



NOTICE TO MEMBERS

No. 2013 - 289

November 29, 2013

SELF-CERTIFICATION

AMENDMENT TO THE RULES MODIFICATION TO THE 30-DAY OVERNIGHT REPO RATE FUTURES CONTRACT ("ONX") SPECIFICATIONS

On July 31, 2013, the Board of Directors of the Canadian Derivatives Clearing Corporation (CDCC) has approved an amendment to the Rules of the CDCC. CDCC wishes to advise Clearing Members that this amendment has been self-certified in accordance with the self-certification process as established in the *Derivatives Act* (R.S.Q., chapter I-14.01).

Bourse de Montréal changed the calculation methodology used to calculate the final settlement price of the ONX futures contract from arithmetic average to compounding. Thus, the purpose of the amendment is to accommodate the said change to the methodology used by Bourse de Montréal to calculate the final settlement price of the ONX futures contract. The modification to Rule C-22 pertaining to OIS contract is only for harmonization purposes.

Please find enclosed the amendment which will be in effect and will be incorporated in the version of the CDCC Rules which will be available on CDCC's web site (www.cdcc.ca) as of December 2, 2013.

If you have any questions or concerns, please contact CDCC's Member Services department or direct your e-mail inquiries to cdccops@cdcc.ca.

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CANADIAN DERIVATIVES CLEARING CORPORATION

RULES

VERSION OF ~~AUGUST 23~~, 2013

RULE C-17 30-DAY OVERNIGHT REPO RATE FUTURES (SYMBOL - ONX)

The Sections of this Rule C-17 are applicable only to Futures settling on a future date where the Underlying Interest is the 30-day Overnight Repo Rate.

Section C-1701 Definitions

Notwithstanding Section A-102, for the purposes of the 30-day Overnight Repo Rate Futures contract, the following terms are as defined:

Compounded Overnight Repo Rate

- The Compounded Overnight Repo Rate is the rate of return of a daily compound interest investment at the Overnight Repo Rate. It is calculated in accordance with the following formula:

$$\left[\prod_{i=1}^{d_o} \left(1 + \frac{ORR_i \times n_i}{365} \right) - 1 \right] \times \frac{365}{d} \times 100$$

where:

“ d_o ”, the number of Business Days in the calculation period;

“ i ” is a series of whole numbers from one to d_o , each representing the relevant Business Day in chronological order from, and including, the first Business Day in the relevant Calculation Period;

ORR_i = Overnight Repo Rate on the i^{th} day of the calculation period (if the i^{th} day is not a business day, the previous available Overnight Repo Rate is used);

“ n_i ” is the number of calendar days in the relevant Calculation Period on which the rate is ORR_i ;

“ d ” is the number of calendar days in the relevant Calculation Period.

“Final Settlement Price”

- The Final Settlement Price shall be determined by the Exchange on which the Futures trade ~~by subtracting from 100 the monthly arithmetic average of the daily Overnight Repo Rate for the contract month rounded to the nearest tenth of a basis point. The decimal fraction ending in a five (5) or higher shall be rounded up~~ and will be equal to the Overnight Repo Rate Index calculated over the period of the contract month that

	<p><u>begins on the first calendar day of the contract month and ends on the last calendar day of the contract month. The Final Settlement Price is rounded to the nearest 1/10th of one basis point (0.001). In the case a decimal fraction ends with 0.0005 or higher, the Final Settlement Price shall be rounded up. The Final Settlement Price is determined on the First Business Day following the last day of trading.</u></p>
“Multiplier”	<p>- <u>The Multiplier is</u> the value of the tick used to calculate the size of the contract as specified by the Exchange on which the Futures trade.</p>
“Overnight Repo Rate”	<p>- <u>The Overnight Repo Rate</u> means the Canadian Overnight Repo Rate (CORRA) published by the Bank of Canada being the weighted average rate of overnight general (non-specific) collateral repo trades on a specified date as reported to the Bank of Canada.</p>
“Overnight Repo Rate Index”	<p>- <u>The Overnight Repo Rate Index is</u> 100 minus the the monthly average Overnight Repo Rate for the contract <u>Compounded Overnight Repo Rate . month.</u></p>
“Underlying Interest”	<p>- <u>The Underlying Interest is the</u> Overnight Repo Rate calculated on a 30-day basis and quoted in terms of an Overnight Repo Rate Index.</p>

Section C-1702 Settlement in Cash Through the Corporation

Unless otherwise specified by the Corporation, settlement of positions held following the close of trading on the last day of trading in a Series of Futures shall be on the first Business Day following the last day of trading. Settlement shall be made by an exchange of cash between the Corporation and each of the short and long Clearing Members. The amount to be paid or received in final settlement of each position opened on or prior to the last day of trading shall be the difference between

- (i) the Final Settlement Price; and
 - (ii) the Settlement Price of the contract on the last day of trading,
- multiplied by the Multiplier of the contract.

Section C-1703 Tender Notices

Rule C-5 shall not apply to 30-day Overnight Repo Rate Futures as they are cash-settled.

Section C-1704 Adjustments

No adjustments will ordinarily be made in the terms of the 30-day Overnight Repo Rate Futures in the event that the Overnight Repo Rate Index is changed. However, if the Corporation shall determine in its sole discretion that any such change causes significant discontinuity in the level of the Overnight Repo Rate Index, the Corporation may adjust the terms of the affected Overnight Repo Rate Futures by taking such action as the Corporation in its sole discretion deems fair to Clearing Members holding Long and Short Positions.

In the event that a governmental agency or body issues an order, ruling, directive or law pertaining to repo transactions and the Corporation determines that a discontinuity in the level of the Overnight Repo Rate Index is caused by such a Government order, it shall take such action as it deems necessary and fair under the circumstances.

