☒	Trading – Interest Rate Derivatives	☒	Back-office - Options
☒	Trading – Equity and Index Derivatives	☒	Technology
☒	Back-office – Futures	☒	Regulation

CIRCULAR 004-16
January 14, 2016

SELF-CERTIFICATION

UPDATE OF THE RULES OF BOURSE DE MONTRÉAL INC. – RULES RELATING TO MARGIN AND CAPITAL REQUIREMENTS

ABROGATION OF POLICY C-3 – JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT

AMENDMENTS TO ARTICLES 6005 AND 6654 OF RULE SIX REGARDING TRANSACTIONS IN OVER-THE-COUNTER OPTIONS AND REPORTS RELATING TO SUCH TRANSACTIONS

ABROGATION OF ARTICLES 7202 TO 7228 OF RULE SEVEN REGARDING MARGIN AND CAPITAL REQUIREMENTS FOR SECURITIES OTHER THAN DERIVATIVES, AND CONSEQUENTIAL AMENDMENTS TO ARTICLES 7005, 7151, 7152, 7157 AND 7201

ABROGATION OF VARIOUS PROVISIONS OF RULE NINE REGARDING MARGIN AND CAPITAL REQUIREMENTS FOR DERIVATIVES, AND CONSEQUENTIAL AMENDMENTS TO THE ARTICLES BEING RETAINED

The Rules and Policies Committee and the Special Committee of the Regulatory Division of Bourse de Montréal Inc. (the "Bourse") have approved amendments to Rule Six, Rule Seven and Rule Nine, as well as the abrogation of Policy C-3 of the Rules and Policies of the Bourse. The purpose of the proposed amendments and abrogation is to remove from its regulation all provisions which are no longer relevant as a result of the Bourse's withdrawal from the field of financial compliance regulation.

The Bourse wishes to advise approved participants that such amendments were self-certified in accordance with the self-certification process as established in the *Derivatives Act* (CQLR, Chapter I-14.01).

The rule changes described in the present circular were published for public comments by the Bourse on January 20, 2014 (Circular 008-14). Further to the publication of this circular, the Bourse has received no comment.

The amended Rules and Policies, that you will find attached, will become effective on **January 14, 2016** after market close. Please note that they will also be available on the Bourse's website (www.m-x.ca).

For further information, please contact Frank Barillaro, Director, Market Analysis and Project Management, Regulatory Division at (514) 871-3595 or at fbarillaro@m-x.ca.

Brian Z. Gelfand
Vice-President and Chief Regulatory Officer
Regulatory Division

6005 Off-Exchange Transactions
(10.10.91, 19.11.93, 14.07.95, 22.11.99, 21.04.08, 30.05.08, 29.01.10, 00.00.00)

The only transactions in any securities or derivative instruments listed on the Bourse which an approved participant may make off the Bourse are the following:

a) a transaction made to adjust an execution error on a client's order;

b) a transaction made as a result of the exercise of an option or of a delivery pursuant to a futures contract;

c) an Exchange for Physicals (EFP) transaction or an Exchange for Risk (EFR) transaction pursuant to article 6815 or a Substitution of over-the-counter derivative instruments for futures contracts pursuant to article 6815A;

d) an off-exchange transfer of securities or derivative instruments pursuant to article 6816;

e) a block trade in a security or derivative instrument designated by the Bourse and executed according to the provisions of article 6380;

f) a riskless basis cross transaction in a security or derivative instrument designated by the Bourse and executed according to provisions of article 6380.

g) an over-the-counter trade in any put or call option, provided that such option:

i) does not relate to underlying securities which are the object of options issued by the Canadian Derivatives Clearing Corporation; or

ii) does relate to underlying securities which are the object of options issued by the Canadian Derivatives Clearing Corporation, but whose terms are materially different from those of any series of options issued by the Canadian Derivatives Clearing Corporation.

For the purposes of this paragraph g), writing over-the-counter options means the distribution of securities for which a prospectus may be required or for which specific or blanket exemptions may be necessary under the applicable securities legislation. The writer of over-the-counter options may, in effect, be an issuer distributing securities and so must, accordingly, ensure that such distribution complies with applicable securities legislation.

6005 Off-Exchange Transactions
(10.10.91, 19.11.93, 14.07.95, 22.11.99, 21.04.08, 30.05.08, 29.01.10, 14.01.16)

The only transactions in any securities or derivative instruments listed on the Bourse which an approved participant may make off the Bourse are the following:

a) a transaction made to adjust an execution error on a client's order;

b) a transaction made as a result of the exercise of an option or of a delivery pursuant to a futures contract;

c) an Exchange for Physicals (EFP) transaction or an Exchange for Risk (EFR) transaction pursuant to article 6815 or a Substitution of over-the-counter derivative instruments for futures contracts pursuant to article 6815A;

d) an off-exchange transfer of securities or derivative instruments pursuant to article 6816;

e) a block trade in a security or derivative instrument designated by the Bourse and executed according to the provisions of article 6380;

f) a riskless basis cross transaction in a security or derivative instrument designated by the Bourse and executed according to provisions of article 6380.

g) an over-the-counter trade in any put or call option, provided that such option:

   i) does not relate to underlying securities which are the object of options issued by the Canadian Derivatives Clearing Corporation; or

   ii) does relate to underlying securities which are the object of options issued by the Canadian Derivatives Clearing Corporation, but whose terms are materially different from those of any series of options issued by the Canadian Derivatives Clearing Corporation.

For the purposes of this paragraph g), writing over-the-counter options means the distribution of securities for which a prospectus may be required or for which specific or blanket exemptions may be necessary under the applicable securities legislation. The writer of over-the-counter options may, in effect, be an issuer distributing securities and so must, accordingly, ensure that such distribution complies with applicable securities legislation.

6654 Reports Related to Positions in Options Traded on the Bourse~~Positions~~ and reports related to transactions in over-the-counter options
(05.08.75, 15.11.79, 24.04.84, 20.03.91, 10.11.92, 07.04.94, 07.09.99, 11.02.00, 28.01.02, 26.09.05, 25.06.12, 01.04.13, 00.00.00)

Each approved participant shall file with the Bourse, in the prescribed manner and frequency, a report related to positions in options traded on the Bourse prepared in compliance with article 14102.

For all transactions executed in over-the-counter options, approved participants are required to report as of the close of business on the fifteenth and last days of each month or, when either of these days is not a trading day, on the preceding trading day, the total puts and calls written and issued or guaranteed during the period which has ended. This report must be transmitted to the Bourse within two (2) business days following the above-mentioned dates and this in the form prescribed by the Bourse.

6654 Reports Related to Positions in Options Traded on the Bourse and reports related to transactions in over-the-counter options
(05.08.75, 15.11.79, 24.04.84, 20.03.91, 10.11.92, 07.04.94, 07.09.99, 11.02.00, 28.01.02, 26.09.05, 25.06.12, 01.04.13, 14.01.16)

Each approved participant shall file with the Bourse, in the prescribed manner and frequency, a report related to positions in options traded on the Bourse prepared in compliance with article 14102.

For all transactions executed in over-the-counter options, approved participants are required to report as of the close of business on the fifteenth and last days of each month or, when either of these days is not a trading day, on the preceding trading day, the total puts and calls written and issued or guaranteed during the period which has ended. This report must be transmitted to the Bourse within two (2) business days following the above-mentioned dates and this in the form prescribed by the Bourse.

RULE SEVEN
OPERATIONS OF APPROVED PARTICIPANTS

Section 7001 - 7075
Financial Conditions - General

7005 Definitions
(01.04.93, 13.09.05, 22.03.10, 00.00.00)

For the purposes of this Rule Seven, unless otherwise specified, terms used are defined either in article 1102 of the Rules of the Bourse or in the Investment Industry Regulatory Organization of Canada "Joint Regulatory Financial Questionnaire and Report" form (Form 1)~~of Policy C-3~~.

7007 Restricted Trading Permit Holders
(01.05.89, 01.04.93, 13.09.05, 00.00.00)

Restricted trading permit holders who are not dealing with the public, except in the capacity of trading representative for an approved participant, are not required to maintain any minimum net worth. However, they must make an annual declaration to the Bourse that their status in this respect has not changed during the past year.

Restricted trading permit holders who clear their transactions through a clearing approved participant must maintain a net worth equal to $25,000.

If, in addition, these restricted trading permit holders act as market-makers or as traders in futures contracts, they must, in addition to the net worth required in the preceding paragraph, maintain an additional net worth

1) as market makers:

   of $10,000 per assignation up to a maximum of $25,000;

2) as futures contracts traders:

   $25,000.

For the purpose of this article, "net worth" means the excess of cash and marketable securities, marked to market, over the aggregate liabilities.

This requirement is deemed satisfied if a letter of guarantee, in a form prescribed by the Bourse and containing a provision regarding the maintenance of "net worth", has been issued and is still in effect on behalf of such restricted trading permit holder by the clearing approved participant and in accordance with article 6082. The clearing approved participant must provide against its own capital any deficiency of "net worth" in the account of the restricted trading permit holder ~~approved participant~~ for whom it has issued a letter of guarantee.

Section 7151 - 7159
Financial Reports

7151 Canadian Approved Participants - ~~Financial Questionnaires and Reports~~ **Financial Questionnaires and Reports**
(01.04.93, 13.09.05, 22.03.10, 00.00.00)

Canadian ~~A~~approved participants must file with the Bourse, when requested by it, a copy of the most recent audited regulatory financial questionnaire and report completed in the form prescribed by the Investment Industry Regulatory Organization of Canada.~~Policy C-3 of the Bourse.~~

7152 Foreign Approved Participants Members of Other Recognized Exchanges or Regulatory or Self-Regulatory Organizations – Financial Questionnaires and Reports
(01.04.93, 13.09.05, 22.03.10, 00.00.00)

Where a~~n~~ foreign approved participant of the Bourse is also a regulated entity, as defined in the Investment Industry Regulatory Organization of Canada ''Joint Regulatory Financial Questionnaire and Report''~~Policy C-3 of the Bourse~~, and prepares reports and financial statements as required by another recognized exchange or regulatory or self-regulatory organization, the Bourse ~~may~~ will accept, in lieu of the questionnaire and report to which article 7151 refers, a copy of the most recent audited reports and financial statements filed by the foreign approved participant with this other exchange or regulatory or self-regulatory organization along with a written confirmation from such other exchange or regulatory or self-regulatory organization that the foreign approved participant satisfies all of its requirements relating to the regulatory capital required to be maintained.

7157 Statistical Information
(01.04.93, 29.07.02, 01.10.02, 22.03.10, 00.00.00)

Every approved participant must provide to the Bourse, upon request, such statistical information with respect to its business as, in the opinion of the Bourse, may be necessary or in the interest of the Bourse or of all approved participants of the Bourse.

Section 7201 - 7250
Margins

7201 Margin Requirements
(01.02.91, 01.04.93, 13.09.05, 28.09.07, 00.00.00)

Every approved participant must obtain from clients the~~such~~ minimum margins prescribed by the market on which a security or derivative instrument is traded or, in the absence of such margins being prescribed by the market, by the regulatory or self-regulatory organization having jurisdiction over the approved participant for what regards regulatory capital. ~~in such amount and in accordance with the requirements, as set out in the present section.~~

Every approved participant must also apply to securities or derivative instruments held for its own account the minimum margins prescribed by the market on which such securities or derivative instruments are traded or, in the absence of such margins being prescribed by the market, by the regulatory or self-regulatory organization having jurisdiction over the approved participant for what regards regulatory capital.~~All margin requirements set out in the present section are applicable to approved participants as well as to clients, unless specified otherwise.~~

7202 Listed Securities
(15.12.86, 30.09.87, 18.06.88, 01.04.93, 11.02.00, 29.04.02, 16.09.02, 01.05.03, 17.05.04, 01.01.05, 13.09.05, 28.09.07, abr. 00.00.00)

~~For the purpose of this article, the terms "floating margin rate", "incremental basket margin rate", "index", "margin interval", "qualifying basket of index securities" and "tracking error margin rate" are defined in article 9001.~~

~~1) Securities listed on a recognized exchange in Canada or in the United States~~

~~For positions in securities (other than bonds and debentures but including rights and warrants other than Canadian bank warrants) listed on any recognized stock exchange in Canada or in the United States:~~

~~Long Positions~~	**~~Margin Required~~**
~~a) Securities trading at $2.00 or more~~	~~50% of market value~~
~~b) Securities trading between $1.75 and $1.99~~	~~60% of market value~~
~~c) Securities trading between $1.50 and $1.74~~	~~80% of market value~~
~~d) Securities selling under $1.50 may not be carried on margin.~~	

~~From time to time, the Bourse can determine that positions in securities listed on markets or that are in a group on a market and for which the financial requirements for an initial or a permanent listing do not include adequate requirements regarding net earnings before taxes, tangible assets and minimum working capital may not be carried on margin.~~

~~Short Positions~~	**~~Credit Required~~**
~~a) Securities trading at $2.00 or more~~	~~150% of market value~~
~~b) Securities trading between $1.50 and $1.99~~	~~$3.00 per share~~
~~c) Securities trading between $0.25 and $1.49~~	~~200% of market value~~
~~d) Securities trading at less than $0.25~~	~~Market value plus $0.25 per share~~

~~2) Securities listed on some other exchanges and that are components of an index~~

~~For positions in securities (other than bonds and debentures, but including rights and warrants), 50% of the market value, provided that the two following conditions are met:~~

~~A) the exchange on which the security is listed is an exchange whose name appears in the list of exchanges and associations qualifying as « recognized exchanges and associations » published from time to time by the Investment Dealers Association of Canada for the purpose of determining "regulated entities";~~

~~B) the security is a component of the main broad-based index of the exchange on which it is listed.~~

~~**3) Index products**~~

~~**A) Long qualifying basket of index securities or long index participation units**~~

~~The minimum margin required, must be the sum of:~~

~~i) in the case of index participation units, the floating margin rate percentage (calculated for the index participation unit based on its regulatory margin interval) of the qualifying basket of index securities (or index participation units); and~~

~~ii) in the case of a qualifying basket of index securities, the floating margin rate percentage (calculated for a perfect basket of index securities based on its regulatory margin interval), plus the calculated incremental basket margin rate for the qualifying basket of index securities;~~

~~multiplied by the market value of the qualifying basket of index securities (or index participation units).~~

