



NOTICE TO MEMBERS

No. 2007 – 097

September 13, 2007

AMENDMENTS TO RULES A-1 AND A-9 OF CDCC

The above Rule amendments were approved by the Board of Directors of Canadian Derivatives Clearing Corporation (CDCC) and by the Autorité des marchés financiers (decision 2007-OAR-0027). The amendments to Section A-902 Adjustments in Terms Subsections (1) and (4) (i), (ii), (iii) are effective immediately. The amendments to Section A-102 Definitions, and Section A-902 Adjustments in Terms Subsection (3), and its Interpretations and Policies will be implemented at a later date, to be announced by CDCC.

A brief description of the amendments is provided below. The amendments which are effective immediately have been incorporated in the version of the Rules available on CDCC's web site (www.cdcc.ca).

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Section A-902 Adjustments in Terms
Subsection 1, 4 (i), (ii), (iii)
Elimination of Rounding of Strike Prices

Previously, an adjustment in terms of the underlying interest could result in a change of the strike prices. In such cases, strike prices were rounded to the nearest 1/8th. With the implementation of the above-mentioned Rule changes, if the strike price cannot be divided then CDCC will adjust the deliverable and leave the strike prices unchanged, therefore eliminating any rounding. It should be noted however that the change will generally have no effect on 2 for 1 and 4 for 1 stock splits because they are not likely to require rounding of strike prices.

It is important to note that option holders wishing to determine if their positions are in-the-money or out-of-the-money will have to take into consideration not only the share price and the exercise price, but also the exact composition of the deliverable.

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Section A-102 Definitions
Section A-902 Adjustments in Terms
Subsection 3 and Interpretations and Policies

Previously, cash dividends or distributions representing less than 10% of the market value of the Underlying Interest on the declaration date were deemed “ordinary” and would normally not result in an options adjustment in accordance with the Interpretations and Policies section of Section A-902 Adjustments in Contract Terms.

Following the implementation of the above-mentioned Section A-902 Adjustments in Contract Terms change and its Interpretations and Policies, CDCC will define “ordinary” cash dividends as those declared on a regular basis pursuant to a dividend policy and those declared outside of such a dividend policy as “special” and therefore subject to adjustment. In addition, these “special” dividends will only trigger an adjustment if they exceed the fixed size threshold of \$0.15 per share.

Furthermore, Section A-102 Definitions has been modified to remove the previous definitions of “ordinary cash dividend or distribution” and “special cash dividend or distribution”, as they are now handled in Rule A-902 Adjustments in Contract Terms.

It is important to note that despite the use of a fixed threshold to determine which contracts should be adjusted, CDCC has a level of discretion inherent in its Rules which it can employ in order to best protect the interests of the private investors and the public, as well as to maintain a fair and orderly market.

PLEASE NOTE THAT IT IS THE CLEARING MEMBER'S RESPONSIBILITY TO ENSURE THAT ALL CLIENTS THAT HAVE OPTIONS POSITIONS ARE INFORMED OF THE IMPACT AND TIMING OF THESE CHANGES.

Michel Favreau
Senior Vice President and Chief Clearing Officer