Mini Contract), having the same Delivery Month and booked in the same Clearing Member’s account, or the other way around.

“Running Repurchase Transaction” – a Repurchase Transaction in respect of which the Open Leg has already settled at the time of the relevant report.

“Secured Website” – Clearing Members only secured web site that requires a sign on and password, where CDCC publishes Operational Notices as well as documents that are meant only for the Clearing Members.



Section: 1 - 3

PREAMBLE AND DEFINITIONS

“Specific Deposit” – a Put Escrow Receipt, a Call Underlying Interest Deposit or a Futures Underlying Interest Deposit which are accepted by CDCC as Underlying Interest Equivalent to cover a specific Short Position.

“Standard Contract” – a Future or Option in relation to which a Mini Contract exists.

“Tenderer” – a Clearing Member that holds a Short Position in a particular Series of Futures and submits a Tender Notice, or is deemed to do so in accordance with the Rules, to CDCC.

“Unsettled Item” – any delivery of the Underlying Interest that has not been settled at the Central Securities Depository.

“(Fixed Income) Variation Margin Account” – the CDCC record provided to each Clearing Member containing all Margin deposits made by such Clearing Member to CDCC for (Fixed Income) Net Variation Margin Requirement purposes only, in accordance with Section D-607 of the Rules, or otherwise as set forth in Section 8-1 hereof.

“Weekly Options” – Options that expire on any Friday, other than Expiry Friday. Only monthly Options expire on Expiry Friday.

[...]



Section: 2 - 1

TIME FRAMES

ON-LINE ACCESS

Each Clearing Member must be connected to the CDCC Clearing Application using its PC terminals to perform a variety of functions. (Clearing Members must supply their own PC terminals and Internet connection, at their own cost).

All instructions (corrections, Open Position changes, Position Transfers, Deposits, withdrawals, and submission of Exercise Notices and Tender Notices) must be entered on-line.

The CDCC Clearing Application allows Clearing Members to view their current information throughout the day electronically (except during scheduled maintenance or unforeseen outages). In addition, Clearing Members can download their reports after 7:00 p.m. every day using the FTP Download function.

Should a Clearing Member not have electronic access (due to technical issues) to the CDCC Clearing Application during Office Hours, CDCC can perform instructions on behalf of the Clearing Member. This requires a phone call from the Clearing Member to CDCC, along with the appropriate form faxed or scanned and e-mailed to CDCC. Such form must be authorized with the approved Clearing Member's stamp.

With respect to operational activity related to Options with an Expiration Date on Expiry Friday, CDCC staff members are on-site from 7:00 a.m. to fifteen (15) minutes after delivery of the Options Exercised and Assigned Report (MT02).

TIME FRAMES

SETTLEMENT TIME FOR EVERY BUSINESS DAY

Activity	Time Frames	Activity Type
Start of Settlement Day at CDS and Clearing Day at CDCC	5:30 a.m.	System Activity
Clearing Member's (excluding LCMs) Early Morning Intra-Day Margin Calculation & Notification	7:15 a.m.	System Activity/Notification
Deadline to settle Early Morning Intra-Day Margin Call for Clearing Members (excluding LCMs)	1 hour after notification	Obligation Deadline
Assets Concentration Limits breach notification	7:30 a.m.	Notification
Deadline for Clearing Members (excluding LCMs) for Settlement Time with respect to payments for overnight settlement	7:45 a.m.	Obligation Deadline
Fixed Income Transactions – Netting Cycle Timeframe in respect of any Pending Settlement Requirements – 15 minutes cycle	8:30 a.m.	System Activity
Deadline for Clearing Members (excluding LCMs) to receive EOD Amount due from CDCC	8:45 a.m.	Obligation Deadline
Deadline for LCMs for Settlement Time with respect to payments for overnight settlement	9:00 a.m.	Obligation Deadline
Additional Capital Margin: Notification to Clearing Members (excluding LCMs)	9:30 a.m.	Publication
Fixed Income Transactions – Morning Netting Cycle Timeframe in respect of any Pending Payment Against Delivery Requirements (Morning Net Payment Against Delivery Requirements sent to CDS for settlement during the Morning Net DVP Settlement Timeframe) – 15 minutes cycle	10:00 a.m.	System Activity
Morning Net DVP Settlement Calculation	10:15 a.m.	System Activity
Deadline for Morning Net DVP Settlement	10:30 a.m.	Obligation Deadline
Clearing Member's (excluding LCMs) Morning Intra-Day Margin Calculation & Notification	10:30 a.m.	System Activity/Notification
Deadline to settle Morning Intra-Day Margin Call for Clearing Members (excluding LCMs)	1 hour after notification	Obligation Deadline