~~**B) Short qualifying basket of index securities or short index participation units**~~

~~The minimum margin required must be the sum of:~~

~~i) 100%; and~~

~~ii) the floating margin rate percentage (calculated for the index participation unit or a perfect basket of index securities) of the qualifying basket of index securities (or index participation units); and~~

~~iii) in the case of a qualifying basket of index securities, the calculated incremental basket margin rate percentage;~~

~~multiplied by the market value of the qualifying basket of index securities (or index participation units).~~

~~**C) Long qualifying basket of index securities offset with short index participation units**~~

~~Where a position in a qualifying basket of index securities is carried long in an account and the account is also short an equivalent number of index participation units, the margin required must be the sum of the published tracking error margin rate and the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the index participation units.~~

~~**D) Short qualifying basket of index securities offset with long index participation units**~~

~~Where a position in a qualifying basket of index securities is carried short in an account and the account is also long an equivalent number of index participation units, the margin required must be the sum of:~~

~~i) the tracking error margin rate, unless the short basket of index securities is of a size sufficient to comprise a basket of securities or multiple thereof required to obtain the index participation units;~~

~~and~~

~~ii) the calculated incremental basket margin rate for the qualifying basket of index securities;~~

~~multiplied by the market value of the index participation units.~~

~~**E) Long qualifying basket of index securities – short index participation units – commitment to purchase index participation units**~~

~~Where an approved participant has a commitment pursuant to an underwriting agreement to purchase a new issue of index participation units, and holds an equivalent long position in a qualifying basket of index securities and also holds an equivalent number of short index participation units, no capital is required, provided the long basket:~~

~~i) is of size sufficient to comprise a basket of securities or multiple thereof required to obtain the index participation units; and~~

~~ii) does not exceed the approved participant's underwriting commitment to purchase the index participation units.~~

~~**4) Securities eligible to a reduced margin rate**~~

~~The margin required is 30% of the market value on long positions and the credit required is 130% of the market value on short positions if such securities are:~~

~~i) on the list of securities eligible to a reduced margin rate as approved by a recognized self-regulatory organization and such securities continue to be traded at $2.00 or more;~~

~~ii) securities against which options issued by the Options Clearing Corporation are traded;~~

~~iii) convertible into securities that qualify under subparagraph i) or subparagraph ii);~~

~~iv) non-convertible preferred and senior shares of an issuer any of whose securities qualify under subparagraph i); or~~

~~v) securities whose original issuance generated Tier 1 capital for a financial institution any of whose securities qualify under subparagraph i) and the financial institution is under the regulatory oversight of the Office of the Superintendent of Financial Institutions of Canada.~~

~~For the purpose of the present paragraph 3) the Bourse and the Investment Dealers Association of Canada are designated as recognized self-regulatory organizations.~~

~~**5) Warrants issued by a Canadian chartered bank**~~

~~For positions (other than positions of an approved participant that are subject to the provisions of paragraph 9 of article 7213) in warrants issued by a Canadian chartered bank and which entitle the holder to purchase securities issued by the Government of Canada or any province thereof, the required margin must be the greater of the two following elements:~~

~~a) The margin otherwise required by paragraph 1) of this article according to the market value of the warrant; or~~

~~b) 100% of the margin required in respect of the security to which the holder of the warrant is entitled upon exercise of the warrant. However, in the case of a long position, the amount of margin need not exceed the market value of the warrant.~~

7202A Margin Offsets on Capital Shares
(19.03.93, 01.04.93, 01.01.04, 13.09.05, abr. 00.00.00)

~~1) For the purposes of the present article:~~

~~a) "capital share" means a share issued by a split share company which represents all or a substantial portion of the capital appreciation portion of the underlying common share;~~

~~b) "capital share conversion loss" means any excess of the market value of the capital shares over the retraction value of the capital shares;~~

~~c) "combined conversion loss" means any excess of the combined market value of the capital and preferred shares over the combined retraction value of the capital and preferred shares;~~

~~d) "preferred share" means a share issued by a split share company which represents all or a substantial portion of the dividend portion of the underlying common share, and includes equity dividend shares of split share companies;~~

~~e) "retraction value" means:~~

~~A) for capital shares:~~

~~i) where the capital shares can be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the excess of the market value of the underlying common shares received over the retraction cash payment to be made when retraction of the capital shares takes place;~~

~~ii) where the capital shares cannot be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the retraction cash payment to be received when retraction of the capital shares takes place;~~

~~B) for capital shares and preferred shares in combination:~~

~~i) where the capital shares and preferred shares can be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the market value of the underlying common shares received;~~

~~ii) where the capital shares and preferred shares cannot be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the retraction cash payment to be received when retraction of the capital and preferred shares takes place;~~

~~f) "split share company" means a corporation formed for the sole purpose of acquiring underlying common shares and issuing its own capital shares based on all or a substantial portion of the capital appreciation portion and its own preferred shares based on all or a substantial portion of the dividend income portion of such underlying common shares.~~

~~2) Long capital shares and short common shares~~

~~Where capital shares are carried long in an account and the account is also short an equivalent number of common shares, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:~~

~~i) the lesser of:~~

~~a) the sum of:~~

~~I) the capital share conversion loss, if any; and~~

~~II) the normal capital required (margin required in the case of client account positions) on the equivalent number of preferred shares;~~

~~or~~

~~b) the normal capital required (margin required in the case of client account positions) on the underlying common shares;~~

~~and~~

~~ii) where the capital shares cannot be tendered to the split share company for retraction directly for the underlying common shares at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying common shares.~~

~~3) Long capital shares, long preferred shares and short common shares~~

~~Where both capital shares and an equivalent number of preferred shares are carried long in an account and the account is also short an equivalent number of common shares, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:~~

~~i) the lesser of:~~

~~a) combined conversion loss, if any; or~~

~~b) the normal capital required (margin required in the case of client account positions) on the underlying common shares;~~

~~and~~

~~ii) where the capital shares and preferred shares cannot be tendered to the split share company for retraction directly for the underlying common share, at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying common shares.~~

~~4) Long capital shares and short call options~~

~~Where capital shares are carried long in an account and the account is also short an equivalent number of call options expiring on or before the redemption date of the capital shares, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:~~

~~i) the lesser of:~~

~~a) the normal capital required (margin required in the case of client account positions) on the capital shares less, if any, the market value of the short call options, however, the capital required cannot be less than zero; and~~

~~b) any excess of the market value of the underlying common shares over the aggregate exercise value of the call options;~~

~~and~~

~~ii) the capital share conversion loss, if any; and~~

~~iii) where the capital shares cannot be tendered to the split share company for retraction directly for the underlying common shares at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying common shares.~~

~~5) Long common shares and short capital shares~~

~~Where common shares are carried long in an account and the account is also short an equivalent number of capital shares, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:~~

~~i) the lesser of:~~

~~a) the sum of:~~

~~I) the capital share conversion loss, if any; and~~

~~II) the normal capital required (margin required in the case of client account positions) on the equivalent number of preferred shares;~~

~~and~~

~~b) the normal capital required (margin required in the case of client account position) on the underlying common shares;~~

~~and~~

~~ii) 40% of the normal capital required (margin required in the case of client account positions) on the underlying common shares.~~

~~6) Long common shares, short capital shares and short preferred shares~~

~~Where common shares are carried long in an account and the account is also short both an equivalent number of capital shares and an equivalent number of preferred shares, the capital and margin requirements, for approved participants and client account positions respectively, must be equal to the sum of:~~

~~i) the lesser of:~~

~~a) the combined conversion loss, if any; or~~

~~b) the normal capital required (margin required in the case of client account positions) on the underlying common shares;~~

~~and~~

~~ii) where the capital and preferred shares cannot be tendered to the split share company for retraction directly for the underlying common shares at the option of the holder, 40% of the normal capital required (margin required in the case of customer account positions) on the underlying common shares.~~

7202B Instalment Receipts
(20.12.96, 13.09.05, abr. 00.00.00)

~~a) For the purposes of this article, the following definitions apply:~~

~~i) "instalment receipt" means a security issued by or on behalf of an issuer or a selling security holder that evidences partial payment for an underlying security and requires one or many subsequent payments by instalments in order to entitle the holder of the instalment receipt to delivery of the underlying security;~~

~~ii) "underlying security" means the security of an issuer purchased pursuant to an instalment receipt;~~

~~iii) "future payment(s)" means the unpaid payment or payments of the purchase price of an underlying security pursuant to an instalment receipt.~~

~~b) No approved participant must purchase or hold an instalment receipt pursuant to which the approved participant, or any nominee or holder for the approved participant including The Canadian Depository for Securities Limited or other depository (collectively a "nominee"), is required to make any payment (other than a payment made for the approved participant's own account as beneficial owner of the instalment receipt), unless the agreement, pursuant to which the instalment receipts are created and~~

~~issued, allows the approved participant or its nominee to be released from the responsibility to make any such payment, either by:~~

~~i) transfer of the instalment receipt to a person other than the approved participant, if there has been a failure to pay in full any instalment when due. In this regard, the agreement in question must provide that such transfer can take place at any time prior to the close of business (Montreal time) on the second business day following the default in payment and prior to the time the issuer's or selling security holder's rights, with respect to this default, can be exercised; or~~

~~ii) any other mechanism as may from time to time be approved by the Bourse.~~

~~c) If there has been a failure to pay in full any instalment when due pursuant to an instalment receipt and if such instalment receipt is registered in the name of the approved participant or its nominee, such approved participant must forthwith, within the time permitted by the applicable agreement pursuant to which the instalment receipts are created and issued, take all the necessary steps to be released from the responsibility to make any payment, including, if relevant, causing such instalment receipt to be transferred to another person.~~

~~d) Subject to sub-paragraphs e) and f) below, the margin or the capital required for an instalment receipt held, respectively, in a client account or in inventory must be the margin or the capital applicable to the underlying security.~~

~~e) The margin required for an instalment receipt in a client account must not exceed the market value of the instalment receipt.~~

~~f) Where the future payments exceed the market value of the underlying security, the capital required for an instalment receipt held in inventory must be the capital applicable to the underlying security plus (except in the case of a short position) the amount by which the future payments exceed the market value of the underlying security.~~

7203 Unlisted Securities Eligible to Margin
(01.04.93, 18.02.00, 13.09.05, 25.11.05, 28.09.07, abr. 00.00.00)

~~a) Provided there exists a verifiable market between dealers and securities brokers for positions in the following unlisted securities may be carried on margin on the same basis as prescribed for listed securities:~~

- ~~securities of Canadian banks;~~
- ~~securities of insurance companies licensed to do business in Canada;~~
- ~~securities of Canadian trust companies;~~
- ~~Securities of mutual funds qualified for sale by prospectus in any Canadian province, except money market mutual funds securities (as defined in Regulation 81-102 regarding mutual funds) which can be margined at a rate of 5%;~~
- ~~other senior securities of already listed companies;~~

- ~~unlisted securities in respect of which application has been made to list on a recognized stock exchange in Canada and approval has been given subject to the filing of relevant documents and of satisfactory evidence of distribution may be carried on margin for a period not exceeding 90 days from the date of such approval;~~

- ~~securities which qualify as legal for investment by Canadian life insurance companies, without recourse to the "basket clause";~~

- ~~all securities listed on the Nasdaq Stock Market^sm (Nasdaq National Market® and The Nasdaq SmallCap Market^sm).~~

~~b) The minimum margin required on all other unlisted securities not mentioned above must be as follows:~~

~~**Long Positions**~~	~~**Margin Required**~~
	~~100% of market value~~
~~**Short Positions**~~	~~**Credit Required**~~
~~Securities trading at $0.50 or more~~	~~200% of market value~~
~~Securities trading at less than $0.50~~	~~Market value plus $0.50 per share~~

7204 Bonds, Debentures, Treasury Bills and Notes
(01.07.86, 04.02.87, 15.09.89 30.04.91, 09.10.91, 01.03.93, 01.05.93, 05.07.93, 01.04.93, 27.05.97, 18.02.98, 29.08.01, 17.05.04, 13.09.05, 28.09.07, 01.05.08, abr 00.0.00)

~~GROUP I Governments of Canada, United States, United Kingdom and other foreign national governments~~

~~The margins required on bonds, debentures, Treasury bills, and other securities of or guaranteed by the Government of Canada, of the United States, of the United Kingdom and of any other national foreign government (provided such foreign government securities are currently rated Aaa or AAA by Moody's Investors Service Inc. or Standard & Poor's Corporation, respectively), and maturing (or called for redemption) in the periods indicated below, are as follows:~~

	~~**Margin Required**~~
~~1 year or less~~	~~1% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365.~~
~~over 1 year to 3 years~~	~~1% of market value~~
~~over 3 years to 7 years~~	~~2% of market value~~
~~over 7 years to 11 years~~	~~4% of market value~~
~~over 11 years~~	~~4% of market value~~

~~GROUP II Provinces of Canada and International Bank of Reconstruction and Development~~

~~The margins required on bonds, debentures, treasury bills and other securities of or guaranteed by any Province of Canada, bonds of the International Bank of Reconstruction and Development, and bonds and debentures guaranteed by the deposit in trust of a grant payable by a province in Canada covering the principal and the interest maturing, or called for redemption in the time periods indicated below are as follows:~~

	~~**Margin required**~~
~~1 year or less~~	~~2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365~~
~~over 1 year to 3 years~~	~~3% of market value~~
~~over 3 years t 7 years~~	~~4% of market value~~
~~over 7 years to 11 years~~	~~5% of market value~~
~~over 11 years~~	~~5% of market value~~

~~GROUP III Municipal, school and hospital corporations and religious orders~~

~~Margins required on bonds, debentures or notes (not in default) of or guaranteed by any municipal corporation in Canada or in the United Kingdom, maturing in the time periods indicated below, are as follows:~~

	~~**Margin required**~~
~~1 year or less~~	~~3% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365~~
~~over 1 year to 3 years~~	~~5% of market value~~
~~over 3 years to 7 years~~	~~5% of market value~~
~~over 7 years to 11 years~~	~~5% of market value~~
~~over 11 years~~	~~5% of market value~~

~~Bonds and debentures (not in default) of or guaranteed by any school corporation, religious order or hospital corporation in Canada, 5% of market value.~~

~~GROUP IV Other non-commercial bonds and debentures~~

~~The margin required on other non-commercial bonds and debentures (not in default), is equal to 10% of market value.~~

