



NOTICE TO MEMBERS

No. 2017 – 119

August 3, 2017

SELF-CERTIFICATION

AMENDMENTS TO RULES, OPERATIONS MANUAL AND RISK MANUAL OF THE CANADIAN DERIVATIVES CLEARING CORPORATION TO MOVE TO T+2 SETTLEMENT

On November 2, 2016, the Board of Directors of the Canadian Derivatives Clearing Corporation (“CDCC”) approved amendments to the Rules, the Operations Manual and Risk 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.

In light of the industry wide changes in Canada and the U.S. to migrate to a standard T+2 settlement cycle on September 5, 2017, CDCC makes various changes to its rules for a successful migration to T+2 settlement. By doing so, CDCC made sure to use clear and uniformed language in its Rules.

You will find attached hereto the amendments set to come into force and to be incorporated into the version of the Rules, Operations Manual and Risk Manual of CDCC that will be made available on the CDCC website at www.cdcc.ca on September 5, 2017.

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@cdcc.ca.

Glenn Goucher
President and Chief Clearing Officer

Canadian Derivatives Clearing Corporation

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CANADIAN DERIVATIVES CLEARING CORPORATION
RULES

RULE C-11 LONG CANADA II FUTURES (SYMBOL - GCB)

The Sections of this Rule C-11 are applicable only to Futures where the Underlying Interest is long-term Government of Canada Bonds of minimum 15 years maturity, herein referred to as “Long Canada II Futures”.

This Rule C-11 shall not be applicable to Futures where the Underlying Interest is a 30-year Canada Bond.

SECTION C-1101 DEFINITIONS

Notwithstanding Section A-102 for the purposes of Long Canada II Futures the following terms are as defined:

“Underlying Interest” – means long-term Government of Canada Bonds maturing in no less than 15 years and having an aggregate face value at maturity of \$100,000.

SECTION C-1102 DELIVERY STANDARDS

- 1) The delivery unit for Long Canada II Futures shall be Government of Canada Bonds which do not mature and are not callable for at least 15 years from the date of delivery, having a coupon rate of 9% and an aggregate face value at maturity of \$100,000. 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 9% are deliverable, at a discount for bonds with coupons less than 9%, and at a premium for bonds with coupons more than 9%. The amount of premium or discount for each different deliverable issue shall be determined on the basis of yield equivalency with a 9% bond selling at par. The price at which a bond having a particular maturity and coupon rate will yield 9% 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 Long Canada II 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. 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. 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.

SECTION C-1103 SUBMISSION OF TENDER NOTICES

- 1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from ~~two~~three Business Days ~~preceding~~~~prior to~~ the first

Business Day of the Delivery Month up to and including the ~~second~~^{fourth} last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada Bonds being delivered.

- 2) A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable series shall submit a Tender Notice to the Corporation no later than the time established by the Corporation on such last day of trading indicating the maturity of the Government of Canada Bonds being delivered.

This Section C-1103 supplements Section C-503.

SECTION C-1104 DELIVERY THROUGH THE CENTRAL SECURITIES DEPOSITORY

- 1) Day of Delivery – Delivery of long term Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the ~~second~~ ~~third~~ ^{second} Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation.
- 2) Time of Delivery – Each Clearing Member who is to make delivery of long term Government of Canada bonds shall do so in accordance with Paragraph A-801(2)(d) and each Clearing Member who is to take delivery of long term Government of Canada bonds shall do so in accordance with Paragraph A-801(2)(c).
- 3) If delivery of the Underlying Interest by the delivering Clearing Member, or payment therefor by the assigned Clearing Member, is not effected by the Time of Delivery, Section A-804 shall apply.



RULE C-13 10-YEAR CANADA BOND FUTURES (SYMBOL - CGB)

The Sections of this Rule C-13 are applicable only to Futures where the Underlying Interest is Government of Canada bonds as defined in Section C-1302, herein referred to as “10-year Canada Bond Futures”.

SECTION C-1301 DEFINITIONS

Notwithstanding Section A-102 for the purposes of 10-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-1305.

“Underlying Interest” – means Government of Canada Bonds which meet the criteria established in Section C-1302 of this Rule.

