



NOTICE TO MEMBERS

No. 2019 - 82

July 23, 2019

SELF-CERTIFICATION

AMENDMENTS TO RULE C-14 OF THE CANADIAN DERIVATIVES CLEARING CORPORATION TO MODIFY THE DELIVERY STANDARDS OF THE FIVE-YEAR GOVERNMENT OF CANADA BOND FUTURE CONTRACTS (CGF)

On May 2, 2019, the Board of Directors of the Canadian Derivatives Clearing Corporation (“CDCC”) approved amendments to Rule C-14 of CDCC. Those amendments are concomitant with Bourse de Montréal Inc.’s proposal to modify the delivery standards of the CGF contract. CDCC’s Rules, which also contain the delivery standards of the CGF, need to be modified in order to reflect these proposed changes.

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 Requiring Approval in Ontario” process.

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 **July 24, 2019**, after market close.

The amendments described in the present circular were published for public comment by CDCC on May 22, 2019 (see [Notice 064-19](#)). Further to the publication of this circular, no comment was received by CDCC.

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

PART C – FUTURES

RULE C-14

5-YEAR CANADA BOND FUTURES

The Sections of this Rule C-14 are applicable only to Futures where the Underlying Interest is Government of Canada bonds as defined in Section C-1402, herein referred to as “5-year Canada Bond Futures”.

SECTION C-1401 DEFINITIONS

Notwithstanding Section A-102 for the purposes of 5-year Canada Bond Futures the following terms are as defined:

“**Assignment File**” – means the computer file constructed to enable Tenders to be assigned on a first-in-first-out basis pursuant to Section C-1405.

“**Underlying Interest**” – means Government of Canada Bonds which meet the criteria established in Section C-1402 of this Rule.

SECTION C-1402 DELIVERY STANDARDS

- (1) The delivery unit for 5-year Canada Bond Futures shall be Government of Canada Bonds which do not mature and are not callable for a minimum of 4 years ~~three-six~~ months and no more than 5 years ~~three-six~~ months from the first calendar day of the Delivery Month, having a coupon rate of 6%, an aggregate face value at maturity of \$100,000, ~~an~~ outstanding face value, net of all potential purchases by the Government of Canada up until the end of the delivery period of the corresponding Delivery Month, of at least \$~~3.5~~ billion, are issued and delivered on or before the 15th calendar day preceding the first tender date corresponding to the Delivery Month of the contract, and which have been originally issued at 5-year Government of Canada bond auctions. All bonds in a delivery unit must be of the same issue.
- (2) Substitution - at the option of the Clearing Member holding the Short Position, bonds with coupon rates other than 6% are deliverable, at a discount for bonds with coupons less than 6%, and at a premium for bonds with coupons more than 6%. The amount of premium or discount for each different deliverable issue shall be determined on the basis of yield equivalency with a 6% bond selling at par. The price at which a bond having a particular maturity and coupon rate will yield 6% shall be determined according to bond tables prepared by the Exchange on which the Future trades. The Settlement Amount of such

delivery unit shall be \$1,000 multiplied by the product of such price and the Settlement Price of that series of 5-year Canada Bond Futures. Interest accrued on the bonds shall be charged to the Clearing Member taking delivery.

- (3) The Exchange on which the Future trades shall publish a list of deliverable issues prior to each Delivery Month. The time to maturity of a given issue is calculated in complete one month increments (rounded down to the entire one month period) from the first calendar day of the Delivery Month. New issues of Government of Canada bonds which satisfy the standards of this Section shall be added to the deliverable list as they are issued by the Government of Canada. In the event that, at any regular issue or auction, the Government of Canada reopens an existing issue which has an original maturity of more than 5 years nine months but would otherwise meet the standards of this Rule, thus rendering the existing issue indistinguishable from the newly issued one, then the older issue is deemed to meet the standards of this Rule and would be deliverable if the reopening of such an existing issue has a total minimum face value amount of \$3.5 billion during the last 12 month period preceding the first tender date of the contract month. The Exchange shall have the right to exclude any new issue from deliverable status or to further limit outstanding issues from deliverable status, whether or not they otherwise satisfy the standards of this Section.
- (4) In the event the Corporation determines that there exists a shortage of deliverable Government of Canada Bond issues it may designate as deliverable on a 5-year Canada Bond Futures such other Government of Canada issues as it deems suitable, and may specify any adjustments in the settlement amount that it considers appropriate and equitable.

[...]

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SECTION C-1402 DELIVERY STANDARDS

- (1) The delivery unit for 5-year Canada Bond Futures shall be Government of Canada Bonds which do not mature and are not callable for a minimum of 4 years six months and no more than 5 years six months from the first calendar day of the Delivery Month, having a coupon rate of 6%, an aggregate face value at maturity of \$100,000, an outstanding face value, net of all potential purchases by the Government of Canada up until the end of the delivery period of the corresponding Delivery Month, of at least \$3 billion, are issued and delivered on or before the 15th calendar day preceding the first tender date corresponding to the Delivery Month of the contract, and which have been originally issued at 5-year Government of Canada bond auctions. All bonds in a delivery unit must be of the same issue.
- (2) Substitution - at the option of the Clearing Member holding the Short Position, bonds with coupon rates other than 6% are deliverable, at a discount for bonds with coupons less than 6%, and at a premium for bonds with coupons more than 6%. The amount of premium or discount for each different deliverable issue shall be determined on the basis of yield equivalency with a 6% bond selling at par. The price at which a bond having a particular maturity and coupon rate will yield 6% shall be determined according to bond tables

- prepared by the Exchange on which the Future trades. The Settlement Amount of such delivery unit shall be \$1,000 multiplied by the product of such price and the Settlement Price of that series of 5-year Canada Bond Futures. Interest accrued on the bonds shall be charged to the Clearing Member taking delivery.
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- (4) In the event the Corporation determines that there exists a shortage of deliverable Government of Canada Bond issues it may designate as deliverable on a 5-year Canada Bond Futures such other Government of Canada issues as it deems suitable, and may specify any adjustments in the settlement amount that it considers appropriate and equitable.