~~GROUP V Corporations and trust and mortgage loan companies – non-negotiable and non-transferable debt securities~~

~~The margins required on commercial and corporate bonds, debentures and notes (not in default) and non negotiable and non transferable trust company and mortgage loan company obligations registered in the approved participant's name, maturing in the time periods indicated below, are, subject to the provisions of paragraphs a1) to 6) hereafter, as follows :~~

	~~**Margin Required**~~
~~1 year or less~~	~~3% of market value~~
~~over 1 year to 3 years~~	~~6% of market value~~
~~over 3 years to 7 years~~	~~7% of market value~~
~~over 7 years to 11 years~~	~~10% of market value~~
~~over 11 years~~	~~10% of market value~~

~~1) if convertible and selling over par, the margin required must be the lesser of the two following amounts:~~

~~a) the sum of the two following elements :~~

~~i) the par value multiplied by the above rates;~~

~~ii) the excess of market value over the par value;~~

~~b) the maximum margin required for a convertible security calculated pursuant to paragraph 10 of article 7213;~~

~~2) if these securities are convertible and selling at or below par, the margin required must be the above rates multiplied by the market value;~~

~~3) if these securities are selling at 50% or less of the par value and if they are rated “B” or lower by either Dominion Bond Rating Service or by Canadian Bond Rating Service, the margin required must be 50% of the market value;~~

~~4) in the case of U.S. pay securities, if selling at 50% or less of the par value and if rated “B” or lower by either Moody’s or Standard & Poors, the margin required must be 50% of the market value;~~

~~5) if these securities are convertible and are residual debt instruments (zero coupon), the margin required is the lesser of the two following amounts :~~

~~a) the greater of~~

~~i) the margin required for a convertible debt instrument calculated pursuant to this Group V;~~

~~ii) the margin required for a residual debt instrument (zero coupon), calculated pursuant to Group XI of this article;~~

~~b) the maximum margin required for a convertible security calculated pursuant to paragraph 10 of article 7213;~~

~~6) where such commercial bonds, debentures and notes are debt securities of companies whose notes are acceptable notes, as defined in Group VI of the present article, then the margin requirements of this Group VI must apply.~~

~~GROUP VI Corporations and trust and mortgage loan companies – negotiable and transferable debt securities~~

~~The margins required on acceptable commercial, corporate and finance company notes, and trust company and mortgage loan company bonds, readily negotiable and transferable and maturing in the time periods indicated below are as follows:~~

	~~**Margin Required**~~
~~1 year or less~~	~~3% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365~~
~~over 1 year~~	~~apply rates for commercial and corporate bonds, debentures and notes~~

~~Acceptable commercial, corporate and finance company notes means notes issued by a company incorporated in Canada or in any province of Canada and a) having a net worth of not less than $10,000,000 or b) guaranteed by a company having a net worth of not less than $10,000,000 or c) a binding agreement exists whereby a company having a net worth of not less than $25,000,000 is obliged, as long as the notes are outstanding, to pay to the issuing company or to a trustee for the noteholders, amounts sufficient to cover all indebtedness under the notes where the borrower:~~

~~a) files annually under the applicable provincial legislation a prospectus relating to its notes which have a term to maturity of one year or less and provides to approved participants acting as authorized agents the following information in written form:~~

~~i) disclosure of limitation, if any, on the maximum principal amount of notes authorized to be outstanding at any one time;~~

~~ii) a reference to the bank lines of credit of the borrower or of its guarantor if a guarantee is required;~~

~~or~~

~~b) provides to approved participants acting as authorized agents an information circular or memorandum which includes or is accompanied by the following:~~

~~i) recent audited financial statements of the borrower or of its guarantor if a guarantee is required;~~

~~ii) an extract from the borrower's general borrowing by-law dealing with the borrower's corporate authorization to borrow;~~

~~iii) a true copy of a resolution of directors of the borrower certified by the borrower's secretary, and stating in substance:~~

~~[1] the limitation, if any, on the maximum amount authorized to be borrowed by way of issues or notes;~~

~~[2] those officers of the borrower company who may legally sign the notes by hand or by facsimile;~~

~~[3] the denomination in which notes may be issued;~~

~~iv) where notes are guaranteed, a certified copy of a resolution of directors of the guarantor company, authorizing the guarantee of such notes;~~

~~v) a certificate of incumbency and facsimile signatures of the authorized signing officers of the borrower and its guarantor, if any;~~

~~vi) specimen copies of the note or notes;~~

~~vii) a favorable opinion from the legal counsel of the borrower regarding the incorporation, the organization and the corporate status of the borrower, its corporate capacity to issue the notes and the due authorization by it of the issuance of the notes;~~

~~viii) where notes are guaranteed, a favorable opinion from the legal counsel of the guarantor regarding the incorporation, the organization and the corporate status of the guarantor, its capacity to guarantee the notes and the due authorization, validity and effectiveness of its guarantee;~~

~~ix) a summary setting forth the following:~~

~~[1] a brief historical summary of the borrowing company and of its guarantor, if any;~~

~~[2] the purpose of the issue;~~

~~[3] a reference to the bank lines of credit of the borrowing company or of its guarantor, if a guarantee is required;~~

~~[4] the denomination in which notes may be issued.~~

~~GROUP VII Bonds in default~~

~~The margin required on bonds in default must be equal to 50% of market value.~~

~~GROUP VIII Income bonds~~

~~The margins required on income bonds and debentures on which interest has been paid in full at the stated rate for the two preceding years as required by the related trust indenture which must specify that such interest be paid if earned, are as follows:~~

~~Currently paying interest at the stated rate:~~

~~**Margin required**~~

~~10% of market value~~

~~Not paying interest, or paying at less than the stated rate:~~

~~**Margin required**~~

~~50% of market value~~

~~GROUP IX British Columbia Government guaranteed parity bonds:~~

~~**Long Positions**: ¼ of 1% of par value or rates prescribed under Group II above;~~

~~**Short Positions**: rates prescribed under Group II above.~~

~~GROUP X Floating rate debt obligations:~~

~~50% of the rates of margin otherwise required. If margin is otherwise required in respect of excess market value over par, 100% of the margin rates otherwise required must apply to the excess market value.~~

~~For the purpose of this paragraph, the term "floating rate debt obligation" means a debt instrument described in Groups I, II, III and VI of the present article and in article 7205 for which the rate of interest is adjusted at least quarterly by reference to an interest rate for periods of 90 days or less.~~

~~This paragraph is applicable only to an account of a market-maker or to inventory accounts of an approved participant.~~

~~GROUP XI Stripped Coupons and Residual Debt Securities~~

~~1) The margin required for stripped coupons and residual debt securities, which is based on a percentage of the market value, is equal to:~~

~~a) for securities with a term to maturity of less than 20 years, one and a half times the margin rate applicable to the debt instrument which has been stripped or to which the detached coupon or other evidence of interest relates; and~~

~~b) for securities with a term of 20 years or more, three times the margin rate applicable to the debt instrument which has been stripped or to which the detached coupon or other evidence of interest relates.~~

~~In determining the term to maturity of a coupon or other evidence of interest, the payment date for such interest must be considered the maturity date. Margin in respect of residual debt instruments which are convertible into other securities must be determined in accordance with Group V of this article.~~

~~2) Where an approved participant or a client holds a short (or long) position in bonds or debentures denominated in Canadian dollars issued or guaranteed by either the Government of Canada or a Province of Canada and also holds a long (or short) position in the stripped coupons or residual portion of such debt securities, the margin required must be the excess of the margin required on the long (or~~

~~short) position over the margin required on the short (or long) position, provided that the net margin may only be determined as aforesaid on the basis that:~~

~~a) margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in stripped coupons or residual portion to the extent that the market value of the two positions is equal. No offset is permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position;~~

~~b) margin required in respect of bonds or debentures issued or guaranteed by the Government of Canada may only be netted against the margin required for the stripped coupons or residual portion of other Government of Canada securities which mature within the same periods referred to in Group I of the present article;~~

~~c) margin required in respect of bonds or debentures issued or guaranteed by a Province of Canada may only be netted against the margin required for the stripped coupons or residual portion of another Province of Canada securities which mature within the same periods referred to in Group II of the present article.~~

~~3) Notwithstanding the foregoing provisions of this Group XI, where an approved participant or a client holds:~~

~~a) a short (or long) position in bonds or debentures issued or guaranteed by the Government of Canada and a long (or short) position in the stripped coupons or residual portion of bonds or debentures issued or guaranteed by a province of Canada; or~~

~~b) a short (or long) position in bonds or debentures issued or guaranteed by a province of Canada and a long (or short) position in the stripped coupons or residual portion of bonds or debentures issued or guaranteed by the Government of Canada;~~

~~the margin required must be 50% of the total margin required for both positions otherwise determined under the Rules, provided that such margin may only be determined as aforesaid on the basis that:~~

~~i) margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in stripped coupons or residual portion to the extent that the market value of the two positions is equal, and no such netting is permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position;~~

~~ii) margin required in respect of bonds or debentures may only be netted against the margin required for the stripped coupons or residual portion of securities which mature within the same periods referred to in Group I and II of this article;~~

~~iii) the bonds and debentures and the stripped coupons or residual portion of such debt instrument must be denominated in Canadian dollars.~~

~~4) Where an approved participant holds a short (or long) position in bonds or debentures denominated in Canadian dollars issued by a corporation with a single A or higher rating by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard and Poor's Bond Record, and also holds a long (or short) position in the stripped coupon or residual portion of~~

~~such debt instruments, the margin required must be the lesser of 20% and the greater of the margin required on the long (or short) position and the margin required on the short (or long) position, provided that the margin may only be determined as aforesaid on the basis that:~~

~~a) the offset is permitted only to the extent that the market value of the two positions is equal, and no offset is permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position; and~~

~~b) margin required in respect of bonds or debentures issued by a corporation may only be offsetted against the margin required for the stripped coupons or residual portion of debt instruments of the same issuer, which mature within the same periods referred to in Group XI in this article for the purpose of determining margin rates.~~

~~5) Where an approved participant holds a short (or long) position in bonds or debentures denominated in a foreign currency referred to in Group I of this article and also holds a long (or short) position in the stripped coupons or residual portion of such debt instruments denominated in the same currency, the margin required must be the excess of the margin required on the long (or short) position over the margin required on the short (or long) position, provided that the net margin may only be determined as aforesaid on the basis that:~~

~~a) margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in stripped coupons or residuals to the extent that the market value of the two positions is equal, and no such netting or offset is permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position; and~~

~~b) margin required in respect of bonds or debentures issued or guaranteed by a particular government may only be netted against the margin required for the stripped coupon or residual portion of debt instruments of the same government, which mature within the same periods referred to in Group I of this article for the purpose of determining margin rates.~~

~~GROUP XII Mortgage-backed securities~~

~~On securities which are based upon mortgages and are guaranteed as to timely payment of principal and interest by the issuer or its agent, the margin rate is the rate prescribed in articles 7204, 7205 and 7206 applicable to the securities of such guarantor according to the relevant maturity plus an additional margin of 25% of such applicable rate.~~

~~Where an approved participant or a client holds a short (or long) position in bonds or debentures issued or guaranteed by the Government of Canada and also holds a long (or short) position in mortgage-backed securities guaranteed by the Government of Canada, the margin required must be the excess of the margin required on the long (or short) position over the margin required on the short (or long) position, provided that the net margin may only be determined as aforesaid on the basis that:~~

~~1) Margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in mortgage-backed securities to the extent that the market value of the two positions is equal. No netting or offset is permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position;~~

~~2) Margin required in respect of bonds or debentures may only be netted against the margin required for the mortgage-backed securities which mature within the same periods referred to in the present article for the purpose of determining margin rates; and~~

~~3) Notwithstanding the foregoing, if the market value of a long (or short) position in mortgage-backed securities exceeds the remaining principal amount of such position and the mortgages underlying such mortgage-backed securities position are subject to being repaid in full at the option of the mortgagee prior to maturity, the margin required must be the greater of the individual margins for (i) the long (or short) position in mortgage-backed securities as determined under the present paragraph or (ii) the short (or long) position in bonds or debentures as determined under Group I of this article.~~

7204A Pairing for Margin Purposes
(09.10.91, 27.05.97, 18.02.98, 19.08.98, 17.12.02, 01.01.05, 13.09.05, 27.02.06, 01.05.08, abr. 00.00.00)

~~1) Where an approved participant or a client~~

~~a) owns securities described in Group I or II of article 7204 whose maturity is over one year, and~~

~~b) has a short position in securities~~

~~i) issued or guaranteed by the same issuer of the securities referred to in a) (provided that for these purposes each of the provinces of Canada must be regarded as the same issuer as any other province);~~

~~ii) maturing over one year;~~

~~iii) maturing within the same periods for the purpose of determining margin rates for the securities referred to in a); and~~

~~iv) with a market value equal to the securities referred to in paragraph a) (with the intent that no pairing is permitted in respect of the market value of a long [or short] position which is in excess of the market value of the short [or long] position);~~

~~the two positions may be offset and the required margin must be computed with respect to the net long or net short position only. This rule also applies to future purchase and sale commitments.~~

~~2) Where an approved participant or a client~~

~~a) owns securities described in Group I or II of article 7204 maturing within one year, and~~

~~b) has a short position in securities~~

~~i) issued or guaranteed by the same issuer of the securities referred to in a) (provided that for these purposes, each of the provinces of Canada must be regarded as the same issuer as any other province);~~

~~ii) maturing within one year; and~~

~~iii) with a market value equal to the securities referred to in paragraph a) (with the intent that no offset is permitted in respect of the market value of a long [or short] position which is in excess of the market value of the short [or long] position);~~

~~then the margin required must be the excess of the margin on the long (or short) position over the margin required on the short (or long) position. This rule also applies to future purchase and sale commitments.~~

~~3) A) Where an approved participant or a client has a short and long position in the following groups of securities of article 7204, the total margin required in respect of both positions must be 50% of the greater of the margin required on the long or short position:~~

	Long (Short)		Short (Long)
~~a)~~	~~Group I (Canada only)~~	~~and~~	~~Group I (Canada only with different maturity bands)~~
~~b)~~	~~Group I (Canada only)~~	~~and~~	~~Group II (province of Canada only with identical or different maturity bands)~~
~~c)~~	~~Group I (Canada only)~~	~~and~~	~~Group III (municipality of Canada only)~~
~~d)~~	~~Group II (province of Canada only)~~	~~and~~	~~Group II (province of Canada only with different maturity bands)~~
~~e)~~	~~Group II (province of Canada only)~~	~~and~~	~~Group III (municipality of Canada only)~~