SECTION C-1302 DELIVERY STANDARDS

- 1) For 10-year Canada Bond Futures Expiring in December 1999 or March 2000.
 - a) The delivery unit for 10-Year Canada Bond Futures shall be Government of Canada Bonds which do not mature and are not callable for at least 8 years and no more than 10 1/2 years from the first calendar day of the Delivery Month, having a coupon rate of 9%, 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 are originally issued at 10-year auctions.

All bonds in a delivery unit must be of the same issue.
 - b) Substitution - at the option of the Clearing Member holding the Short Position, bonds with coupon rates other than 9% are deliverable, at a discount for bonds with coupons less than 9%, and at a premium for bonds with coupons more than 9%. The amount of premium or discount for each different deliverable issue shall be determined on the basis of yield equivalency with a 9% bond selling at par. The price at which a bond having a particular maturity and coupon rate will yield 9% 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 10-year Canada Bond Futures. Interest accrued on the bonds shall be charged to the Clearing Member taking delivery.
- 2) For 10-year Canada Bond Futures Expiring on or after June 2000.
 - a) The delivery unit for 10-Year Canada Bond Futures shall be Government of Canada Bonds which do not mature and are not callable for at least 8 years and no more than 10 1/2 years

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 are originally issued at 10-year auctions.

All bonds in a delivery unit must be of the same issue.

- b) 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 10-year Canada Bond Futures. Interest accrued on the bonds shall be charged to the Clearing Member taking delivery.
- 3) For all 10-year Canada Bond Futures
- c) 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 three month increments (rounded down to the nearest quarter) from the first 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 bond not issued at a 10-year auction that 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.
 - d) 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 10-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.

SECTION C-1303 SUBMISSION OF TENDER NOTICES

- 1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from ~~two~~three Business Days ~~preceding~~ prior to the first Business Day of the Delivery Month up to and including the ~~second~~third last Business Day

preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada bonds being delivered.

- 2) A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable series shall submit a Tender Notice to the Corporation indicating the maturity of the Government of Canada Bonds being delivered. Such Notice must be tendered no later than the ~~second~~^{third} Business Day preceding the last Business Day of the Delivery Month.

This Section C-1303 supplements Section C-503.

SECTION C-1304 DELIVERY THROUGH THE CENTRAL SECURITIES DEPOSITORY

- 1) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the ~~second~~^{third} Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation. Delivery must be made no later than the last Business Day of the Delivery Month.
- 2) Time of Delivery - Each Clearing Member who is to make delivery of Government of Canada bonds shall do so in accordance with Paragraph A-801(2)(d) and each Clearing Member who is to take delivery of Government of Canada bonds shall do so in accordance with Paragraph A-801(2)(c).
- 3) If delivery of the Underlying Interest by the delivering Clearing Member, or payment therefor by the assigned Clearing Member, is not effected by the Time of Delivery, Section A-804 shall apply.

SECTION C-1305 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, to Clearing Members with open Long Positions as of the close of trading on the day on which the Tender Notice is submitted. Tenders Notices will be assigned in accordance with the Corporations procedures of assigning Tender Notices to the oldest open contract (First In, First Out).
- 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.

This Section C-1305 replaces Section C-505.

SECTION C-1306 ASSIGNMENT FILE PROCEDURES

The following rule shall apply to the compilation of the Assignment File.

- 1) On the sixth Business Day ~~preceding~~^{prior to} the first Business Day of the Delivery Month each Clearing Member holding Long Positions in the relevant Series of Futures must enter into the



Assignment File in CDCS all the Clearing Member's Long Positions in that Series of Futures in chronological order.

- 2) Prior to the Close of Business on each subsequent Business Day up to and including the next to last Business Day on which Tender Notices may be submitted, each Clearing Member shall access the Assignment File and either make changes to reflect the current chronological order of all Long Positions in the relevant Series of Futures or confirm that the existing Assignment File records are correct.
- 3) Every Clearing Member shall ensure that an Authorized Representative is available by telephone to the Corporation until the Close of Business on every day on which an amendment to the Assignment File can be made.
- 4) It shall be the duty of each Clearing Member to review daily the relevant reports available on CDCS.
- 5) Failure to access the Assignment File and maintain the current chronological order of all the Clearing Member's Long Positions in the relevant Series of Futures on a daily basis or to have an Authorized Representative available by telephone shall be deemed a violation of the Rules pursuant to Paragraph A-1A04(3)(a) and shall be subject to disciplinary action pursuant to Rule A-4 and Rule A-5.



