

Date: November 9th, 2015

NEW BAX MARGIN CALCULATION METHODOLOGY IMPACT ON PRE-TRADE VALIDATION (PTV)

Pursuant to last week's communication made by CDCC, announcing the November 30th 2015 effective date of the modification to the three-month Canadian bankers' acceptance Futures (BAX) contract margin methodology and for which, as dictated by the new methodology, individual margin rates will be attributed to each of the BAX outright contracts, this notice serves as a reminder that MX Pre-Trade Validation (PTV) configurations for credit controls will also reflect this change.

The Market Operations Department (MOD) is responsible for updating these margin rates on a daily basis into the system for PTV credit control calculations. The MOD currently base the margin rates according to the speculator rate published on the regulatory website http://reg.m-x.ca/en/regulation/futures_margins. Following the new margin methodology on November 30th, the MOD will update the daily futures margin rates based on the new file format. For an example of the new margin file layout according to the new margin methodology, please consult the following test URL: http://reg.m-x.ca/en/regulation/futures_margins_test.

For the purpose of PTV credit calculations, effective at the opening of, Tuesday, December 1st 2015, the new BAX margin rate will be in effect and offer a greater granularity.

In terms of exposure relief, we would like to remind you that butterfly strategies are accounted for as two spreads, and therefore, the same net exposure percentage relief is applied for both types of strategies. Currently, the net percentage relief in the production environment is configured at 65%.

The changes are reproduced in the GTE environment and for which the October 29th file from the test URL margin rate was used (http://reg.m-x.ca/en/regulation/futures_margins_test).

Should you have any questions or concerns, please contact the Technical Help Desk at the coordinates in the signature found below.

Regards,

Technical Help Desk

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