~~B) Where an approved participant or a client has a short and long position in the following groups of securities of article 7204, the total margin required in respect of both positions must be the greater of the margin required on the long or short position:~~

	Long (Short)		Short (Long)
~~f)~~	~~Group I (U.S. Treasury only)~~	~~and~~	~~Group I (Canada only)~~
~~g)~~	~~Group I (U.S. Treasury only)~~	~~and~~	~~Group II (province of Canada only)~~
~~h)~~	~~Group I (Canada and~~	~~and~~	~~Group III (municipality of Canada only) U.S. Treasury only)~~
~~i)~~	~~Group I (Canada and U.S. Treasury only)~~	~~and~~	~~Group V (corporate)~~
~~j)~~	~~Group II (province of Canada only)~~	~~and~~	~~Group III (municipality of Canada only)~~
~~k)~~	~~Group II (province of Canada only)~~	~~and~~	~~Group V (corporate)~~
~~l)~~	~~Group V (corporate)~~	~~and~~	~~Group V (corporate of the same issuer)~~

~~C) Furthermore, the offsets described above in paragraphs A) and B) may only apply if the following requirements are complied with:~~

~~i) securities offsets described in subparagraphs a), b) and d) can be of different maturity bands, all other offsetting positions must mature within the same periods referred to in article 7204 for the purpose of determining margin rates;~~

~~ii) securities described in Group III (municipality of Canada) of article 7204 are eligible for offsets described in subparagraphs c) and e) only if they have a long-term issuer credit rating of a single A or higher by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record;~~

~~iii) securities described in Group V (corporate) of article 7204 and securities described in article 7205 are eligible for offset only if they are not convertible and have a single A or higher rating by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record;~~

~~iv) securities in offsetting positions must be denominated in the same currency; and~~

~~v) the market value of the offsetting positions is equal and no offset is permitted in respect of the market value of the short (or long) position which is in excess of the market value of the long (or short) position.~~

~~For the purpose of this article, securities described in article 7205 are eligible for an offset identical to the one applicable to securities described in Group V of article 7204.~~

7204B Supplemental margin
(09.10.91, 01.04.93, 13.09.05, abr. 00.00.00)

~~For the purposes of articles 7204, 7205, 7206 and 7209, a supplemental margin shall be required in addition to the margin requirements prescribed elsewhere in the Rules, in respect of all securities evidencing a debt obligation of an issuer on the following basis:~~

~~1) A debt security issued by the Government of Canada maturing in each of the three periods below shall be monitored for price volatility in the primary markets in which approved participants trade such securities:~~

~~a) over 1 year to 3 years;~~
~~b) over 3 years to 7 years; and~~
~~c) over 7 years~~

~~2) The closing price of the relevant security on each trading day in the markets being monitored (a "base day") shall be compared to the closing price of such security on the next four trading days succeeding such base day. The first day of such four succeeding days on which the difference (negative or positive) between i) the closing price of this day and ii) the base day closing price, expressed as a percentage of the base day closing price, is greater than the margin rate prescribed for the relevant security under the rules shall be designated as an "offside base day". If an offside base day has been designated as such, that day shall be the new base day for the purpose of making further base day closing price comparisons as aforesaid.~~

~~For any 90 calendar day period, the percentage that the number of offside base days is to the total number of trading days in such period shall be determined. If such percentage exceeds 5% for any two of the three classes of debt securities being monitored, supplemental margin will be required for all debt securities in accordance with this article.~~

~~3) The amount of supplemental margin that may be required in respect of any securities shall be 50% of the margin otherwise required under articles 7204, 7205, 7206 and 7209.~~

~~4) The period of time during which supplemental margin shall be required shall not be less than 30 days.~~

~~5) The Bourse shall be responsible for monitoring the price volatility of debt securities and determining when supplemental margin is required in accordance with paragraph 2) and when the requirement for supplemental margin shall be revoked in accordance with paragraph 6).~~

~~6) If at any time after supplemental margin has been required for at least 30 days in accordance with paragraph 2), the percentage that the number of offside base days is to the total number of trading days for the immediately preceding 90 days period does not exceed 5%, the requirement for supplemental margin shall be revoked.~~

~~7) The Bourse shall notify approved participants of the imposition or revocation of the requirement for supplemental margin. Any such notification shall be communicated in writing to all approved participants immediately upon the determination that such supplemental margin must be imposed or revoked and such notice shall be effective not less than five business days after giving the notice.~~

7205 Bank Papers
(01.04.93, 13.09.05, abr. 00.00.00)

~~Deposit certificates, promissory notes, debentures or banker's acceptances issued by a Canadian chartered bank maturing:~~

	~~**Margin Required**~~
~~within 1 year or less~~	~~2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365~~
	~~**Margin required**~~
~~over 1 year~~	~~same rates as for commercial and corporate bonds, debentures and notes~~

7206 Foreign Bank and Company Acceptable Papers
(01.04.93, 13.09.05, abr. 00.00.00)

~~1) Foreign bank acceptable papers~~

~~Deposit certificates or promissory notes issued by a foreign bank, readily negotiable and transferable and maturing:~~

~~**Margin required**~~

~~within 1 year~~	~~2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365~~
~~over 1 year~~	~~same rates as for commercial and corporate bonds, debentures and notes~~

~~"Foreign bank acceptable papers" means deposit certificates or promissory notes issued by a bank other than a Canadian chartered bank with a net worth (capital and reserves) of not less than $200,000,000.~~

~~2) Foreign commercial, corporate and finance company acceptable notes~~

~~Foreign commercial, corporate and finance company acceptable notes readily negotiable and maturing:~~

~~**Margin Required**~~

~~within 1 year~~	~~3% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365~~
~~over 1 year~~	~~same rates as for commercial and corporate bonds, debentures and notes~~

~~" Foreign commercial, corporate and finance company acceptable notes" means promissory notes issued by a company, or guaranteed by a company incorporated in a country other than Canada, with a net worth of not less than $25,000,000 and which provides information equivalent to that required under Group VI of article 7204.~~

7207 Margin Requirements for Repurchase, Resale and Cash and Securities Loan Transactions
(01.01.94, 13.09.05, abr. 00.00.00)

~~1) For the purposes of the present article:~~

~~"repo" means an agreement to sell and repurchase securities;~~

~~"reverse repo (resale)" means an agreement to purchase and resell securities; and~~

~~"securities loan" means a cash and securities loan agreement where cash is to be paid by or delivered to the approved participant as part of the transaction.~~

~~2) Notwithstanding the requirements set out in the “Joint Regulatory Financial Questionnaire” and Report of Policy C-3 of the Bourse to make any provision out of an approved participant's capital in respect of a repo, reverse repo or securities loan, where:~~

~~a) the date of repurchase, resale or termination of the loan, as the case may be, is determined at the time of entering into the transaction; and~~

~~b) the amount of any compensation, price differential, fee, commission or other financing charge to be paid in connection with the repurchase, resale or loan is calculated according to a fixed rate (whether expressed as a price, a decimal or annual percentage or any other manner that does not vary until termination),~~

~~the margin in respect of the obligation of the approved participant thereunder must be determined in accordance with Group I of article 7204 , provided that this paragraph 2) does not apply in the case of an overnight repo, reverse repo or securities loan which for the purposes of this article means an obligation to repurchase, resell or terminate the loan within five (5) business days of the date the obligation is assumed. All calculations must be performed daily and must make full provision for any principal and return of capital then payable, all accrued interest, dividends or other distributions on securities used as collateral.~~

~~3) Where an approved participant~~

~~a) has entered into a repo, reverse repo or securities loan transaction as described in paragraph 2) and in respect of which the time period to the date of repurchase, resale or termination of the loan, as the case may be, is over one (1) year; and~~

~~b) has an offsetting position in a reverse repo, repo or securities loan transaction denominated in the same currency and within the same margin category based on maturity,~~

~~the two positions may be paired and the required margin computed with respect to the net position only.~~

~~4) Where an approved participant~~

~~a) has entered into a repo, reverse repo or securities loan transaction as described in paragraph 2) in respect of which the time to the date of repurchase, resale or termination of the loan is within one (1) year; and~~

~~b) has an offsetting position in a reverse repo, repo or securities loan transaction denominated in the same currency and maturing within one (1) year,~~

~~the margin required must be the difference between the margin on the two positions.~~

7208 Margin on Gold, Silver and Platinum
(27.01.87, 01.03.90, 01.04.93, 13.09.05, abr. 00.00.00)

~~The minimum amounts of margin which must be obtained from customers (and which must be maintained) on precious metals and on negotiable certificates on precious metals issued by Canadian chartered banks and trust companies authorized to do business in Canada are:~~

~~Gold :~~	~~10% of market value~~
~~Platinum and silver :~~	~~15% of market value.~~

7209 Mortgage - National Housing Act (N.H.A.)
(01.04.93, 13.09.05, abr. 00.00.00)

~~1) Mortgage insured under the National Housing Act:~~

~~6% of market value.~~

~~2) Conventional first mortgages held in approved participant or market makers inventories:~~

~~12% of market value or the rates set by chartered banks, whichever is greater.~~

7210 Margin requirements on Unhedged Foreign Exchange Positions
(03.09.96, 13.09.05, abr. 00.00.00)

~~Unhedged foreign exchange positions of an approved participant or customer of an approved participant must be margined in accordance with the present article. Foreign exchange positions are monetary assets and liabilities (as hereinafter defined) and must include currency spot transactions, futures contracts, forward contracts, swaps and any other transaction which results in exposure to foreign exchange rate risk.~~

~~**1) GENERAL PRINCIPLES**~~

~~A) Each unhedged foreign exchange position must be margined in the manner provided in the present article, on a currency by currency basis, according to the four currency groups defined in paragraph 5) at the following margin rates, subject to an adjustment to the margin rate of a group 1, 2 or 3 currency pursuant to sub-paragraph 5 C) of the present article:~~

	~~CURRENCY GROUPS~~			
	~~**1**~~	~~**2**~~	~~**3**~~	~~**4**~~
~~Spot Risk Margin Rate~~	~~1.0%~~	~~3.0%~~	~~10.0%~~	~~25.0%~~
~~Term Risk Margin Rate~~	~~1.0%~~	~~3.0%~~	~~5.0%~~	~~12.5%~~

~~B) All calculations in respect of unhedged positions must be made on a trade date basis.~~

~~C) Approved participants are permitted, at their option, to margin certain inventory positions in accordance with paragraph 3, instead of the other applicable provisions of this article.~~

~~D) References to conversion to Canadian dollars at the spot exchange rate must be to the rate quoted by a recognized quote vendor for contracts with a term to maturity of one day.~~

~~E) Monetary assets and liabilities are assets and liabilities, respectively, of an approved participant in respect of money and claims to money, whether denominated in foreign or domestic currency, which are fixed by contract or otherwise.~~

~~F) Long or short currency futures contracts held in inventory and listed on a recognized exchange, which are included in the unhedged foreign exchange calculations hereunder, are not required to be margined pursuant to articles 14201 and 14209.~~

~~G) Approved participants are permitted, at their option, to exclude non-allowable monetary assets from monetary assets for the purpose of calculating the margin requirements under the present article.~~

~~H) For the purpose of this article, the Chicago Mercantile Exchange and the Philadelphia Board of Trade are deemed to be recognized exchanges.~~

~~2) FOREIGN EXCHANGE MARGIN REQUIREMENTS~~

~~The margin requirements for foreign exchange positions must correspond to the aggregate of the spot risk margin requirement and the term risk margin requirement, calculated based on the spot risk margin rate and the term risk margin rate, respectively, specified in sub-paragraph 1 A) of this article.~~

~~A) Spot Risk Margin requirement~~

~~i) The spot risk margin requirement must apply to all monetary assets and liabilities, regardless of term to maturity.~~

~~ii) The spot risk margin requirement must be calculated as the product of the net monetary position and the spot risk margin rate.~~

~~iii) Monetary assets and liabilities will be considered to be spot positions, unless they have a term to maturity of more than 3 days.~~

~~iv) The spot risk margin requirement must be converted to Canadian dollars at the then current spot exchange rate.~~

~~B) Term Risk Margin requirement~~

~~i) The term risk margin requirement must apply to all monetary assets and liabilities which have a term to maturity of more than 3 days, the term to maturity being defined as the amount of time to when the right to the monetary asset or the obligation to satisfy monetary liability expires.~~

~~ii) The term risk margin requirement is calculated as the product of the market value of the monetary asset or liability, the weighting factor and the term risk margin rate. The weighting factor of a monetary asset or liability having a term to maturity of 2 years or less must correspond to the number of days to maturity of the monetary asset or liability divided by 365 days, provided that if the term to maturity is 3 calendar days or less, the weighting factor must be zero.~~

~~iii) The term risk margin rate for an unhedged foreign exchange position must not exceed the following rates:~~

	~~CURRENCY GROUPS~~			
	~~1~~	~~2~~	~~3~~	~~4~~
~~Maximum Term Risk Margin Rate~~	~~4.0%~~	~~7.0%~~	~~10.0%~~	~~25.0%~~

~~iv) Where the approved participant has both monetary assets and monetary liabilities, the term risk margin requirements may be netted as follows:~~

~~i) 2 years or less to maturity~~

~~The term risk margin requirements in respect of monetary assets or liabilities denominated in the same currency, which both have a term to maturity of 2 years or less, must correspond to the net of the term risk margin requirements of the monetary assets and liabilities;~~

~~ii) Over 2 years to maturity~~

~~The term risk margin requirements in respect of monetary assets or liabilities denominated in the same currency, which both have a term to maturity of more than 2 years, must correspond to the greater of the term risk margin requirements of the monetary assets and liabilities;~~

~~iii) Provisos~~

~~a) The term risk margin requirements in respect of monetary assets or liabilities denominated in the same currency, where one has a term to maturity of 2 years or less and the other has a term to maturity of more than 2 years and which have a difference in their respective terms to maturity of 180 days or less, must correspond to the net of the term risk margin requirements of the monetary assets and liabilities.~~