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 months and no more than 5 years three 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.

SECTION C-1403 SUBMISSION OF TENDER NOTICES

- 1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from ~~two~~~~three~~ Business Days ~~preceding~~~~prior to~~ the first Business Day of the Delivery Month up to and including the ~~second~~~~third~~ last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada bonds being delivered.
- 2) A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable series shall submit a Tender Notice to the Corporation indicating the maturity of the Government of Canada Bonds being delivered. Such Notice must be tendered no later than the ~~second~~~~third~~ Business Day preceding the last Business Day of the Delivery Month.
- 3) The Clearing Member to whom a delivery has been assigned must confirm to the Corporation that delivery has been completed.

This Section C-1403 supplements Section C-502.

SECTION C-1404 DELIVERY THROUGH THE CLEARING CORPORATION

- 1) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the ~~second~~~~third~~ Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation. Delivery must be made no later than the last Business Day of the Delivery Month.
- 2) Time of Delivery - Each Clearing Member who is to make delivery of long term Government of Canada bonds shall do so in accordance with Paragraph A-801(2)(d) and each Clearing Member who is to take delivery of long term Government of Canada bonds shall do so in accordance with Paragraph A-801(2)(c).

If delivery of the Underlying Interest by the delivering Clearing Member, or payment therefor by the assigned Clearing Member, is not effected by the Time of Delivery, Section A-804 shall apply.

SECTION C-1405 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, to Clearing Members



with open Long Positions as of the close of trading on the day on which the Tender Notice is submitted. Tenders Notices will be assigned in accordance with the Corporation's procedures of assigning Tender Notices to the oldest open contract (First In, First Out).

- 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.

This Section C-1405 replaces Section C-505.

SECTION C-1406 ASSIGNMENT FILE PROCEDURES

The following rule shall apply to the compilation of the Assignment File.

- 1) On the sixth Business Day ~~preceding~~~~prior to~~ the first Business Day of the Delivery Month each Clearing Member holding Long Positions in the relevant Series of Futures must enter into the Assignment File in CDCS all the Clearing Member's Long Positions in that Series of Futures in chronological order.
- 2) Prior to the Close of Business on each subsequent Business Day up to and including the next to last Business Day on which Tender Notices may be submitted, each Clearing Member shall access the Assignment File and either make changes to reflect the current chronological order of all Long Positions in the relevant Series of Futures or confirm that the existing Assignment File records are correct.
- 3) Every Clearing Member shall ensure that an Authorized Representative is available by telephone to the Corporation until the Close of Business on every day on which an amendment to the Assignment File can be made.
- 4) It shall be the duty of each Clearing Member to review daily the relevant reports available on CDCS.
- 5) Failure to access the Assignment File and maintain the current chronological order of all the Clearing Member's Long Positions in the relevant Series of Futures on a daily basis or to have an Authorized Representative available by telephone shall be deemed a violation of the procedures of the Corporation and shall be subject to disciplinary action pursuant to the Rules.

RULE C-16 2-YEAR CANADA BOND FUTURES (SYMBOL - CGZ)

The Sections of this Rule C-16 are applicable only to Futures where the Underlying Interest is Government of Canada bonds as defined in Section C-1602, herein referred to as “2-year Canada Bond Futures”.

SECTION C-1601 DEFINITIONS

Notwithstanding Section A-102 for the purposes of 2-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-1605.

“Underlying Interest” – means Government of Canada Bonds, which meet the criteria established in Section C-1602 of this Rule.

SECTION C-1602 DELIVERY STANDARDS

1)

- i) The delivery unit for the 2-year Canada Bond Futures expiring before December 2010 shall be Government of Canada Bonds which do not mature and are not callable for at least 1 year six months and no more than 2 years six months from the first calendar day of the Delivery Month, having a coupon rate of 4%, an aggregate face value at maturity of \$200,000, 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 \$2.4 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 2-year, 5-year or 10-year Government of Canada bond auctions. All bonds in a delivery unit must be of the same issue.
- ii) The delivery unit for the December 2010 2-year Canada Bond Futures and for subsequent contract months shall be Government of Canada Bonds which do not mature and are not callable for at least 1 year six months and no more than 2 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 \$200,000, 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 \$2.4 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 2-year Government of Canada bond auctions. All bonds in a delivery unit must be of the same issue.