TIME FRAMES

SETTLEMENT TIME FOR EVERY BUSINESS DAY (continued)

Activity	Time Frames	Activity Type
Assets Concentration Limit breach correction deadline	11:45 a.m.	Obligation Deadline
Additional Capital Margin: Obligation to meet the Capital Requirement	12:00 p.m.	Obligation Deadline
Fixed Income Transactions – Netting Cycle Timeframe in respect of any Pending Settlement Requirements – 15 minutes cycle	12:15 p.m.	System Activity
Clearing Member's Afternoon Intra-Day Margin Calculation & Clearing Members (excluding LCMs) notification	12:45 p.m.	System Activity/Notification
Deadline to settle Afternoon Intra-Day Margin Call for Clearing Members (excluding LCMs)	1 hour after notification	Obligation Deadline
Specific Deposits (same day withdrawal)	12:45 p.m.	Operational Deadline
Additional Margin Call for Mismatched Settlement Risk	1:30 p.m.	Publication
Additional Margin Call for Intra-Day Variation Margin Risk	1:30 p.m.	Publication
Additional Margin Call for Variation Margin Delivery Risk	1:30 p.m.	Publication
Additional Margin Call for Uncovered Risk for LCMs	1:30 p.m.	Publication
LCM Intra-Day Margin Call and Additional Margins Notification	1:30 p.m.	Notification
Clearing Members (excluding LCMs) Additional Margins Notification	1:30 p.m.	Notification
Deadline to settle Additional Margins for Clearing Members (excluding LCMs)	1 hour after notification	Obligation Deadline
Deadline to settle Intra-Day Margin Call and Additional Margins for LCMs	The later of 3:30 p.m. or 2 hours after notification	Obligation Deadline
Fixed Income Transactions – Netting Cycle Timeframe in respect of any Pending Settlement Requirements – 15 minutes cycle	2:00 p.m.	System Activity



TIME FRAMES

SETTLEMENT TIME FOR EVERY BUSINESS DAY (continued)

Activity	Time Frames	Activity Type
Cash Deposits (Margin deposits) – \$10,000,000 and under (same day deposit)	2:45 p.m.	Operational Deadline
Cash Deposits (Margin deposits) – over \$10,000,000 (2 Business Days notice)	2:45 p.m.	Operational Deadline
Cash withdrawal requests (Margin deposits) – \$10,000,000 and under (same day withdrawal)	2:45 p.m.	Operational Deadline
Cash withdrawal requests (Margin deposits) – over \$10,000,000 (2 Business Days notice)	2:45 p.m.	Operational Deadline
Fixed Income Transactions – (Same Day Transactions) – Submission Cut-Off Time	3:30 p.m.	Operational Deadline
Clearing Members (excluding LCMs) - All assets deposits other than cash (Margin deposits)	3:30 p.m.	Operational Deadline
Clearing Members - All assets withdrawal requests other than cash (Margin deposits) for same day withdrawal	3:30 p.m.	Operational Deadline
Clearing Members - All assets substitution requests other than cash (Margin deposits) for same day substitution	3:30 p.m.	Operational Deadline
Fixed Income Transactions – Afternoon Netting Cycle Timeframe in respect of any Pending Settlement Requirements (Afternoon Net DVP Settlement Requirements sent to CDS for settlement by End of Day DVP Settlement Time) – 5 minutes cycle	3:35 p.m.	System Activity
CDS Payment Exchange, Net Wire Payment	4:00 p.m.	System Activity
End of Day DVP Settlement Time	4:00 p.m.	Obligation Deadline
Unsettled Item (Options Underlying deliveries only): Confirmation of settled items to be sent to CDCC	4:15 p.m.	Operational Deadline
Deadline for CDCC to respond to substitution or withdrawal request (other than (Fixed Income) Variation Margin)	4:30 p.m.	Obligation Deadline
OTCI (other than Fixed Income Transactions) – Trade Submission Deadline	4:30 p.m.	Operational Deadline
Projected Margin Report Computation	4:30 p.m.	System Activity
Request for Standard vs Mini Offset	5:00 p.m.	Operational Deadline