~~b) Where an approved participant has offsetting positions, one having a term to maturity of 2 years or less and the other having a term to maturity of more than 2 years, the sum of the term risk margin requirements of the offsetting positions must not exceed the product of the market value which is offsetted and the following rates:~~

	~~CURRENCY GROUPS~~			
	~~1~~	~~2~~	~~3~~	~~4~~
	~~5.0%~~	~~10.0%~~	~~20.0%~~	~~50.0%~~

~~v) The term risk margin requirement must be converted to Canadian dollars at the then current spot exchange rate; and~~

~~vi) The sum of the security margin requirement and of the foreign exchange margin requirement must not exceed 100%.~~

~~3) ALTERNATIVE MARGIN ON FUTURES AND FORWARD CONTRACTS HELD IN INVENTORY~~

~~As an alternative to the foreign exchange margin requirement determined under the present article, for futures contracts and forward contracts positions held in inventory and denominated in a currency for which a currency futures contract is traded on a recognized exchange, the foreign exchange margin requirement may be calculated as follows:~~

~~A) Futures Contracts~~

~~Foreign exchange positions consisting of futures contracts may be margined at the margin rates prescribed by the exchange on which such futures contracts are listed.~~

~~B) Forward Contracts Pairings~~

~~Forward contracts positions which are not denominated in Canadian dollars may be margined as follows:~~

~~i) the margin must be the greater of the margin as prescribed in paragraphs 1) and 2) of this article for each position; and~~

~~ii) two forward contracts held by an approved participant which (a) have one currency common to both contracts, (b) are for the same settlement date and (c) have equal and offsetting amounts of common currency positions may be treated as a single contract for the purposes of this sub-paragraph 3 B).~~

~~C) Futures and Forward Contract Pairings~~

~~Futures contracts and forward contracts positions which are not denominated in Canadian dollars may be margined as follows:~~

~~i) a) margin must be the greater of the margin as prescribed in paragraphs 1) and 2) of this article for each position;~~

~~b) margin rates applicable to unhedged positions under this sub-paragraph 3 C) must be the rates established by the present article and not the rates prescribed by the exchange on which the futures contracts are listed; and~~

~~ii) two forward contracts held by an approved participant which (a) have one currency common to both contracts, (b) have the same settlement date and (c) have equal and offsetting amounts of common currency positions may be treated as a single contract for the purposes of this sub-paragraph 3 C).~~

~~4) CLIENT ACCOUNTS MARGIN~~

~~Unhedged foreign exchange positions of clients must be margined in accordance with paragraphs 1, 2, and 5 of this article, provided that:~~

~~i) no margin is required in respect of the accounts of clients who are acceptable institutions, as defined in Policy C-3 of the Bourse entitled "Joint Regulatory Financial Questionnaire and Report";~~

~~ii) the margin required in respect of acceptable counterparties and regulated entities, as defined in Policy C-3 of the Bourse entitled "Joint Regulatory Financial Questionnaire and Report", must be calculated on a mark-to-market basis;~~

~~iii) the margin required in respect of foreign exchange positions (excluding cash balances) held in accounts of clients who are classified as other counterparties, as defined in Policy C-3 of the Bourse entitled "Joint Regulatory Financial Questionnaire and Report", which are denominated in a currency other than the currency of the account, must correspond to the aggregate of the security margin requirement and the foreign exchange margin requirement, provided that where the margin rate applicable to the security is greater than the spot risk margin rate specified in sub-paragraph 1 A) of this article, the foreign exchange margin requirement must be nil. The sum of the security margin requirement and the foreign exchange margin requirement must not exceed 100%; and~~

~~iv) listed futures contracts must be margined in the same manner as prescribed in articles 14201 and 14209.~~

~~5) CURRENCY GROUPS~~

~~A) Currency Groups Criteria~~

~~The qualitative and quantitative criteria for each currency group are as follows:~~

~~Group 1~~

- ~~the volatility of the currency must be below the volatility threshold specified in sub-paragraph 5 B) i) of this article; and~~
- ~~it is the primary intervention currency of the Canadian dollar.~~

~~Group 2~~

- ~~the volatility of the currency must be below the volatility threshold specified in sub-paragraph 5 B i) of this article; and~~
- ~~there must be a daily quoted spot rate by a Canadian Schedule 1 chartered bank, and one of the following:~~
  - ~~a daily quoted spot rate by a member of the European Monetary System and a participant in the Exchange Rate Mechanism; or~~
  - ~~a listed futures contract for the currency on a recognized exchange.~~

~~**Group 3**~~

- ~~the volatility of the currency must be below the volatility threshold specified in sub-paragraph 5 B) i) of this article;~~

- ~~there must be a daily quoted spot rate by a Canadian Schedule 1 chartered bank; and~~

- ~~the currency must be of a member country of the International Monetary Fund with Article VIII status, and there are no capital payment restrictions as they relate to security transactions.~~

~~**Group 4**~~

- ~~None~~

~~**B) Monitoring adherence to currency groups criteria**~~

~~The Vice-President of the Regulatory Division of the Bourse is responsible for monitoring the adherence of each group 1, 2 or 3 currency to the quantitative and qualitative criteria described in sub-paragraph 5 A) of the present article.~~

~~i) Currency Volatility~~

~~The volatility of each group 1, 2 or 3 currency must be monitored as follows:~~

~~The Canadian dollar equivalent closing price on each of the four trading days succeeding the "base day" must be compared to the base day closing price. The first of four succeeding trading days on which the percentage change in price (negative or positive) between the closing price on the succeeding day and the closing price on the base day is greater than the unhedged positions margin rate prescribed for this currency in sub-paragraph 1 A) of this article must be designated an "offside base day".~~

~~If an offside base day has been designated, this offside base day must be designated as a new base day for the purpose of making further base day closing price comparisons, as aforesaid. If the number of offside base days during any 60 trading days period is greater than 3, the currency shall be deemed to have exceeded the volatility threshold of the currency group.~~

~~ii) Qualitative Criteria~~

~~The vice-president of the Regulatory Division of the Bourse, at least on an annual basis, must assess the adherence, by each currency in a group, to the qualitative criteria of this currency group to determine whether the currency continues to satisfy the qualitative criteria of the currency group.~~

~~**C) Foreign Exchange Margin Surcharge**~~

~~If the volatility of a group 1, 2 or 3 currency exceeds the volatility threshold defined in sub-paragraph 5 B) i), then the margin rate must be increased by increments of 10% until the application of the increased margin rate results in no more than two offside base days during the preceding 60 trading days. The increased margin rate must apply for a minimum of 30 trading days and must be automatically decreased~~

~~to the margin rate otherwise applicable when, after such 30 trading day period, the volatility of the currency is less than the volatility threshold defined in sub-paragraph 5 B) i) of the present article.~~

~~The vice-president of the Regulatory Division of the Bourse is responsible for determining the required increase or decrease in foreign exchange margin rates under this sub-paragraph 5 C) of this article.~~

~~**D) Currency Groups Downgrades and Upgrades**~~

~~Where:~~

~~i) the vice-president of the Regulatory Division of the Bourse determines that a particular currency no longer satisfies the criteria of this currency group, as defined in sub-paragraph 5 A) of this article; or~~

~~ii) an approved participant has provided to the vice-president of the Regulatory Division of the Bourse information demonstrating that a currency satisfies the criteria specified in sub-paragraph 5 A) of this article for a currency group other than the one for which the currency is then designated, and the vice-president of the Regulatory Division of the Bourse has verified such information to his or her satisfaction, the vice-president of the Regulatory Division of the Bourse must decide that the currency be moved to the currency group with the lower or higher margin rate, as the case may be, and notify approved participants of the change.~~

~~**E) Foreign Exchange Concentration Capital Charge**~~

~~When, in respect of any group 2, 3 or 4 currency, the aggregate of the foreign exchange margin provided under the present article on an approved participant's monetary assets and liabilities and the foreign exchange margin on client accounts exceeds 25% of the firm's net allowable assets, net of minimum capital required (as determined for the purposes of the Joint Regulatory Financial Questionnaire and Report of Policy C-3 of the Bourse), a concentration capital charge, in addition to the foreign exchange margin already provided under this article, must apply. The concentration capital charge must be equal to the amount of the foreign exchange margin provided under this article, which is in excess of 25% of the approved participant's net allowable assets, net of minimum capital required.~~

7211 Approved Participant Accounts
(01.04.93, 13.09.05, abr. 00.00.00)

~~1) Securities carried by approved participants and restricted trading permit holders in inventory, trading, arbitrage and joint accounts are subject to the margin requirements of this section, subject to the exceptions provided in article 7213.~~

~~2) Income tax on unrealized profit on inventory position may be deducted from the margin required on such position for a maximum deduction equal to the lesser of the income tax or the margin required.~~

7212 Margin Calculations
(01.04.93, abr. 00.00.00)

~~Margins may be calculated on a settlement (value) date basis.~~

7213 Exceptions to Margin Rules

(30.11.86, 15.12.86, 01.06.88, 01.01.92, 15.01.93, 10.05.93, 01.04.93, 25.02.94, 12.03.97, 21.12.98, 29.08.01, 18.07.03, 01.01.04, 17.05.04, 01.01.05, 13.09.05, 01.03.07, 28.09.07, abr. 00.00.00)

~~Exceptions to the margin rules are the following:~~

~~1) No margin is required in respect of:~~

~~a) securities which have been called for cash redemption, pursuant to the terms and conditions attached thereto; or~~

~~b) securities for which a legal and binding cash offer to purchase has been made in respect of which any conditions have been met.~~

~~Provided that such securities are not carried for an amount in excess of the price offered, and all legal requirements have been met and all regulatory, competition bureau and court approvals to proceed with the redemption call or offer have been received and verified.~~

~~In the event that a cash offer is made for a fraction of the issued and outstanding class of securities, the above reduced margin requirements shall only apply to the same fraction of the position held in a particular account for that class of securities.~~

~~c) deposit certificates issued by a Canadian chartered bank or a trust company in Canada qualifying as an acceptable institution or an acceptable counterparty, as these terms are defined in Policy C-3 of the Bourse, and having a 24-hour call feature that would not reduce the principal amount received on redemption if applicable.~~

~~2) Margin requirements for potential liability under an underwritten rights or warrants agreement.~~

~~Where an underwriter has a commitment to purchase securities in connection with a rights or warrants offering, such commitment must be margined at the following rates:~~

~~a) if the market value of the security which can be acquired pursuant to the exercise of the rights or warrants is below the subscription price, the underwriter's commitment must be valued at the current market price for the security and the margin rates applicable to the security must be applied;~~

~~b) if the market value of the security is equal to or greater than the subscription price, the commitment must be margined at rates, calculated on the subscription price, equal to the following percentage of the margin rate applicable to the security under the present section:~~

~~50%, where market value is 100% to 105% of the subscription price;~~

~~30%, where market value is more than 105% but not more than 110% of the subscription price;~~

~~10% where market value is more than 110% but not more than 125% of the subscription price;~~

~~no margin is required where market value is more than 125% of the subscription price.~~

~~3) Securities eligible to a reduced margin rate~~

~~The margin required is 25% of the market value if such securities held by an approved participant are:~~

~~i) on the list of securities eligible to a reduced margin rate as approved by a recognized self-regulatory organization and such securities continue to trade at $2.00 or more;~~

~~ii) securities against which options issued by the Options Clearing Corporation are traded;~~

~~iii) convertible into securities that qualify under the subparagraph i) or subparagraph ii);~~

~~iv) non-convertible preferred and senior shares of an issuer any of whose securities qualify under subparagraph i); or~~

~~v) securities whose original issuance generated Tier 1 capital for a financial institution any of whose securities qualify under subparagraph i) and the financial institution is under the regulatory oversight of the Office of the Superintendent of Financial Institutions of Canada.~~

~~For the purpose of the present paragraph 3), the Bourse and the Investment Dealers Association of Canada are designated as recognized self-regulatory organizations.~~

~~4) Whenever the Bourse decides not to open for trading any additional options of the class covering that underlying security according to article 6605, the margin rate as permitted in paragraph 3) of this article remains in force up to the expiration of the last series of options.~~

~~5) Any security which is part of a control block has no loan value for margin calculation purposes, except to the extent that the control block constitutes any or all of the securities which an approved participant has an obligation or commitment to acquire, or has acquired, under a prospectus filing. In such case, the appropriate margin requirement provided for in article 7224 applies as long as the criteria in said article have been met. For the purpose of the present paragraph, a "control block" means a sufficient number of any securities of the same issuer to affect materially the control of that issuer. In the absence of evidence to the contrary, any holding by any person, company or combination of persons or companies of more than 20% of the outstanding voting securities of an issuer is deemed to affect materially the control of that issuer.~~

~~6) Where the account of an approved participant, a market-maker or a restricted trading permit holder contains preferred shares for which the principal and dividends are unconditionally guaranteed by the Canadian government or a provincial government, the margin rate for these securities must be 25% of their market value.~~

~~7) For the purposes of this paragraph, the term "floating rate preferred share" means a special or a preferred share, for which the rate of dividend fluctuates at least quarterly, in relation with a prescribed short-term interest rate.~~

~~The margin rates applicable to floating rate preferred shares are the following ones:~~

~~i) 50% of the margin rate that applies to the related junior security of the issuer multiplied by the market value of the floating rate preferred shares;~~

~~ii) If the floating rate preferred shares are selling over par and are convertible into other securities of the issuer, the margin required must be the lesser of:~~

~~A) the sum of:~~

~~I) the effective rate determined in subparagraph i) above multiplied by par value; and~~

~~II) the excess of market value over par value;~~

~~and~~

~~B) the maximum margin requirement for a convertible security calculated pursuant to paragraph 10 of this article.~~

~~iii) 50%, if the issuer of the shares is in default of the payment of any dividend on the shares, in which case, the foregoing clauses are not applicable.~~

~~8) Consideration other than cash to be obtained following an offer~~

~~a) For the purpose of computing the margin on shares which are the subject of an offer, and in respect of which all conditions have been met, the margin required may be computed on the consideration, other than cash, that would be obtained upon acceptance of the offer. The margin rate to be used is the one prescribed in articles 7201 and following on the consideration to be obtained.~~

~~b) Where the offer is made for less than 100% of the issued and outstanding shares, the preceding principle must be applied pro rata in the same proportion as the offer.~~