2)

- iii) Substitution - For the 2-year Canada Bond Futures expiring before December 2010, at the option of the Clearing Member holding the Short Position, bonds with coupon rates other than 4% are deliverable, at a discount for bonds with coupons less than 4%, and at a premium for bonds with coupons more than 4%. The amount of premium or discount for each different deliverable issue shall be determined on the basis of yield equivalency with a 4% bond selling at par. The price at which a bond having a particular maturity and coupon rate will yield 4% 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 \$2,000 multiplied by the product of such price and the Settlement Price of that series of 2-year Canada Bond Futures. Interest accrued on the bonds shall be charged to the Clearing Member taking delivery.
 - iv) Substitution - For the December 2010 2-year Canada Bond Futures and for subsequent contract months, 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 \$2,000 multiplied by the product of such price and the Settlement Price of that series of 2-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 not been originally issued at a 2-year Government of Canada bond auction 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 \$2.4 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 2-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.

SECTION C-1603 SUBMISSION OF TENDER NOTICES

- 5) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from two Business Days ~~preceding~~^{prior to} the first Business Day of the Delivery Month up to and including the second last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada bonds being delivered.
- 6) A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable series shall submit a Tender Notice to the Corporation indicating the maturity of the Government of Canada Bonds being delivered. Such Notice must be tendered no later than the second Business Day preceding the last Business Day of the Delivery Month.
- 7) The Clearing Member to whom a delivery has been assigned must confirm to the Corporation that delivery has been completed.

This Section C-1603 supplements Section C-502.

SECTION C-1604 DELIVERY THROUGH THE CLEARING CORPORATION

- 8) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the second Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation. Delivery must be made no later than the last Business Day of the Delivery Month.
- 9) Time of Delivery - Each Clearing Member who is to make delivery of Government of Canada bonds shall do so in accordance with Paragraph A-801(2)(d) and each Clearing Member who is to take delivery of Government of Canada bonds shall do so in accordance with Paragraph A-801(2)(c).
- 10) If delivery of the Underlying Interest by the delivering Clearing Member, or payment therefor by the assigned Clearing Member, is not effected by the Time of Delivery, Section A-804 shall apply.

SECTION C-1605 ASSIGNMENT OF TENDER NOTICE

- 11) Tender Notices accepted by the Corporation shall be assigned, at the end of each Business Day on which the Contract Specifications permit Tender Notices to be tendered, to Clearing Members with open Long Positions as of the close of trading on the day on which the Tender Notice is submitted. Tenders Notices will be assigned in accordance with the Corporation's procedures of assigning Tender Notices to the oldest open contract (First In, First Out).
- 12) 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.

This Section C-1605 replaces Section C-505.



SECTION C-1606 ASSIGNMENT FILE PROCEDURES

The following rule shall apply to the compilation of the Assignment File.

- 13) On the sixth Business Day ~~preceding~~prior to the first Business Day of the Delivery Month each Clearing Member holding Long Positions in the relevant Series of Futures must enter into the Assignment File in CDCS all the Clearing Member's Long Positions in that Series of Futures in chronological order.
- 14) Prior to the Close of Business on each subsequent Business Day up to and including the next to last Business Day on which Tender Notices may be submitted, each Clearing Member shall access the Assignment File and either make changes to reflect the current chronological order of all Long Positions in the relevant Series of Futures or confirm that the existing Assignment File records are correct.
- 15) Every Clearing Member shall ensure that an Authorized Representative is available by telephone to the Corporation until the Close of Business on every day on which an amendment to the Assignment File can be made.
- 16) It shall be the duty of each Clearing Member to review daily the relevant reports available on CDCS.
- 17) Failure to access the Assignment File and maintain the current chronological order of all the Clearing Member's Long Positions in the relevant Series of Futures on a daily basis or to have an Authorized Representative available by telephone shall be deemed a violation of the procedures of the Corporation and shall be subject to disciplinary action pursuant to the Rules.



RULE C-18 30-YEAR CANADA BOND FUTURES (SYMBOL - LGB)

The Sections of this Rule C-18 are applicable only to Futures where the Underlying Interest is Government of Canada bonds as defined in Section C-1802, herein referred to as “30-year Canada Bond Futures”. For further clarification, this Rule C-18 replaces Rule C-11 in so far as the Underlying Interest is a 30-year Canada Bond.