Section C-1705 Unavailability or Inaccuracy of Current Value

- (1) If the Corporation shall determine that the Final Settlement Price for any series of 30-day Overnight Repo Rate Futures is unreported or otherwise unavailable for purposes of calculating the gains and losses, then, in addition to any other actions that the Corporation may be entitled to take under the Rules, the Corporation may do any or all of the following:
 - (a) Suspend the Settlement of Gains and Losses. At such time as the Corporation determines that the required Final Settlement Price is available, the Corporation shall fix a new date for Settlement of the Gains and Losses.
 - (b) Fix the Final Settlement Price in accordance with the best information available as to the correct Final Settlement Price.
- (2) The Final Settlement Price as reported by the Exchange on which the Futures trade shall be conclusively deemed to be accurate except that where the Corporation determines in its sole 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.

RULE C-22 OVERNIGHT INDEX SWAP FUTURES (SYMBOL - OIS)

The Sections of this Rule C-22 are applicable only to Futures settling on a future date where the Underlying Interest is the Compounded Overnight Repo Rate over the period of the Contract Month

Section C-2201 Definitions

Notwithstanding Section A-102, for the purposes of the Overnight Index Swap Futures Contracts, the following terms are as defined:

- “Final Settlement Price” the Final Settlement Price shall be determined by the Exchange and will be equal to the Overnight Repo Rate Index calculated over the period of the Contract Month. The Final Settlement Price is rounded to the nearest 1/10th of one basis point (0.001). In the case a decimal fraction ends with 0.0005 or higher, the Final Settlement Price shall be rounded up. The Final Settlement Price is determined on the first business day following the last day of trading.
- “Multiplier” the value of the tick used to calculate the size of the contract as specified by the Exchange on which the Futures trade.
- “Overnight Repo Rate Index” 100 minus the Compounded Overnight Repo Rate
- “Compounded Overnight Repo Rate”

The Compounded Overnight Repo Rate is the rate of return of a daily compound interest investment at the Overnight Repo Rate. It is calculated in accordance with the following formula:

$$\left[\prod_{i=1}^{d_o} \left(1 + \frac{ORR_i \times n_i}{365} \right) - 1 \right] \times \frac{365}{d} \times 100$$

where:

“ d_o ”, the number of Business Days in the calculation period;

“ i ” is a series of whole numbers from one to d_o , each representing the relevant Business Day in chronological order from, and including, the first Business Day in the relevant Calculation Period;

ORR_i = Overnight Repo Rate on the i^{th} day of the calculation period (if the i^{th} day is not a business day, the previous available Overnight Repo Rate is used);

“ n_i ” is the number of calendar days in the relevant Calculation Period on which the rate is ORR_i ;

“ d ” is the number of calendar days in the relevant Calculation Period.

“Overnight Repo Rate”	means the Canadian Overnight Repo Rate <u>(CORRA)</u> published by the Bank of Canada being the weighted average rate of overnight general (non-specific) collateral repo trades on a specified date as reported by the Bank of Canada.
“Underlying Interest”	the Compounded Overnight Repo Rate quoted in terms of an Overnight Repo Rate Index.
“Contract Month”	the period that begins the day following the last Bank of Canada Fixed Announcement Date to the day of the next Bank of Canada Fixed Announcement Date.
“Fixed Announcement Date”	the pre-specified date on which the Bank of Canada announces their decision on the target for the Overnight Repo Rate

Section C-2202 Settlement in Cash Through the Corporation

Unless otherwise specified by the Corporation, settlement of positions held following the close of trading on the last day of trading in a Series of Futures shall be on the first Business Day following the last day of trading. Settlement shall be made by an exchange of cash between the Corporation and each of the short and long Clearing Members. The amount to be paid or received in final settlement of each position opened on or prior to the last day of trading shall be the difference between

- (i) the Final Settlement Price; and
 - (ii) the Settlement Price of the contract on the last day of trading,
- multiplied by the Multiplier of the contract.

Section C-2203 Tender Notices

Rule C-5 shall not apply to Overnight Index Swap Futures as they are cash-settled.

Section C-2204 Adjustments

No adjustments will ordinarily be made in the terms of the Overnight Index Swap Futures in the event that the Overnight Repo Rate Index is changed. However, if the Corporation shall determine in its sole discretion that any such change causes significant discontinuity in the level of the Overnight Repo Rate Index, the Corporation may adjust the terms of the affected Overnight Index Swap Futures by taking such

action as the Corporation in its sole discretion deems fair to Clearing Members holding Long and Short Positions.

In the event that a governmental agency or body issues an order, ruling, directive or law pertaining to repo transactions and the Corporation determines that a discontinuity in the level of the Overnight Repo Rate Index is caused by such a Government order, it shall take such action as it deems necessary and fair under the circumstances.

Section C-2205 Unavailability or Inaccuracy of Current Value

- (1) If the Corporation shall determine that the Final Settlement Price for any series of Overnight Index Swap Futures is unreported or otherwise unavailable for purposes of calculating the gains and losses, then, in addition to any other actions that the Corporation may be entitled to take under the Rules, the Corporation may do any or all of the following:
 - (a) Suspend the Settlement of Gains and Losses. At such time as the Corporation determines that the required Final Settlement Price is available, the Corporation shall fix a new date for Settlement of the Gains and Losses.
 - (b) Fix the Final Settlement Price in accordance with the best information available as to the correct Final Settlement Price.
- (2) The Final Settlement Price as reported by the Exchange on which the Futures trade shall be conclusively deemed to be accurate except that where the Corporation determines in its sole 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.