~~9) Bank warrants for governments securities~~

~~The margin required on bank warrants for government securities must be 100% of the margin rate which is required in respect of the securities to which the holder of the warrant is entitled upon exercise of the warrant provided that, in the case of a long position, margin need not exceed the market value of the warrant.~~

~~For the purpose of this paragraph, bank warrants for government securities means warrants issued by a Canadian chartered bank which are listed on any recognized stock exchange or on any other listing organization referred to in paragraph 1) of article 7202, and which entitle the holder to purchase securities issued by the Government of Canada or any province thereof.~~

~~10) Maximum Margin Required for Convertible Securities~~

~~The margin required for a security that is currently convertible or exchangeable into another security (the "underlying security") need not exceed the sum of:~~

~~i) the margin required for the underlying security; and~~

~~ii) any excess of the market value of the convertible or exchangeable security over the market value of the underlying security.~~

7214 Discretionary Margin
(01.04.93, 13.09.05, abr. 00.00.00)

~~The Bourse may, whenever it determines that market conditions so warrant, prescribe higher margin requirements with respect to specific listed or unlisted securities.~~

~~Without in anyway limiting the generality of the foregoing paragraph, the following are examples of higher margin requirements:~~

~~1) a provision for 100% margin on specific securities halted or suspended from trading;~~

~~2) the establishment of a fixed maximum price above which long securities positions must not be priced for margin purposes;~~

~~3) a provision for prior appropriate margin.~~

7215 Maturity Date for Bonds with Embedded Options
(28.04.03, abr. 00.00.00)

~~A) For the purposes of the present article:~~

~~**Callable Debt Security** means a security which allows the issuer to redeem the security at a fixed price (the call price), subject to the call protection period.~~

~~**Call Protection Period** means the period of time during which the issuer cannot redeem a callable debt security.~~

~~**Extendible Debt Security** means a security which allows the holder of the security, during a fixed time period, to extend the maturity date of the security to the extension maturity date, and to change the principal amount of the security to a fixed percentage (the extension factor) of the original principal amount.~~

~~**Extension Election Period** means the period of time during which the holder may elect to extend the maturity date and change the principal amount of an extendible debt security.~~

~~**Retractable Debt Security** means a security which allows the holder of the security, during a fixed time period, to retract the maturity date of the security to the retraction maturity date and to change the principal amount of the security to a fixed percentage (the retraction factor) of the original principal amount.~~

~~**Retraction Election Period** means the period of time during which the holder may elect to retract the maturity date and change the principal amount of a retractable debt security.~~

~~B) A callable debt security may, at the approved participant's election, be deemed to have a maturity date equal to:~~

~~i) the original maturity date, if the market price of the callable debt security is trading at or below 101% of the call price; or~~

~~ii) the first business day after the call protection period, if the market price of the callable debt security is trading above 101% of the call price.~~

~~C) An extendible debt security may, at the approved participant's election, be deemed to have a maturity date equal to:~~

~~i) the original maturity date, if the extension election period has not expired and the market value of the extendible debt security is trading at or below the extension factor multiplied by the current principal amount; or~~

~~ii) the extension maturity date, if the extension election period has not expired and the market value of the extendible debt security is trading above the extension factor multiplied by the current principal amount; or~~

~~iii) the original maturity date, if the extension election period has expired.~~

~~D) A retractable debt security may, at the approved participant's election, be deemed to have a maturity date equal to:~~

~~i) the original maturity date, if the retraction election period has not expired and the market value of the retractable debt security is trading at or above the retraction factor multiplied by the current principal amount; or~~

~~ii) the retraction maturity date, if the retraction election period has not expired and the market value of the retractable debt security is trading below the retraction factor multiplied by the current principal amount; or~~

~~iii) the original maturity date, if the retraction period has expired.~~

7216 Margin Requirements on Options
(01.04.93, abr. 13.09.05)

7224 Margin Requirements for Underwriting Commitments
(01.06.88, 19.08.93, 01.03.05, abr. 00.00.00)

~~a) In the present article, the expression:~~

~~i) "appropriate documentation" with respect to the portion of the underwriting commitment where expressions of interest have been received from exempt purchasers means, at a minimum:~~

~~A) that the lead manager has a record of the final affirmed exempt purchaser allocation indicating for each expression of interest:~~

~~I) the name of the exempt purchaser;~~

~~II) the name of the employee of the exempt purchaser accepting the amount allocated;~~

~~III) the name of the representative of the lead underwriter responsible for affirming the amount allocated to the exempt purchaser; and~~

~~IV) the date and time of the affirmation,~~

~~and~~

~~B) that the lead manager has notified in writing all the banking group participants when the entire allotment to exempt purchasers has been affirmed pursuant to paragraph A) above so that all banking group participants may take advantage of the reduction in the capital requirement.~~

~~Under no circumstances may the lead manager reduce its own capital requirement on an underwriting commitment due to such expressions of interest from exempt purchasers without providing notification to the rest of the banking group.~~

~~ii) a "commitment" pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities means, where all other non-pricing agreement terms have been agreed to, where two of the following three pricing terms have been agreed to:~~

~~A) issue price;~~

~~B) number of shares;~~

~~C) commitment amount [issue price x number of shares].~~

~~iii) "disaster out clause" means a provision in an underwriting agreement substantially in the following form:~~

~~"The obligations of the underwriter (or any of them) to purchase the securities under this agreement may be terminated by the underwriter (or any of them) at its option by written notice to that effect to the issuer at any time prior to the closing if there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence or any law or regulation which, in the opinion of the underwriter, seriously affects adversely, or involves, or will seriously affect adversely, or involve, the financial markets or the business, operations or affairs of the issuer and its subsidiaries taken as a whole".~~

~~iv) "exempt purchasers" means all persons with whom the issuer could, pursuant to applicable securities laws, proceed with the sales of securities without having the obligation to produce a prospectus if such sales were made exclusively to these persons.~~

~~v) "market out clause" means a provision in an underwriting agreement which permits an underwriter to terminate its commitment to purchase in the event of unsaleability due to market conditions, substantially in the following form:~~

~~"If, after the date hereof and prior to the time of closing, the state of financial markets in Canada or elsewhere where it is planned to market the securities is such that, in the reasonable opinion of the underwriters (or any of them), the securities cannot be marketed profitably, any underwriter must be entitled, at its option, to terminate its obligations under this agreement by notice to that effect given to the issuer at or prior to the time of closing".~~

~~vi) "new issue letter" means an underwriting loan facility in a form satisfactory to the Bourse. Where the provider of the new issue letter is other than an acceptable institution, the funds that can be drawn pursuant to the letter must either be fully collateralized by high-grade securities or held in escrow with an acceptable institution.~~

~~Under the terms of the new issue letter, the letter issuer must:~~

~~A) provide an irrevocable commitment to advance funds based only on the strength of the new issue and the approved participant;~~

~~B) advance funds to the approved participant for any portion of the commitment not sold:~~

~~I) for an amount based on a stated loan value rate;~~

~~II) at a stated interest rate; and~~

~~III) for a stated period of time,~~

~~and~~

~~C) under no circumstances, in the event that the approved participant is unable to repay the loan at the termination date, resulting in a loss or potential loss to the letter issuer, have or seek any right of set-off against:~~

~~I) collateral held by the letter issuer for any other obligations of the approved participant or the approved participant's clients;~~

~~II) cash on deposit with the letter issuer for any purpose whatsoever; or~~

~~III) securities or other assets held in a custodial capacity by the letter issuer for the approved participant either for its own account or for the approved participant's clients,~~

~~in order to recover the loss or potential loss.~~

~~vii) "normal margin" means margin otherwise required by the Rules.~~

~~viii) "normal new issue margin" means:~~

~~A) where the market value of the security is $2.00 per share or more and the security qualifies for a reduced margin rate pursuant to paragraph 3 of article 7213, 60% of normal margin for the period from the date of commitment to the business day prior to settlement date and 100% of normal margin from settlement date on; or~~

~~B) where the market value of the security is $2.00 per share or more and the security does not qualify for a reduced margin rate pursuant to paragraph 3 or article 7213, 80% of normal margin for the period from the date of commitment to the business day prior to settlement date and 100% of normal margin from settlement date on; or~~

~~C) where the market value of the security is less than $2.00 per share, 100% of normal margin.~~

~~b) Where an approved participant has a commitment pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities, the following margin rates are prescribed:~~

~~**i) without new issue letter:**~~

~~A) in the case where the underwriting agreement includes neither a disaster out clause nor a market out clause:~~

~~normal new issue margin from the date of commitment;~~

~~B) in the case where the underwriting agreement includes a disaster out clause:~~

~~50% of normal new issue margin from the date of the commitment until settlement date or the expiry of the disaster out clause, whichever is earlier. Thereafter margin as required in A) above applies;~~

~~C) in the case where the underwriting agreement includes a market out clause:~~

~~10% of normal new issue margin from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier. Thereafter margin as required in A) above applies;~~

~~D) in the case where the underwriting agreement includes a disaster out clause and a market out clause:~~

~~10% of normal new issue margin from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier. Thereafter margin as required in A), B) and C) above applies.~~

~~**ii) with new issue letter:**~~

~~A) in the case where the underwriting agreement includes neither a disaster out clause nor a market out clause:~~

~~10% of normal new issue margin from the date of the letter to the business day prior to settlement date or when the new issue letter expires, whichever is earlier;~~

~~10% of normal new issue margin from settlement date to 5 business days after settlement date or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn;~~

~~25% of normal new issue margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn;~~

~~50% of normal new issue margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn;~~

~~75% of normal new issue margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn;~~

~~otherwise, the normal new issue margin is required;~~

~~B) in the case where the underwriting agreement includes a disaster out clause:~~

~~10% of normal new issue margin from the date of the commitment until the settlement date or the expiry of the disaster out clause, whichever is earlier. Thereafter margin as required in A) above applies;~~

~~C) in the case where the underwriting agreement includes a market out clause:~~

~~5% of normal new issue margin from the date of commitment until the settlement date or the expiry of the market out clause, whichever is earlier. Thereafter margin as required in A) above applies;~~

~~D) in the case where the underwriting agreement includes a disaster out clause and a market out clause:~~

~~5% of normal new issue margin from the date of commitment until the settlement date or the expiry of the market out clause, whichever is earlier. Thereafter margin as required in A), B) and C) above applies.~~

~~If the margin rates prescribed above in respect of commitments for which a new issue letter is available are less than the margin rates required by the issuer of such letter, the higher rates required by the issuer must be applied.~~

~~c) Where an approved participant has a commitment pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities and the approved participant has determined through obtaining appropriate documentation:~~

~~I) that the allocation between retail and exempt purchasers has been finalized;~~

~~II) that expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed;~~

~~III) that there is unlikely to be a significant renege rate on the expressions of interest received from exempt purchasers; and~~

~~IV) that the approved participant is not significantly leveraging its underwriting activities through the use of the capital requirement reduction provided on that portion of the underwriting commitment where expressions of interest have been received from exempt purchasers.~~

~~The following margin rates must be applied for the portion of the commitment allocated to exempt purchasers:~~

~~**i) without new issue letter:**~~

~~A) in the case where the underwriting agreement includes neither a market out clause nor a disaster out clause:~~

~~- From the date that the expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed until the date the sales are contracted:~~

~~- 20% of normal new issue margin is required, provided the current market value of the commitment is at or above 90% of new issue value (90% x issue price x number of shares);~~

~~- 40% of normal new issue margin is required, provided the current market value of the commitment is at or above 80% of new issue value (80% x issue price x number of shares) but less than 90% of new issue value;~~

~~- otherwise, normal new issue margin is required;~~

~~B) in the case where the underwriting agreement includes a disaster out clause:~~

~~- from the date that the expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed until the date the sales are contracted:~~

~~- 20% of normal new issue margin is required, provided the current market value of the commitment is at or above 90% of new issue value (90% x issue price x number of shares);~~

~~- 40% of normal new issue margin is required, provided the current market value of the commitment is at or above 80% of new issue value (80% x issue price x number of shares) but less than 90% of new issue value;~~

~~- otherwise normal new issue margin is required;~~

~~C) in the case where the underwriting agreement includes a market out clause:~~

~~- margin required is the one prescribed in paragraph b) i) C) above;~~

~~D) in the case where the underwriting agreement includes a disaster out clause and a market out clause:~~

~~- margin required is the one prescribed in paragraph b) i) D) above.~~

~~**ii) with new issue letter:**~~

~~A) in the case where the underwriting agreement includes neither a disaster out clause nor a market out clause:~~

~~- margin required is the one prescribed in paragraph b) ii) A) above;~~

~~B) in the case where the underwriting agreement includes a disaster out clause:~~

~~- margin required is the one prescribed in paragraph b) ii) B) above;~~

~~C) in the case where the underwriting agreement includes a market out clause:~~

~~margin required is the one prescribed in paragraph b) ii) C) above;~~

~~D) in the case where the underwriting agreement includes a disaster out clause and a market out clause:~~

~~margin required is the one prescribed in paragraph b) ii) D) above.~~

~~d) Concentration~~

~~Where the normal new issue margin required is reduced by a new issue letter or by a qualifying expressions of interest received from exempt purchasers that have been verbally affirmed but not yet contracted, the approved participant must determine if there is any concentration by doing the calculations prescribed in the Joint Regulatory Financial Questionnaire and Report.~~

~~e) In determining the amount of an approved participant's commitment pursuant to an underwriting agreement or banking group agreement for the purposes of paragraphs b), c) and d) above, receivables from members of the banking or selling groups in respect of their obligations to take down a portion of a new issue of securities may be deducted from the liability of the approved participant to the issuer.~~

7226 Margin on Swaps
(01.05.92, 01.04.93, 01.01.04, 13.09.05, 08.09.08, abr. 00.00.00)

~~**A) Interest Rate Swaps**~~

~~For the purposes of the present article, a "fixed interest rate" is an interest rate which is not reset at least every 90 days and a "floating interest rate" is an interest rate which is not a fixed interest rate. On interest rate swap agreements where payments are calculated with reference to a notional amount, the obligation to pay and the entitlement to receive must each be margined as separate components as follows:~~

~~i) where a component is a payment calculated according to a fixed interest rate, the margin required must be the margin rate specified in article 7204 - Group I for a security with the same term to maturity as the outstanding term of the swap, multiplied by 125% and in turn multiplied by the notional amount of the swap;~~