SECTION C-1801 DEFINITIONS

Notwithstanding Section A-102 for the purposes of 30-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-1805.

“Underlying Interest” – means Government of Canada Bonds which meet the criteria established in Section C-1802 of this Rule.

SECTION C-1802 DELIVERY STANDARDS

18) For all 30-year Canada Bond Futures

- a) The delivery unit for 30-Year Canada Bond Futures shall be Government of Canada Bonds which do not mature and are not callable for a minimum of 25 years 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 are originally issued at 30-year auctions.

All bonds in a delivery unit must be of the same issue.

- b) 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 30 year Canada Bond Futures. Interest accrued on the bonds shall be charged to the Clearing Member taking delivery.
- c) 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 three month increments (rounded down to the nearest quarter) from the first 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 bond not issued at a 30-year auction that 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.

- d) 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 30 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.

SECTION C-1803 SUBMISSION OF TENDER NOTICES

- 1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from ~~two~~three Business Days ~~preceding prior to~~ the first Business Day of the Delivery Month up to and including the ~~second~~third last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada bonds being delivered.
- 2) A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable series shall submit a Tender Notice to the Corporation indicating the maturity of the Government of Canada Bonds being delivered. Such Notice must be tendered no later than the ~~second~~third Business Day preceding the last Business Day of the Delivery Month.

This Section C-1803 supplements Section C-503.

SECTION C-1804 DELIVERY THROUGH THE CENTRAL SECURITIES DEPOSITORY

- 1) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the ~~second~~third Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation. Delivery must be made no later than the last Business Day of the Delivery Month.
- 2) Time of Delivery - Each Clearing Member who is to make delivery of Government of Canada bonds shall do so in accordance with Paragraph A-801(2)(d) and each Clearing Member who is to take delivery of Government of Canada bonds shall do so in accordance with Paragraph A-801(2)(c).
- 3) If delivery of the Underlying Interest by the delivering Clearing Member, or payment therefor by the assigned Clearing Member, is not effected by the Time of Delivery, Section A-804 shall apply.



SECTION C-1805 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, to Clearing Members with open Long Positions as of the close of trading on the day on which the Tender Notice is submitted. Tenders Notices will be assigned in accordance with the Corporations procedures of assigning Tender Notices to the oldest open contract (First In, First Out).
- 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.

This Section C-1805 replaces Section C-505.

SECTION C-1806 ASSIGNMENT FILE PROCEDURES

The following rule shall apply to the compilation of the Assignment File.

- 1) On the sixth Business Day ~~preceding prior to~~ the first Business Day of the Delivery Month each Clearing Member holding Long Positions in the relevant Series of Futures must enter into the Assignment File in CDCS all the Clearing Member's Long Positions in that Series of Futures in chronological order.
- 2) Prior to the Close of Business on each subsequent Business Day up to and including the next to last Business Day on which Tender Notices may be submitted, each Clearing Member shall access the Assignment File and either make changes to reflect the current chronological order of all Long Positions in the relevant Series of Futures or confirm that the existing Assignment File records are correct.
- 3) Every Clearing Member shall ensure that an Authorized Representative is available by telephone to the Corporation until the Close of Business on every day on which an amendment to the Assignment File can be made.
- 4) It shall be the duty of each Clearing Member to review daily the relevant reports available on CDCS.
- 5) Failure to access the Assignment File and maintain the current chronological order of all the Clearing Member's Long Positions in the relevant Series of Futures on a daily basis or to have an Authorized Representative available by telephone shall be deemed a violation of the Rules pursuant to Paragraph A-1A04(3)(a) and shall be subject to disciplinary action pursuant to Rule A-4 and Rule A-5.



**RULE C-19 Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units with Physical Settlement
(SYMBOL – MCX)
2008.05.30**

This Rule C-19 is applicable only to Futures Contracts with Physical Settlement where the deliverable Underlying Interest is a specified number of Carbon Dioxide Equivalent (CO₂e) Units as defined in Section C-1901, herein referred to as “Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units with Physical Settlement”.

