



## NOTICE TO MEMBERS

N° 2019-058

May 7, 2019

### REQUEST FOR COMMENTS

#### **AMENDMENTS TO THE CANADIAN DERIVATIVES CLEARING CORPORATION TIME FRAMES FOR MONTHLY OPTIONS EXPIRY**

On May 2, 2019, the Board of Directors of Canadian Derivatives Clearing Corporation (“CDCC”) approved certain amendments to the Operations Manual and to sections A-102 and B-307 of CDCC’s Rules. The purpose of the proposed amendments is to shorten the time frames for the monthly options expiry.

Please find enclosed an analysis document as well as the proposed amendments.

#### **Process for Changes to the Rules**

CDCC is recognized as a clearing house under section 12 of the *Derivatives Act* (Québec) by the Autorité des marchés financiers (“AMF”) and as a recognized clearing agency under section 21.2 of the *Securities Act* (Ontario) by the Ontario Securities Commission (“OSC”).

The Board of Directors of CDCC has the power to approve the adoption or amendment to the Operations Manual and the Rules of CDCC. Amendments are submitted to the AMF in accordance with the self-certification process and to the OSC in accordance with the process provided in the Recognition Order.

Comments on the proposed amendments must be submitted before **June 7, 2019**. Please submit your comments to:

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Senior Legal Counsel  
*Canadian Derivatives Clearing Corporation*  
1800-1190 av. des Canadiens-de-Montréal, P.O. Box 37  
Montreal, Quebec H3B 0G7  
Email: [legal@tmx.com](mailto:legal@tmx.com)

A copy of these comments shall also be forwarded to the AMF and to the OSC to:

Mrs. Anne-Marie Beaudoin  
Corporate Secretary  
*Autorité des marchés financiers*  
Tour de la Bourse, P.O. Box 246  
800 Victoria Square, 22<sup>nd</sup> Floor  
Montréal, Québec H4Z 1G3  
E-mail: [consultation-encours@lautorite.gc.ca](mailto:consultation-encours@lautorite.gc.ca)

Manager, Market Regulation  
Market Regulation Branch  
*Ontario Securities Commission*  
Suite 2200,  
20 Queen Street West  
Toronto, Ontario, M5H 3S8  
Fax: 416-595-8940  
Email: [marketregulation@osc.gov.on.ca](mailto:marketregulation@osc.gov.on.ca)

For any question or clarification, Clearing Members may contact Martin Jannelle, Senior Legal Counsel, at 514-787-6578 or at [martin.jannelle@tmx.com](mailto:martin.jannelle@tmx.com)

Jay Rajarathinam  
President



**AMENDMENTS TO THE CANADIAN DERIVATIVES CLEARING CORPORATION'S  
TIME FRAMES FOR MONTHLY OPTIONS EXPIRY**

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## **I. DESCRIPTION**

The Canadian Derivatives Clearing Corporation (“CDCC”) offers on-site support to its Clearing Members through its Operations team. During the last eighteen (18) months, CDCC has observed that Clearing Members complete their monthly activities prior to the time frames currently set out in the Operations Manual.

CDCC is of the view that such a situation results in inefficiency for CDCC and its Clearing Members and in an ineffective use of CDCC Operations staff. As a result, CDCC now proposes to shorten the time frames for the monthly options expiry.

## **II. PROPOSED AMENDMENTS**

CDCC proposes to (i) shorten the time frames for the monthly options expiry provided for in Section 2-7 of its Operations Manual, and (ii) amend the definition of “Expiration Time” set out in Section A-102 of the Rules and the time of the Expiration Date set out in Section B-307 of the Rules.

The proposed amendments are detailed in the attached documents.

## **III. ANALYSIS**

### **a. Background**

During the last eighteen (18) months of options clearing activities, CDCC observed that Clearing Members completed their monthly activities prior to the time frames currently set out in the Operations Manual. Based on this observation, CDCC Operations staff undertook to determine if such time frames could be efficiently and safely shortened.