TIME FRAMES

SETTLEMENT TIME FOR EVERY BUSINESS DAY (continued)

Activity	Time Frames	Activity Type
Position Transfers	5:25 p.m.	Operational Deadline
Same Day and T+1 Trade corrections	5:30 p.m.	Operational Deadline
Open Position changes	5:30 p.m.	Operational Deadline
Futures – Tender Notices submission	5:30 p.m.	Operational Deadline
Options – Exercise Notices submission	5:30 p.m.	Operational Deadline
Fixed Income Transactions and Futures contracts on Acceptable Securities – Netting Cut Off Time (Netted settlement instructions (Net Delivery Requirements and Net Payment Against Delivery Requirements) sent to CDS for settlement on the next business day)	5:30 p.m.	System Activity
CDCC Clearing Application shutdown – Close of Business	5:30 p.m.	System Activity
FIFO: Daily reporting by Clearing Members of the Long Positions in each of their accounts in chronological order	5:30 p.m.	Operational Deadline
FIFO: Submission of Tender Notices	5:30 p.m.	Operational Deadline
LCM Only - All assets deposits other than cash (in respect of all Margin requirements)	6:30 p.m.	Operational Deadline
Fixed Income Transactions – available (next Business Day start)	7:00 p.m.	System Activity



TIME FRAMES

SETTLEMENT TIME FOR (FIXED INCOME) VARIATION MARGIN FOR EVERY BUSINESS DAY

Activity	Time Frames	Activity Type
Deadline to deliver securities to CDCC to settle Net Variation Margin Requirement	9:30 a.m.	Obligation Deadline
Deadline to submit to CDCC a (Fixed Income) Buy-In request for same day settlement	10:00 a.m.	Operational Deadline
Deadline to deliver securities to Clearing Members by CDCC to settle (Fixed Income) Variation Margin amount	10:30 a.m.	Obligation Deadline
Deadline to submit substitutions for same day settlement	11:00 a.m.	Operation Deadline
Deadline for CDCC to submit substitution instructions to Clearing Members for same day settlement	12:00 (noon)	Operational Deadline
Deadline to deliver same day settlement substitution to CDCC	3:00 p.m.	Obligation Deadline
Deadline for CDCC to deliver same day substitutions For (Fixed Income) Variation Margin	4:00 p.m.	Obligation Deadline
EOD Net Variation Margin Requirement Computation	4:30 p.m.	System Activity

TIME FRAMES

SETTLEMENT TIME FOR MONTHLY EXPIRY

Activity	Time Frames	Activity Type
Reports available (FTP Download): <ul style="list-style-type: none"> ➤ Expiry Report (MX01) ➤ Expiry Options Daily Transaction Report (MT01) ➤ List of Options/Cash Adjustments (MT03) 	7:15 p.m.	Publication
CDCC Clearing Application available for: <ul style="list-style-type: none"> ➤ Trade corrections ➤ Open Position changes ➤ Position Transfers ➤ Changes to Automatic Exercises ➤ Exercise Notices input ➤ Cancel / correct Friday's exercises 	7:15 to 10:15 p.m.	Operational Deadline
CDCC Clearing Application shutdown: <ul style="list-style-type: none"> ➤ CDCC processes expiry entries 	10:15 p.m.	Operational Deadline
Reports available (FTP Download): <ul style="list-style-type: none"> ➤ List of Expiry Adjustments Report (MX02) ➤ Expiry Difference Report (MX03) 	10:30 p.m.	Publication
CDCC Clearing Application available again for: <ul style="list-style-type: none"> ➤ Review of expiry entries ➤ Corrections to expiry entries 	10:30 to 10:45 p.m.	Operational Deadline
CDCC Clearing Application shutdown <ul style="list-style-type: none"> ➤ Close of Business 	10:45 p.m.	Operational Deadline
Reports available (FTP Download): <ul style="list-style-type: none"> ➤ Options Exercised and Assigned Report (MT02) ➤ Other reports and files also available 	12:30 a.m.	Publication

TIME FRAMES

SETTLEMENT TIME FOR WEEKLY EXPIRY

Activity	Time Frames	Activity Type
CDCC Clearing Application available for: <ul style="list-style-type: none"> ➤ Trade corrections ➤ Open Position changes ➤ Position Transfers ➤ Changes to Automatic Exercises 	7:00 to 8:00 p.m.	Operational Deadline
CDCC Clearing Application shutdown: <ul style="list-style-type: none"> ➤ Close of Business 	8:00 p.m.	Operational Deadline
Reports available (FTP Download): <ul style="list-style-type: none"> ➤ Options Exercised and Assigned Report (MT02) ➤ Other reports and files also available 	9:45 p.m.	Operational Deadline

[...]