SECTION C-1901 DEFINITIONS

Notwithstanding Section A-102, for the purposes of Futures Contract on Carbon Dioxide Equivalent (CO₂e) Units with Physical Settlement, the following terms are as defined:

“Alternative Delivery Procedure (ADP)” – an agreement between the delivering Clearing Member and the assigned Clearing Member to make and take delivery under terms or conditions which differ from the usual delivery terms and conditions prescribed by the futures contract specifications and by the present Rule.

“Carbon Dioxide Equivalent (CO₂e)” – a unit of measure used to allow the comparison between greenhouse gases that have different global warming potentials.

“Carbon Dioxide Equivalent (CO₂e) Unit” – any right, benefit, title or interest recognized by a governmental or legislative authority in Canada, associated partly or in its entirety to a reduction of the emissions of greenhouse gases expressed in carbon dioxide equivalent (CO₂e).

“Exchange” – Bourse de Montréal Inc.

“Final Settlement Price” – the price of the Underlying Interest as determined by the product specifications of the Exchange.

“Underlying Interest” – the asset which underlies and determines the value of a futures contract. In the case of Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units with Physical Settlement, the Underlying Interest is 100 Carbon Dioxide Equivalent (CO₂e) Units.

SECTION C-1902 DELIVERY STANDARDS

For Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units with Physical Settlement, the only Carbon Dioxide Equivalent (CO₂e) Units acceptable for delivery shall be those specified by the Exchange from time to time.

Before a Futures Contract on Carbon Dioxide Equivalent (CO₂e) Units with Physical Settlement is listed for trading, the Exchange shall have the right to exclude from the deliverable of such futures contract any Carbon Dioxide Equivalent (CO₂e) Unit it deems appropriate to exclude, even if such unit meets all the standards specified by the Exchange.



SECTION C-1903 SUBMISSION OF TENDER NOTICES

A Clearing Member who holds a Short Position in the currently deliverable futures contract and who wishes to make delivery must submit a Tender Notice to the Corporation on the last trading day of the futures contract.

A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable futures contract shall submit a Tender Notice to the Corporation no later than the time established by the Corporation on such last trading day.

The Clearing Member to whom a delivery has been assigned must confirm to the Corporation that delivery has been completed unless the Clearing Member has chosen to enter into an Alternative Delivery Procedure as described in Section C-1907.

This Section C-1903 supplements Section C-503.

SECTION C-1904 DELIVERY THROUGH THE CORPORATION

- 1) Day of Delivery – Delivery of Carbon Dioxide Equivalent (CO₂e) Units as required by this Rule shall be made by the Clearing Member on the ~~second~~^{third} Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation.
- 2) Time of Delivery – Each Clearing Member who is to make or take delivery of Carbon Dioxide Equivalent (CO₂e) Units shall do so against or, as the case may be, by payment of certified funds by no later than 2:45 p.m. on the Day of Delivery.
- 3) Membership at Registry – A Clearing Member that intends to clear Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units with Physical Settlement through the facilities of the Corporation, must ensure that at all times it and/or its client is and remains in good standing with the Registry.
- 4) If delivery of the Underlying Interest by the delivering Clearing Member, or payment thereof by the assigned Clearing Member, is not effected by the time provided in Subsection C-1904(2), such Non-Conforming Clearing Member must inform the Corporation of such failure of the Non-Conforming Member no later than 3:00 p.m. on the Day of Delivery. The Non-Conforming Clearing Member shall notify the Corporation of the default of the Non-Conforming Member by telephone, together with written notification sent by facsimile transmission or electronic mail to be provided as soon as possible.
- 5) Final Settlement Price – Each Clearing Member who is to make or take delivery of Carbon Dioxide Equivalent (CO₂e) Units shall use the Final Settlement Price as determined by the Exchange.

SECTION C-1905 ASSIGNMENT OF TENDER NOTICE

- 1) Tender Notices accepted by the Corporation shall be assigned at the end of the last trading day of the futures contract to Clearing Members with open Long Positions as of the close of the last trading day. Such assignment shall be made in accordance with the Corporation random selection procedures.

- 2) No Tender Notice shall 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.