~~ii) where a component is a payment calculated according to a floating interest rate, the margin required must be the margin rate specified in article 7204 - Group I for a security with the same term to maturity as the remaining term to the swap reset date, multiplied by the notional amount of the swap.~~

~~The counterparty to the interest rate swap agreement must be considered to be the approved participant's client. No margin is required in respect of an interest rate swap entered into with a client which is an acceptable institution. The margin requirement for clients which are acceptable counterparties or regulated entities must be any market value deficiency calculated relating to the interest rate swap agreement. The margin requirement for clients which are other counterparties shall be any loan value deficiency calculated relating to the interest rate swap agreement, determined by using the same margin requirements for each swap component as calculated in clauses (i) and (ii) above.~~

~~**B) Total Performance Swaps**~~

~~On total performance swap agreements, the obligation to pay and the entitlement to receive must each be margined as separate components as follows:~~

~~i) where a component is a payment calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount, the margin requirement must be the normal margin required for the underlying security or basket of securities relating to this component, based on the market value of the underlying security or basket of securities;~~

~~ii) where a component is a payment calculated according to a floating interest rate, the margin required must be the margin rate specified in article 7204 -Group I for a security with the same term to maturity as the remaining term to the swap reset date, multiplied by the notional amount of the swap.~~

~~The counterparty to the total performance swap agreement must be considered the approved participant's client. No margin is required in respect of a total performance swap entered into with a client which is an acceptable institution. The margin requirement for clients which are acceptable counterparties or regulated entities must be any market value deficiency calculated relating to the total performance swap agreement. The margin requirement for clients which are other counterparties must be any loan value deficiency calculated relating to the total performance swap agreement, determined by using the same margin requirements for each swap component as calculated in clauses i) and ii) above.~~

7226A Swap Positions Offsets
(01.01.04, abr. 00.00.00)

~~For the purposes of the present article, a "fixed interest rate" is an interest rate which is not reset at least every 90 days, a "floating interest rate" is an interest rate which is not a fixed interest rate and a "realization clause" is an optional clause within a total performance swap agreement which allows the approved participant to close out the swap agreement at the realization price (either the buy-in or sell-out price) of the security position involved in the offset.~~

~~**A) Interest Rate Swap Versus Interest Rate Swap Offset**~~

~~Where an approved participant~~

~~i) is a party to an interest rate swap agreement requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar fixed or floating interest rate amounts calculated with reference to a notional amount, and~~

~~ii) is a party to another offsetting interest rate swap agreement entitling it to receive (or requiring it to pay) fixed or floating interest rate amounts calculated with reference to the same notional amount denominated in the same currency and is within the same maturity band for margin purposes as the interest rate swap referred to in i),~~

~~the margin required in respect of the positions in i) and ii) may be netted, provided that margin on fixed interest rate component payment (or receipt) positions may only be offset against margin on fixed interest rate component receipt (or payment) positions, and margin on floating interest rate component~~

~~payment (or receipt) positions may only be offset against margin on other floating interest rate component receipt (or payment) positions.~~

~~B) Fixed Interest Rate Swap Component and Securities Position Offset~~

~~Where an approved participant~~

~~i) is a party to an interest rate swap agreement requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar fixed interest rate amounts calculated with reference to a notional amount, and~~

~~ii) holds a long (or short) position in securities described in article 7204 - Group I with a principal amount equal to and denominated in the same currency as the notional amount of the interest rate swap and with a term to maturity that is within the same maturity band for margin purposes as the interest rate swap,~~

~~the margin required in respect of the positions in i) and ii) may be netted.~~

~~C) Floating Interest Rate Swap Component and Securities Position Offset~~

~~Where an approved participant~~

~~i) is a party to an interest rate swap agreement requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar floating interest rate amounts calculated with reference to a notional amount, and~~

~~ii) holds a long (or short) position in securities described in articles 7204 - Group I or 7205, maturing within one year with a principal amount equal to and denominated in the same currency as the notional amount of the swap,~~

~~the margin required in respect of the positions in i) and ii) may be netted.~~

~~D) Total Performance Swap versus Total Performance Swap offset~~

~~Where an approved participant~~

~~i) is a party to a total performance swap agreement requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar amounts calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount; and~~

~~ii) is a party to another total performance swap agreement entitling it to receive (or requiring it to pay) amounts calculated based on the performance of the same underlying security or basket of securities, with reference to the same notional amount and denominated in the same currency;~~

~~the margin required in respect of the position in i) and ii) may be netted, provided that margin on performance component payment (or receipt) positions may only be offset against margin on performance component receipt (or payment) positions, and margin on floating interest rate component~~

~~payment (or receipt) positions may only be offset against margin on other floating interest rate component receipt (or payment) positions.~~

~~**E) Total Performance Swap Component and Securities Position Offset**~~

~~i) Short Total Performance Swap Component and Long Underlying Security or Basket of Securities~~

~~Where an approved participant~~

~~a) is a party to a total performance swap agreement requiring it to pay amounts calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount; and~~

~~b) holds long an equivalent quantity of the same underlying security or basket of securities;~~

~~the capital required in respect of the position described in a) and b) must be either:~~

~~c) nil, where it can be demonstrated that the sell-out risk relating to the offset has been mitigated:~~

~~I) through the inclusion of a realization clause in the total performance swap agreement, which allows the approved participant to close out the swap agreement using the sell-out price(s) for the long position in the underlying security or basket of securities; or~~

~~II) since, due to the features inherent in the long position in the underlying security or basket of securities or the market on which the security or basket of securities trades, the realization value of the long position in the underlying security or basket of securities is determinable at the time the total performance swap agreement is to expire and this value will be used as the closeout price for the swap;~~

~~or~~

~~d) 20% of the normal capital required on the long position in the underlying security or basket of securities where the sell-out risk relating to the offset has not been mitigated.~~

~~ii) Long Total Performance Swap Component and Short Underlying Security or Basket of Securities~~

~~Where an approved participant~~

~~a) is a party to a total performance swap agreement entitling it to receive amounts calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount; and~~

~~b) holds short an equivalent quantity of the same underlying security or basket of securities;~~

~~the capital required in respect of the positions described in a) and b) must be:~~

~~c) nil, where it can be demonstrated that the buy-in risk relating to the offset has been mitigated:~~

~~I) through the inclusion of a realization clause in the total performance swap agreement which allows the approved participant to close out the swap agreement using the buy-in price(s) for the short position in the underlying security or basket of securities; or~~

~~II) since, due to the features inherent in the short position in the underlying security or basket of securities or the market on which the security or basket of securities trades, the realization value of the short position in the underlying security or basket of securities is determinable at the time the total performance swap agreement is to expire and this value will be used as the closeout price for the swap.~~

~~or~~

~~d) 20% of the normal capital required on the short position in the underlying security or basket of securities where the buy-in risk relating to the offset has not been mitigated.~~

7227 Margin Offsets on Convertible Securities
(01.01.04, abr. 00.00.00)

~~1) For the purpose of the present article:~~

~~a) "conversion loss" means any excess of the market value of the convertible securities over the market value of the equivalent number of underlying securities;~~

~~b) "convertible security" means a convertible security, exchangeable security or any other security that entitles the holder to acquire another security, the underlying security, upon exercising a conversion or exchange feature;~~

~~c) "currently convertible" means a security that is either:~~

~~A) convertible into another security, the underlying security, either currently or within 20 business days, provided all legal requirements have been met and all regulatory, competition bureau and court approvals to proceed with the merger, acquisition, spin-off or other security related reorganization have been received; or~~

~~B) convertible into another security, the underlying security, after the expiry of a specific period, and the approved participant or client has entered into a term securities borrowing agreement. The agreement must be a written, legally enforceable agreement enabling the approved participant or client to borrow the underlying securities for the entire period from the current date until the expiry of the specific period until conversion;~~

~~d) "Newco securities" means securities of a successor issuer or issuers resulting from an amalgamation, acquisition, spin-off or any other securities related reorganization transaction;~~

~~e) "Oldco securities" means securities of a predecessor issuer or issuers resulting from an amalgamation, acquisition, spin-off or any other securities related reorganization transaction;~~

~~f) "underlying security" means the security, which is received upon exercising the conversion or exchange feature of a convertible security.~~

~~2) Long convertible securities considered "currently convertible" and short underlying securities~~

~~Where convertible securities are held long in an account and such securities are currently convertible and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:~~

~~i) the conversion loss, if any; and~~

~~ii) where the convertible security cannot be converted directly into the underlying security, at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying securities.~~

~~3) Long convertible securities not considered "currently convertible" and short underlying securities~~

~~Where convertible securities are held in an account and such securities are not currently convertible and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:~~

~~i) the conversion loss, if any; and~~

~~ii) 20% of the normal capital required (margin required in the case of client account positions) on the underlying securities, to cover the sell-out risk associated with holding convertible securities not considered to be "currently convertible"; and~~

~~iii) where the convertible security cannot be converted directly into the underlying security, at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying securities.~~

~~4) Short convertible securities and long underlying securities~~

~~Where convertible securities are held short in an account and the account is also long an equivalent number of underlying securities, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:~~

~~i) the conversion loss, if any; and~~

~~ii) 40% of the normal capital required (margin required in the case of client account positions) on the underlying securities.~~

~~5) Long "Oldco securities" and short "Newco securities" relating to an amalgamation, acquisition, spin-off or any other securities related reorganization transaction~~

~~i) Where, pursuant to a securities related reorganization involving predecessor and successor issuers, Oldco securities are held long in an account, the account is also short an equivalent number of Newco securities, and the conditions set out in sub-paragraph ii) are met, the capital and margin requirements for approved participant and client account positions, respectively, must be the~~

~~excess of the combined market value of the Oldco securities over the combined market value of the Newco securities, if any.~~

~~ii) The offset described in subparagraph i) above may be taken where all legal requirements have been met and all regulatory, competition bureau and court approvals to proceed with the merger, acquisition, spin-off or other security related reorganization have been received and where the Oldco securities will be cancelled and replaced by an equivalent number of Newco securities within 20 business days.~~

7228 Margin Offsets on Exercisable Securities
(01.01.04, abr. 00.00.00)

~~1) For the purpose of the present article:~~

~~a) "exercise loss" means any excess of combined sum of the market value of the exercisable securities and the exercise or subscription payment, over the market value of the equivalent number of underlying securities;~~

~~b) "exercisable security" means a warrant, right, instalment receipt or any other security that entitles the holder to acquire another security, the underlying security, upon making an exercise or subscription payment;~~

~~c) "currently exercisable" means a security that is either:~~

~~A) exercisable into another security, the underlying security, either currently or within 20 business days, provided all legal requirements have been met and all regulatory, competition bureau and court approvals to proceed with exercising have been received; or~~

~~B) exercisable into another security, the underlying security, on a future date, and the approved participant or client has entered into a term securities borrowing agreement. The agreement must be a written, legally enforceable agreement enabling the approved participant or client to borrow the underlying securities for the entire period from the current date until the exercise or subscription date;~~

~~d) "underlying security" means the security, which is received upon invoking the exercise feature of an exercisable security.~~

~~2) Long exercisable securities considered "currently exercisable" and short underlying securities~~

~~Where exercisable securities are held long in an account and such securities are currently exercisable and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:~~

~~i) in the case of client account positions, the amount of the exercise or subscription payment; and~~

~~ii) the exercise loss, if any; and~~

~~iii) where the exercisable security cannot be exercised directly into the underlying security, at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying securities.~~

~~3) Long exercisable securities not considered "currently exercisable" and short underlying securities~~

~~Where exercisable securities are held long in an account and such securities are not currently exercisable and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:~~

~~i) in the case of client account positions, the amount of the exercise or subscription payment; and~~

~~ii) the exercise loss, if any; and~~

~~iii) 20% of the normal capital required (margin required in the case of client account positions) on the underlying securities, to cover the sell-out risk associated with holding exercisable securities not considered to be "currently exercisable"; and~~

~~iv) where the exercisable security cannot be converted directly into the underlying security, at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying securities.~~

~~4) Short exercisable securities and long underlying securities~~

~~Where exercisable securities are held short in an account and the account is also long an equivalent number of underlying securities, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:~~

~~i) in the case of client account positions, the amount of the exercise or subscription payment; and~~

~~ii) the exercise loss, if any; and~~

~~iii) 40% of the normal capital required (margin required in the case of client account positions) on the underlying securities.~~

RULE SEVEN
OPERATIONS OF APPROVED PARTICIPANTS

Section 7001 - 7075
Financial Conditions - General

7005 Definitions
(01.04.93, 13.09.05, 22.03.10, 14.01.16)

For the purposes of this Rule Seven, unless otherwise specified, terms used are defined either in article 1102 of the Rules of the Bourse or in the Investment Industry Regulatory Organization of Canada “Joint Regulatory Financial Questionnaire and Report” form (Form 1).

7007 Restricted Trading Permit Holders
(01.05.89, 01.04.93, 13.09.05, 14.01.16)

Restricted trading permit holders who are not dealing with the public, except in the capacity of trading representative for an approved participant, are not required to maintain any minimum net worth. However, they must make an annual declaration to the Bourse that their status in this respect has not changed during the past year.

Restricted trading permit holders who clear their transactions through a clearing approved participant must maintain a net worth equal to $25,000.

If, in addition, these restricted trading permit holders act as market-makers or as traders in futures contracts, they must, in addition to the net worth required in the preceding paragraph, maintain an additional net worth

1) as market makers:

   of $10,000 per assignation up to a maximum of $25,000;

2) as futures contracts traders:

   $25,000.

For the purpose of this article, "net worth" means the excess of cash and marketable securities, marked to market, over the aggregate liabilities.

This requirement is deemed satisfied if a letter of guarantee, in a form prescribed by the Bourse and containing a provision regarding the maintenance of "net worth", has been issued and is still in effect on behalf of such restricted trading permit holder by the clearing approved participant and in accordance with article 6082. The clearing approved participant must provide against its own capital any deficiency of "net worth" in the account of the restricted trading permit holder for whom it has issued a letter of guarantee.

Section 7151 - 7159
Financial Reports

7151 Canadian Approved Participants - Financial Questionnaires and Reports
(01.04.93, 13.09.05, 22.03.10, 14.01.16)

Canadian approved participants must file with the Bourse, when requested by it, a copy of the most recent audited regulatory financial questionnaire and report completed in the form prescribed by the Investment Industry Regulatory Organization of Canada.

