



## NOTICE TO MEMBERS

No. 129-22

October 25, 2022

### SELF-CERTIFICATION

#### **AMENDMENTS TO RULE C-18 AND SECTION 6.6 OF THE OPERATIONS MANUAL OF THE CANADIAN DERIVATIVES CLEARING CORPORATION TO MODIFY THE DELIVERY PERIOD OF THE 30-YEAR GOVERNMENT OF CANADA BOND FUTURE CONTRACTS (LGB)**

On July 26, 2022, the Board of Directors of the Canadian Derivatives Clearing Corporation (“CDCC”) approved amendments to rule C-18 of the rules of CDCC (the “CDCC Rules”) and section 6.6 of the operations manual of CDCC (the “Operations Manual”) to modify the delivery period of the 30-year government of Canada bond future contracts (LGB). Those amendments are concomitant with Bourse de Montréal Inc.’s (the “Bourse”) proposal to modify the delivery standards of the LGB contract.

CDCC’s Rules, which also contain the delivery standards of the LGB, need to be modified in order to reflect these proposed changes.

The amendments will apply to the March 2023 LGB contracts and all subsequent contract months. There will be no impact on the December 2022 contract. The amendments attached herewith will become effective on **December 30th, 2022, after market close**, so that there is no impact on the December 2022 LGB contract. As stated previously, the March 2023 LGB contract and all subsequent contract months will be subject to these new rules regarding the delivery period.

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 and the Operations Manual that will be made available on the CDCC website at [www.cdcc.ca](http://www.cdcc.ca) on December 30th, 2022, after market close.

The amendments described in the present circular were published for public comment by CDCC on August 3, 2022 (see [Notice to Members 096-22](#)). Further to the publication of this circular, CDCC did not receive any comments.

For additional information, please contact Dima Ghozaiel at [dima.ghozaiel@tmx.com](mailto:dima.ghozaiel@tmx.com)

George Kormas  
President, CDCC

## Proposed amendments to the Rules of CDCC

### REVISED VERSION

[...]

#### Section C-1802 – Delivery Standards

- (1) 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 28½ 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~~~~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 ~~the last day of trading a Business Day from two Business Days preceding 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.
- (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 ~~- time established by the Corporation on the last day of trading second 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 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 two business days following the last day of trading 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 ~~the last trading day 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 ~~last trading 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.

**~~FR~~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 the last day of trading 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 day of trading 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(4)(a) and shall be subject to disciplinary action pursuant to Rule A-4 and Rule A-5.~~

## Proposed amendments to the Operations Manual of CDCC

### REVISED VERSION

#### Section 1 - 1 : PREAMBULE AND DEFINITIONS

##### DEFINITIONS

[...]

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

[...]

#### Section 6 - 6 : EXERCISES, TENDERS, ASSIGNMENTS AND DELIVERIES FUTURES

##### 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 and, CGZ ~~and LGB~~ two Business Days preceding 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.

LGB and MCX before Close of Business on the last trading day.

All outstanding Short Positions in BAX, EMF, SXF, SXM, SCF, Sector Index Futures, 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 COA and CRA are automatically tendered on the first Business Day following the last trading day, 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.

##### FIRST-IN-FIRST-OUT (FIFO) ASSIGNMENT PROCESS

## **Description of Procedures**

The Delivery Months for the CGB, CGF ~~LGB~~ and CGZ Futures contracts are March, June, September and December as prescribed by the Exchange. When a Member submits a Tender Notice with respect to a Short Position, a Long Position is assigned on a First-In-First-Out (FIFO) basis. CDCC sends out an Operational Notice prior to each relevant FIFO Period to remind Clearing Members of the procedures involved.

On the sixth Business Day prior to the first Business Day of the Delivery Month, each Clearing Member holding Long Positions in the relevant Series of Futures must declare on the CDCC Clearing Application its Long Positions in chronological order for each of its accounts. The entries must include the date the position was opened, the number of contracts and the account. When CDCC assigns a Tender Notice, the Long Position with the oldest date will be assigned first and the Long Position with the most recent date will be assigned last.

During the FIFO Period, Clearing Members must ensure that they update their declarations on a daily basis before Close of Business.

## Proposed amendments to the Rules of CDCC

### CLEAN VERSION

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This Section C-1803 supplements Section C-503.

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