### **b. Objectives**

The objective to be achieved by the proposed amendments is to provide efficiency to CDCC’s operations, processes and allocation of resources.

### **c. Comparative Analysis**

Given the nature of the proposed amendments, CDCC is of the view that a comparative analysis is not required.

### **d. Analysis of Impacts**

The amendments proposed by CDCC are administrative in nature and do not require any change to the current processes, reporting and communication with the Clearing Members. The amendments simply accelerate the clearing activities of CDCC and the Clearing Member on the Expiration Date.

**i. Impacts on Market**

The proposed changes do not impact the market other than by reducing the time frames of the Clearing Application’s availability. In addition, the Clearing Members will ultimately receive the end-of-day batch reporting earlier.

Over the last six (6) months, CDCC communicated the proposed changes with the Clearing Members (except Fixed-Income only Clearing Members) via emails and follow-up telephone conversations and has received written confirmations from all these Clearing Members that the proposed changes were acceptable. Nevertheless, the proposed amendments will be subject to a public request for comments as part of the self-certification process. This step will give the Clearing Members another opportunity to express concerns (if any) to, and share questions with, CDCC.

**ii. Impacts on Technology**

No technological work will be required for CDCC to support this initiative. However, the change in time frames will impact CDCC Support in their systems maintenance window.

**iii. Impacts on regulatory functions**

N/A

**iv. Impacts on trading functions**

N/A

**v. Public Interest**

CDCC is of the view that the proposed amendments are not contrary to the public interest. In fact, the public and Clearing Members are generally requesting clear rules that are consistent with the best practices of other clearing houses. CDCC is looking for more efficient use of human resources based on the reality of the current clearing activities with the Clearing Members.

**IV. PROCESS**

The proposed amendments, including this analysis, must be approved by CDCC’s board of directors and submitted to the Autorité des marchés financiers, in accordance with the regulatory self-certification process, and to the Ontario Securities Commission in accordance with the rules stated in Appendix “A” of Schedule “C” of CDCC Recognition Order dated April 8, 2014 (as amended from time to time). The proposed amendments and analysis will also be submitted to the Bank of Canada in accordance with the Regulatory Oversight Agreement. Subject to public comments, the proposed amendments will take effect immediately thereafter.

**V. ATTACHED DOCUMENTS**

- Amended Section 2-7 of CDCC's Operations Manual
- Amended Section A-102 and B-307 of CDCC's Rules

**TIME FRAMES**

**SETTLEMENT TIME FOR MONTHLY EXPIRY**

<b>Activity</b>	<b>Time Frames</b>	<b>Activity Type</b>
Reports available (FTP Download): ➤ Expiry Report (MX01) ➤ Expiry Options Daily Transaction Report (MT01) ➤ List of Options/Cash Adjustments (MT03)	7:15 p.m.	Publication
CDCC Clearing Application available for: ➤ Trade corrections ➤ Open Position changes ➤ Position Transfers ➤ Changes to Automatic Exercises ➤ Exercise Notices input ➤ Cancel / correct Friday's exercises	7:15 to <del>10</del> :15 p.m.	Operational Deadline
CDCC Clearing Application shutdown: ➤ CDCC processes expiry entries	<del>10</del> :15 p.m.	Operational Deadline
Reports available (FTP Download): ➤ List of Expiry Adjustments Report (MX02) ➤ Expiry Difference Report (MX03)	<del>10</del> :30 p.m.	Publication
CDCC Clearing Application available again for: ➤ Review of expiry entries ➤ Corrections to expiry entries	<del>10</del> :30 to <del>10</del> :45 p.m.	Operational Deadline
CDCC Clearing Application shutdown ➤ Close of Business	<del>10</del> :45 p.m.	Operational Deadline
Reports available (FTP Download): ➤ Options Exercised and Assigned Report (MT02) ➤ Other reports and files also available	<del>10</del> :30 a.m.	Publication