SECTION C-1906 SHORTAGE OF DELIVERABLE CARBON DIOXIDE EQUIVALENT (CO₂E) UNITS

In the eventuality where the Board of Directors of the Corporation decides that a shortage of deliverable Carbon Dioxide Equivalent (CO₂e) Units exists or might exist, it shall take all necessary action to correct, prevent or alleviate the situation. The Board of Directors of the Corporation could, for instance:

- i) Designate as being acceptable for delivery any other type of Carbon Dioxide Equivalent (CO₂e) Units that had not been previously identified as being acceptable for delivery;
- ii) Instead of the normal delivery procedures, decide on a cash settlement in accordance with the following procedure:

A Final Settlement Price will be determined by the Exchange on the last day of trading. The final settlement in cash shall be made in accordance with the procedure specified in Section C-2002 on the final settlement date, which shall be the same date as the Day of Delivery described in Subsection C-1904(1), that is the ~~second~~^{third} Business Day following the last day of trading, or on a day as otherwise determined by the Corporation.

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 require an amended Final Settlement Price to be used for settlement purposes.

In the event that the Registry referred to in Section A-102 is not in place at the expiry of a Futures Contract on Carbon Dioxide Equivalent (CO₂e) Units with Physical Settlement whose specifications provide for the delivery of the units underlying such futures contract, the contract shall be settled in cash in the manner described in Paragraph ii) above.

Notwithstanding the provisions regarding cash settlement in this Section, the Clearing Member who holds a Short Position in the currently deliverable futures contract and who wishes to make delivery must submit a Tender Notice in accordance with the provisions described in the first and second Paragraphs of Section C-1903.

SECTION C-1907 ALTERNATIVE DELIVERY PROCEDURE

Where the delivering Clearing Member and the assigned Clearing Member agree, for a Futures Contract on Carbon Dioxide Equivalent (CO₂e) Units with Physical Settlement, to make and take delivery of the Carbon Dioxide Equivalent (CO₂e) Units under terms or conditions which differ from the terms and conditions prescribed in this Rule, the relevant Clearing Members may agree on an Alternative Delivery Procedure (“ADP”) in the form prescribed by the Corporation.



The Corporation is released from any responsibility towards these Clearing Members and for the Futures Contract on Carbon Dioxide Equivalent (CO₂e) Units with Physical Settlement once an Alternative Delivery Procedure agreement and its terms have been confirmed by the two Clearing Members and the Corporation. Clearing Members who agree on an Alternative Delivery Procedure undertake to indemnify the Corporation in respect of any costs, charges and expenses incurred by the Corporation in connection with this contract and such agreement, including, without limitation, any costs, charges and expenses incurred as a result of a failure on the part of a Clearing Member to meet its obligations under an Alternative Delivery Procedure agreement. The Alternative Delivery Procedure agreement must be confirmed by the two Clearing Members and the Corporation no later than 2:45 p.m. on the ~~second~~^{third} Business Day that follows the last day of trading, otherwise the relevant Clearing Members will be considered to have failed to their delivery related obligations under the Rules of the Corporation.

When the Alternative Delivery Procedure agreement has been confirmed by the Corporation, Rule C-5, Delivery of Underlying Interest of Futures, no longer applies to Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units with Physical Settlement.

SECTION C-1908 FORCE MAJEURE

Notwithstanding the provisions of Section C-521, Force Majeure or Emergency, in the specific situation where the trading system related to the Carbon Dioxide Equivalent (CO₂e) Units is no longer scheduled to proceed, is not implemented by any governmental or legislative authority in Canada or is to be discontinued by any governmental or legislative authority in Canada, the Board of Directors of the Corporation shall decide on the cash settlement of the contract at a price that reflects a minimum quality standard established by recognized standards organizations to be determined from time to time by the Exchange.



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

OPERATIONS MANUAL

FUTURES

Submission of Tender Notices

Tender Notices must be submitted before Close of Business during the relevant FIFO Period (which, subject to any contract adjustment by the Exchange, shall be as follows):

CGB, CGF, CGZ and LGB ~~two~~three Business Days ~~preceding~~prior to the first Business Day of the Delivery Month up to and including the ~~second~~fourth to last Business Day ~~preceding the last Business Day~~of the Delivery Month.

~~two Business Days prior to the first Business Day of the Delivery Month up to and including the third to last Business Day of the Delivery Month.~~

MCX before Close of Business on the last trading day.

All outstanding Short Positions in BAX, EMF, SXF, SXM, SCF, Sectorial Indices, Share Futures, and Options on Futures are automatically tendered on the last trading day, as per Contract Specifications, after Close of Business.