OPEN POSITIONS

INTRODUCTION

Having accepted a Transaction, the next step in the CDCC Clearing Application is the determination of the Open Position. Each Clearing Member can view all the information related to their accounts on the Open Position File which records the open Long Position and Short Position for each Series of Options and Series of Futures, OTCI and Fixed Income Transactions for each account type, updating the information as each Transaction is accepted.

Each Clearing Member is responsible for reconciling the information recorded on the Open Position File and all relevant reports issued by CDCC against their internal records. Careful attention must be paid to account designation and whether the Transaction is coded as “opening” or “closing” in the relevant file or report. Reports are available for FTP Download as per Section 2 of this Operations Manual.

Open Interest is updated automatically as each Transaction, Exercise Notice and Tender Notice is processed.

ADJUSTMENTS OF OPEN POSITIONS

GENERAL

Occasionally the need will arise to adjust an already processed Transaction. In such cases, the adjustment will affect the Clearing Member's Open Position accordingly. For example, an adjustment designed to change the original Opening Buy Transaction (or Opening Purchase Transaction) to a Closing Buy Transaction (or Closing Purchase Transaction) will result in a decrease in the Long Position in the Series of Futures or Series of Options by the volume of the original Transaction. Any Settlement of Gains and Losses (or Premium) adjustments will be shown as adjustments on the relevant report.

Generally this situation will occur when:

1. The transactional details were incorrectly recorded, e.g. Clearing Member number, price, series and volume.
2. Information pertaining to only one side of the Transaction such as the opening/closing or account designation was erroneously reported on the original trade.
3. The source document of the relevant Exchange was input incorrectly.
4. Transfer of Open Positions from one account to another account of a Clearing Member.
5. Transfer of Open Positions from an account of one Clearing Member to an account of another Clearing Member.

Types of Adjustments

The following adjustments are acceptable for Exchange Transactions and OTCI (other than Fixed Income Transactions):

1. Same Day Trade Corrections (T). Same day trade corrections are only permitted on account type, sub-account designation and opening/closing and no corrections are permitted on OTCI Transactions after a Trade Confirmation has been issued by CDCC.

OPEN POSITIONS

2. Trade Date + 1 Corrections (T+1). Modifications of any type are subject to approval by the relevant Exchange and no corrections permitted on OTCI Transactions.
3. Open Position Changes. For OTCI Transactions, these will be performed through the Position Transfer function of the CDCC Clearing Application. Note: there is a Position Transfer fee per contract.
4. Position Transfers. Specific function of the CDCC Clearing Application to move positions from one Clearing Member to another or between accounts of a same Clearing Member on a post trade basis. Note: there is a Position Transfer fee per contract.
5. Standard vs Mini Offset. Upon the receipt of a Request for Standard vs Mini Offset in the prescribed form, CDCC will offset (i) one or more existing Standard Contract Long Position(s) against the equivalent number of existing Mini Contract Short Positions (totalling the same quantity of the Underlying Interest in accordance with the ratio prescribed in the Contract Specifications of the Mini Contract) having the same Delivery Month and booked in the same Clearing Member's account, or (ii) a number of existing Mini Contract Long Positions against one or more Standard Contract Short Position(s) (totalling the same quantity of the Underlying Interest in accordance with the ratio prescribed in the Contract Specifications of the Mini Contract) having the same Delivery Month and booked in the same Clearing Member's account, based on the instructions provided in the Request for Standard vs Mini Offset. Such Long Positions and Short Positions shall be offset at the previous day's Settlement Price, with the effect of reducing the Open Positions that the Clearing Member has on the relevant Series of Futures in the relevant account. A Future may only be offset against a Future and an Option may only be offset against an Option.

Conditions applicable to adjustments:

If there are any adjustments that affect another Clearing Member (on the opposite side of the original Transaction), both Clearing Members must come to an agreement as to the adjustments to be implemented. If one Clearing Member does not enter any changes through the CDCC Clearing Application, the Transaction will stay as is with respect to both Clearing Members.

Notification of all adjustments must be completed prior to the time specified in Section 2 of this Operations Manual. All completed adjustments are processed when they have been verified and validated by CDCC.

[...]