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Reports available (FTP Download): ➤ Expiry Report (MX01) ➤ Expiry Options Daily Transaction Report (MT01) ➤ List of Options/Cash Adjustments (MT03)	7:15 p.m.	Publication
CDCC Clearing Application available for: ➤ Trade corrections ➤ Open Position changes ➤ Position Transfers ➤ Changes to Automatic Exercises ➤ Exercise Notices input ➤ Cancel / correct Friday's exercises	7:15 to 9:15 p.m.	Operational Deadline
CDCC Clearing Application shutdown: ➤ CDCC processes expiry entries	9:15 p.m.	Operational Deadline
Reports available (FTP Download): ➤ List of Expiry Adjustments Report (MX02) ➤ Expiry Difference Report (MX03)	9:30 p.m.	Publication
CDCC Clearing Application available again for: ➤ Review of expiry entries ➤ Corrections to expiry entries	9:30 to 9:45 p.m.	Operational Deadline
CDCC Clearing Application shutdown ➤ Close of Business	9:45 p.m.	Operational Deadline
Reports available (FTP Download): ➤ Options Exercised and Assigned Report (MT02) ➤ Other reports and files also available	10:30 p.m.	Publication



## PART A – GENERAL

### RULE A-1 DEFINITIONS

[...]

#### Section A-102 DEFINITIONS

“**Expiration Time**” – means the time on the Expiration Date, as fixed by the Corporation, at which the Option expires. ~~Unless subsequently changed by the Corporation, the Expiration Time shall be 10:45 p.m. on the Expiration Date.~~

[...]

## PART B – OPTIONS

[...]

### SECTION B-307 EXPIRATION DATE EXERCISE PROCEDURE

The following rules shall apply to the exercise of an Option on its Expiration Date:

- (a) At or before 7:15 p.m. on each Expiration Date, the Corporation shall make available to each Clearing Member an Expiry Response Screen listing, by account, each expiring Option in each of the Clearing Member’s accounts with the Corporation. The Expiry Response Screen shall reflect the closing price (as herein defined) of the Underlying Interest for each Series of Options listed therein and shall include such further information as the Corporation may deem appropriate.
- (b)
  - (i) Each Clearing Member shall be required to access the Expiry Response Screen by electronic means. Each Clearing Member may notify the Corporation of the number of Options of each series, if any, to be exercised for each account. If no Options of a particular series are to be exercised for a particular account, the Clearing Member must notify the Corporation to this effect.
  - (ii) Each Clearing Member shall make a Confirmation Transmission in the form prescribed ~~within the time frames provided by the Corporation in the Operations Manual no later than 10:45 p.m. on the Expiration Date.~~ Instructions to exercise Options transmitted to the Corporation shall be irrevocable and may not thereafter be modified.

## **PART A – GENERAL**

### **RULE A-1 DEFINITIONS**

[...]

### **SECTION A-102 DEFINITIONS**

**“Expiration Time”** – means the time on the Expiration Date, as fixed by the Corporation, at which the Option expires.

[...]

## **PART B – OPTIONS**

[...]

### **SECTION B-307 EXPIRATION DATE EXERCISE PROCEDURE**

The following rules shall apply to the exercise of an Option on its Expiration Date:

- (c) At or before 7:15 p.m. on each Expiration Date, the Corporation shall make available to each Clearing Member an Expiry Response Screen listing, by account, each expiring Option in each of the Clearing Member’s accounts with the Corporation. The Expiry Response Screen shall reflect the closing price (as herein defined) of the Underlying Interest for each Series of Options listed therein and shall include such further information as the Corporation may deem appropriate.
- (d)
  - (i) Each Clearing Member shall be required to access the Expiry Response Screen by electronic means. Each Clearing Member may notify the Corporation of the number of Options of each series, if any, to be exercised for each account. If no Options of a particular series are to be exercised for a particular account, the Clearing Member must notify the Corporation to this effect.
  - (ii) Each Clearing Member shall make a Confirmation Transmission in the form prescribed within the time frames provided by the Corporation in the Operations Manual. Instructions to exercise Options transmitted to the Corporation shall be irrevocable and may not thereafter be modified.