

CIRCULAR 044-20
March 19, 2020

Potential impacts of unexpected market closings on expiry and prices

In light of ongoing developments in global equity markets, the Canadian Derivatives Clearing Corporation (“CDCC”) wishes to clarify certain key operational processes that could be affected in the event of unexpected market closings. CDCC underlines that it has received no indication that any such closure is contemplated and directs the reader to the statement to that effect released by TMX on March 18, 2020, available at www.tmx.com.

CDCC and the Montréal Exchange (“MX”) are committed to operating as prescribed by their respective rules and manuals (collectively, the “Rules”) at all times. In the event of unforeseen circumstances and in order to prevent market disruption or protect the integrity, liquidity or orderly trading or liquidation of any listed product, the Rules of both CDCC and MX provide for more general powers to take measures that are deemed necessary and appropriate in such circumstances.

Operations

In the event of an unexpected market closing, CDCC will remain open and operational during normal business hours and will endeavour to follow standard operational processes as much as possible, as outlined in its Rules.

Equity and ETF Options exercise

In the event of an unexpected market closing on the equity exchanges on which an underlying interest is trading, Clearing Members will be able to exercise options as per section B-307 of the CDCC Rules.

Should an unexpected event prevent CDCC from obtaining the official closing price of the underlying interest of a given option, CDCC may fix a closing price using the last available sale price from the previous trading session or any other reference price deemed relevant.

Share Futures, Index Futures and Index Options Settlement

Should an unexpected event prevent CDCC from obtaining the final settlement price of share futures or index futures contract or the exercise settlement amounts of an index option, or should CDCC determine in its discretion that there is a material inaccuracy in a final settlement price or exercise settlement amounts, it may take such action as it deems necessary and appropriate in the circumstances.

In the specific case of index products, the final settlement price or exercise settlement amounts are based on the opening level of the eligible stock index on the day following the last day of trading. If such opening level is unavailable, CDCC shall use the special open quotation (“SOQ”) as published by S&P Dow Jones Indices for such index. If the SOQ is unavailable, CDCC may fix the final settlement price or exercise settlement amounts in accordance with the best information available, which may include using the last known price from the previous trading session as an



interim price for settlement purposes, with subsequent adjustments made based on the next available SOQ.

CDCC and MX will continue to closely monitor equity markets and provide further information if and when extraordinary measures are contemplated by either entity.

For any question or clarification, Clearing Members of CDCC may contact CDCC-CS Client Services CDCC-CS@tmx.com and market participants of MX may contact the Market Operations Department at monitoring@tmx.com.

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