All outstanding Short Positions in ONX, OIS are automatically tendered on the first Business Day following the contract month, as per Contract Specifications, after Close of Business.

Assignment of Tender Notices

CDCC assigns all Tender Notices to open Long Positions on a random basis with the exception of the Government of Canada Bond Futures (CGB, LGB, CGF and CGZ). Assignments for the CGB, LGB, CGF and CGZ Futures are processed on a First-In-First-Out (FIFO) basis.

Delivery of the Underlying Interest and payment of the Settlement Price is effected by Clearing Members as instructed by CDCC.



Risk Manual

UNSETTLED ITEMS

Options contracts with physical delivery that have been exercised or expired in the money without being settled (i.e. the Underlying Interest is not delivered yet) are considered as Unsettled Items and the Corporation has to manage the settlement risk associated with these products until the whole quantity of the Underlying Interest is completely delivered/settled. For instance, when such Option contract expires in the money, the Underlying Interest is delivered ~~two~~three days after the expiry date consistent with current market settlement conventions. The Corporation has to charge a Margin requirement to cover the Replacement Cost (RC) of the Option contract and its Potential Future Exposure (PFE) as well. The procedure is as follows:

To cover the Replacement Cost of the Option contract, the Corporation requests a Margin requirement equal to the intrinsic value of the Option times the position (quantity of Options). However, when the writer of a put Option has deposited a Put Escrow Receipt to cover the total amount of the strike price in accordance with Section A-708 of the Rules, the Corporation will not require Margin on the relevant put Option. In the same manner, when the writer of a call Option has deposited a Call Underlying Interest Deposit to cover the total quantity of the Underlying Interest deliverable thereunder in accordance with Section A-708 of the Rules, the Corporation will not require Margin on the relevant call Option.

To cover the Potential Future Exposure of the Option contract, the Corporation requests a margin requirement amount to cover any potential Underlying Interest price movement over two days and within three standard deviations (under the normal distribution's assumption).

SPECIFIC WRONG-WAY RISK

The Specific Wrong-Way Risk arises where an exposure to a counterparty is highly likely to increase when the credit worthiness of that counterparty is deteriorating.

CDCC had identified two particular situations where the Specific Wrong-Way Risk exists and it addresses them as follows:

Put Options: When a Clearing Member takes a Short Put Option position on the shares of its own company or affiliates, the full strike value amount is charged as margin requirement.

Unsettled Items: For an Unsettled Item that is related to the Specific Wrong-Way Risk, the full strike value amount is charged as margin requirement. In such case, the margin requirement is collected in the Difference Fund.

INITIAL MARGIN FOR FIXED INCOME TRANSACTIONS

At the Corporation, a Fixed Income Transaction can be either a Repurchase

Transaction or a Cash Buy or Sell Trade. A Cash Buy or Sell Trade is the sale of a security from one party to another. Depending on its maturity, the Fixed Income Security can be delivered one, ~~or two or three~~ days after the Fixed Income Transaction is completed. Between the Fixed Income Transaction novation date and the delivery date, the Corporation has to cover the counterparty risk.

A Repurchase Transaction is a transaction whereby the seller (the Repo Party) agrees to sell a security to a buyer (the Reverse Repo Party) on a given date (the purchase date) and simultaneously agrees to buy the same security back from the Reverse Repo Party at a later date (the repurchase date) at a fixed price (the repurchase price). Thus, a Repo is equivalent to a cash transaction combined with a forward contract. The cash transaction results in a transfer of money from the buyer to the seller in exchange for a legal transfer of the security from the seller to the buyer, while the forward contract ensures repayment by the seller to the buyer and return of the securities from the buyer to the seller. The difference between the repurchase price and the purchase price is the Price Differential calculated with the agreed Repo Rate, while the settlement date of the forward contract (i.e. the repurchase date) is the maturity date of the transaction.

In such Repurchase Transaction, there are two sources of risk that the Corporation needs to consider and cover. The potential Purchased Security's price fluctuation and the Floating Price Rate fluctuation over the life of the Repurchase Transaction. However, in a Cash Buy or Sell Trade, there is only one source of risk that the Corporation needs to consider and cover, namely, the Purchased Security's price fluctuation.