7152 Foreign Approved Participants Members of Other Recognized Exchanges or Regulatory or Self-Regulatory Organizations – Financial Questionnaires and Reports
(01.04.93, 13.09.05, 22.03.10, 14.01.16)

Where a foreign approved participant of the Bourse is also a regulated entity, as defined in the Investment Industry Regulatory Organization of Canada ‘’Joint Regulatory Financial Questionnaire and Report’’, and prepares reports and financial statements as required by another recognized exchange or regulatory or self-regulatory organization, the Bourse will accept, in lieu of the questionnaire and report to which article 7151 refers, a copy of the most recent audited reports and financial statements filed by the foreign approved participant with this other exchange or regulatory or self-regulatory organization along with a written confirmation from such other exchange or regulatory or self-regulatory organization that the foreign approved participant satisfies all of its requirements relating to the regulatory capital required to be maintained.

7157 Statistical Information
(01.04.93, 29.07.02, 01.10.02, 22.03.10, 14.01.16)

Every approved participant must provide to the Bourse, upon request, such statistical information with respect to its business as, in the opinion of the Bourse, may be necessary or in the interest of the Bourse or of all approved participants of the Bourse.

Section 7201 - 7250
Margins

7201 Margin Requirements
(01.02.91, 01.04.93, 13.09.05, 28.09.07, 14.01.16)

Every approved participant must obtain from clients the minimum margins prescribed by the market on which a security or derivative instrument is traded or, in the absence of such margins being prescribed by the market, by the regulatory or self-regulatory organization having jurisdiction over the approved participant for what regards regulatory capital.

Every approved participant must also apply to securities or derivative instruments held for its own account the minimum margins prescribed by the market on which such securities or derivative instruments are traded or, in the absence of such margins being prescribed by the market, by the regulatory or self-regulatory organization having jurisdiction over the approved participant for what regards regulatory capital.

7202 Listed Securities
(15.12.86, 30.09.87, 18.06.88, 01.04.93, 11.02.00, 29.04.02, 16.09.02, 01.05.03, 17.05.04, 01.01.05, 13.09.05, 28.09.07, abr. 14.01.16)

7202A Margin Offsets on Capital Shares
(19.03.93, 01.04.93, 01.01.04, 13.09.05, abr. 14.01.16)

7202B Instalment Receipts
(20.12.96, 13.09.05, abr. 14.01.16)

7203 Unlisted Securities Eligible to Margin
(01.04.93, 18.02.00, 13.09.05, 25.11.05, 28.09.07, abr. 14.01.16)

7204 Bonds, Debentures, Treasury Bills and Notes
(01.07.86, 04.02.87, 15.09.89 30.04.91, 09.10.91, 01.03.93, 01.05.93, 05.07.93, 01.04.93, 27.05.97, 18.02.98, 29.08.01, 17.05.04, 13.09.05, 28.09.07, 01.05.08, abr 00.0.00)

7204A Pairing for Margin Purposes
(09.10.91, 27.05.97, 18.02.98, 19.08.98, 17.12.02, 01.01.05, 13.09.05, 27.02.06, 01.05.08, abr. 14.01.16)

7204B Supplemental margin
(09.10.91, 01.04.93, 13.09.05, abr. 14.01.16)

7205 Bank Papers
(01.04.93, 13.09.05, abr. 14.01.16)

7206 Foreign Bank and Company Acceptable Papers
(01.04.93, 13.09.05, abr. 14.01.16)

7207 Margin Requirements for Repurchase, Resale and Cash and Securities Loan Transactions
(01.01.94, 13.09.05, abr. 14.01.16)

7208 Margin on Gold, Silver and Platinum
(27.01.87, 01.03.90, 01.04.93, 13.09.05, abr. 14.01.16)

7209 Mortgage - National Housing Act (N.H.A.)
(01.04.93, 13.09.05, abr. 14.01.16)

7210 Margin requirements on Unhedged Foreign Exchange Positions
(03.09.96, 13.09.05, abr. 14.01.16)

7211 Approved Participant Accounts
(01.04.93, 13.09.05, abr. 14.01.16)

7212 Margin Calculations
(01.04.93, abr. 14.01.16)

7213 Exceptions to Margin Rules
(30.11.86, 15.12.86, 01.06.88, 01.01.92, 15.01.93, 10.05.93, 01.04.93, 25.02.94, 12.03.97, 21.12.98, 29.08.01, 18.07.03, 01.01.04, 17.05.04, 01.01.05, 13.09.05, 01.03.07, 28.09.07, abr. 14.01.16)

7214 Discretionary Margin
(01.04.93, 13.09.05, abr. 14.01.16)

7215 Maturity Date for Bonds with Embedded Options
(28.04.03, abr. 14.01.16)

7216 Margin Requirements on Options
(01.04.93, abr. 13.09.05)

7224 Margin Requirements for Underwriting Commitments
(01.06.88, 19.08.93, 01.03.05, abr. 14.01.16)

7226 Margin on Swaps
(01.05.92, 01.04.93, 01.01.04, 13.09.05, 08.09.08, abr. 14.01.16)

7226A Swap Positions Offsets
(01.01.04, abr. 14.01.16)

7227 Margin Offsets on Convertible Securities
(01.01.04, abr. 14.01.16)

7228 Margin Offsets on Exercisable Securities
(01.01.04, abr. 14.01.16)

RULE NINE
MARGIN AND CAPITAL REQUIREMENTS FOR OPTIONS, FUTURES CONTRACTS AND OTHER DERIVATIVE INSTRUMENTS

Section 9001 – 9100
General Provisions

9001 Definitions
(01.01.05, 01.02.07, 30.11.15, 00.00.00)

For the purpose of the present Rule:

~~a)~~ "**approved participant account**" means all non-client accounts including firm accounts, market maker accounts, restricted trading permit holder accounts for which a clearing approved participant has issued a letter of guarantee and sponsor accounts;

~~b)~~ "**client account**" means an account for a client of an approved participant, but does not include account in which a member of a self-regulatory organization, or a related firm, approved person or employee of such an approved participant, member or related firm, as the case may be, has a direct or indirect interest, other than an interest in a commission charged;

~~c)~~ "**escrow receipt**" means:

i) in the case of an equity, exchange-traded fund or income trust~~participation~~ unit or bond option, a document issued by a financial institution approved by the Canadian Derivatives Clearing Corporation certifying that a security is held and will be delivered upon exercise by such financial institution in respect of a specified option of a particular client of an approved participant; or

ii) in the case of an OCC option, a document issued by a depository approved by the clearing corporation, after executing and delivering agreements required by The Options Clearing Corporation, certifying that a security is held and will be delivered upon exercise by such financial institution in respect of a specified OCC option of a particular client of an approved participant;

~~d)~~ "**firm account**" means an account established by an approved participant, which is confined to positions carried by the approved participant on its own behalf;

~~e)~~ "**floating margin rate**" means:

i) the last calculated regulatory margin interval, effective for the regular reset period or until a violation occurs, such rate to be reset on the regular reset date, to the calculated regulatory margin interval determined at that date; or

ii) where a violation has occurred, the last calculated regulatory margin interval determined at the date of the violation, effective for a minimum of twenty trading days, such rate to be reset at the close of the twentieth trading day, to the calculated regulatory margin interval determined at that date, where a reset results in a lower margin rate.

For the purposes of this definition, the term “regular reset date” is the date subsequent to the last reset date where the maximum number of trading days in the regular reset period has passed.

For the purposes of this definition, the term “regular reset period” is the normal period between margin rate resets. This period must be determined by the Canadian self-regulatory organizations with member regulation responsibilities and must not be no longer than sixty trading days.

For the purpose of this definition, the term “regulatory margin interval” means the margin interval calculated by the Canadian Derivatives Clearing Corporation.

For the purpose of this definition, the term "violation" means the circumstance where the maximum 1 or 2 day percentage change in the daily closing prices is greater than the margin rate;

~~f) “**incremental basket margin rate**” means for a qualifying basket of index securities:~~

~~i) 100%, less the cumulative relative weight percentage (determined by calculating for each security the actual basket weighting in relation to the latest published relative weighting in the index and then determining an overall relative weight percentage) for the qualifying basket of index securities; multiplied by~~

~~ii) the weighted average margin rate for those equity securities comprising the basket for which the actual weighting is less than the latest published relative weight for the index (weighted by the percentage weighting deficiency for each security (i.e., the published relative weighting minus the actual weighting, if applicable));~~

~~fg)~~ "**index**" means an equity index where:

i) the basket of equity securities underlying the index is comprised of eight or more securities;

ii) the weight of the single largest security position in the basket of equity securities underlying the index represents no more than 35% of the overall market value of the basket;

iii) the average market capitalization for each security position in the basket of equity securities underlying the index is at least $50 million; and

iv) in the case of foreign equity indices, the index is both listed and traded on an exchange that meets the criteria for being considered a recognized exchange as set out in the definition of “regulated entities” included in the General Notes and Definitions of the ‘’Joint Regulatory Financial Questionnaire and Report’’ form of the Investment Industry Regulatory Organization of Canada;~~to Policy C-3 of the Bourse;~~

~~gh)~~ “**market maker account**” means a firm account of an approved participant that is confined to transactions
-initiated by a market maker;

~~hi)~~ “**non-client account**” means an account established with an approved participant by another member of a
-self-regulatory organization, ~~or~~a related firm, an approved person or employee of an approved participant~~,~~ or

~~-~~of a member of self-regulatory organization or of a related firm, as the case may be, in which the approved ~~-~~participant does not have an interest, direct or indirect, other than an interest in fees or commissions ~~-~~charged;

~~j)~~ "**OCC option**" means a call option or a put option issued by The Options Clearing Corporation;

~~k) "**participation unit**" means a unit of beneficial interest in the assets of a fund established under a trust agreement, the underlying asset of which are equities or other securities;~~

~~l) "**qualifying basket of index securities**" means a basket of equity securities:~~

~~i) all of which are included in the composition of the same index;~~

~~ii) which comprises a portfolio with a market value equal to the market value of the securities underlying the index;~~

~~iii) where the market value of each of the equity securities comprising the portfolio proportionally equals or exceeds the market value of its relative weight in the index, based on the latest published relative weights of securities comprising the index;~~

~~iv) where the required cumulative relative weighting percentage of all equity securities comprising the portfolio:~~

~~A) equals 100% of the cumulative weighting of the corresponding index, where the basket of equity securities underlying the index is comprised of less than twenty securities;~~

~~B) equals or exceeds 90% of the cumulative weighting of the corresponding index, where the basket of equity securities underlying the index is comprised of twenty or more securities but less than one hundred securities; and~~

~~C) equals or exceeds 80% of the cumulative weighting of the corresponding index, where the basket of equity securities underlying the index is comprised of one hundred or more securities;~~

~~based on the latest published relative weightings of the equity securities comprising the index;~~

~~v) where, in the circumstance where the cumulative relative weighting of all equity securities comprising the portfolio equals or exceeds the required cumulative relative weighting percentage and is less than 100% of the cumulative weighting of the corresponding index, the deficiency in the basket is filled by other equity securities included in the composition of the index;~~

~~m)~~ "**tracking error margin rate**" means the last calculated regulatory margin interval for the tracking error resulting from a particular offset strategy. The meaning of the term "regulatory margin interval" and the margin rate policy are the same as for the floating margin rate.

9002 Risk Margining Systems
(01.01.05, 30.11.15)

a) With respect to an approved participant account constituted exclusively of positions in derivative instruments listed on the Bourse, the margin required may be the one calculated by the Standard Portfolio Analysis (SPAN) methodology using the margin interval calculated and the assumptions used by the Canadian Derivatives Clearing Corporation.

If the approved participant selects the SPAN methodology, the margin requirements calculated under this methodology will supersede the provisions stipulated in the Rules.

b) With respect to a client account, it is prohibited to use SPAN methodology to determine margin requirements.

9003 Inter-Commodity Combinations
(01.01.05, 01.02.07)

Unless otherwise specified, offsets are not permitted for positions in client accounts or approved participant accounts involving derivative instruments based on two different underlying interests.

Section 9101 – 9200
Margin Requirements on Equity-Related Derivatives

9101 Exchange Traded Options – General Provisions
(01.01.05, abr. 00.00.00)

~~a) The Bourse shall establish margin requirements applicable to options positions held by clients and no approved participant shall effect an option transaction or carry an account for a client without proper and adequate margin, which must be obtained as promptly as possible and maintained in conformity with the provisions of this section;~~

~~b) all opening selling transactions and resulting short positions must be carried in a margin account;~~

~~c) each option must be margined separately and any difference between the market price or the current value of the underlying interest and the exercise price of the option must be considered to be of value only in providing the amount of margin required on that particular option;~~

~~d) where a client account holds both CDCC options and OCC options that have the same underlying interest, the OCC options may be considered to be options for the purposes of the calculation of the margin requirements for the account under the provisions of this section;~~

~~e) from time to time the Bourse may impose special margin requirements with respect to particular options or particular positions in options.~~

9102 Long Option Positions
(01.01.05, abr. 00.00.00)

~~a) Subject to paragraph b), the margin requirement for long options must be the sum of:~~

~~i) where the period to expiry is greater or equal to 9 months, 50% of the option's time value, 100% of the option's time value otherwise; and~~

~~ii) the lesser of:~~

~~A) the normal margin required on the underlying interest; or~~

~~B) if any, the in-the-money value associated with the option.~~

~~For the purpose of the present article, "the option's time value" means any excess of the market value of the option over the in-the-money value of the option.~~

~~b) where, in the case of equity options, the underlying security in respect of a long call option is the subject of a legal and binding cash take-over bid for which all conditions have been met, the margin required on such call option must be the market value of the call option, less the amount by which the amount offered exceeds the exercise price of the call option. Where such a take-over bid is made for less than 100% of the issued and outstanding securities, the margin requirement must be applied pro-rata in the same proportion as the offer and paragraph a) must apply to the balance.~~

9103 Short Option Positions
(01.01.05, 01.02.07, abr. 00.00.00)

~~a) The minimum margin requirement which must be maintained in respect of an option carried short in a client account must be:~~

~~i) 100% of the market value of the option; plus~~

~~ii) a percentage of the market value of the underlying interest determined using the following percentages:~~

~~A) for equity options or equity participation unit options, the margin rate applicable to the underlying interest;~~

~~B) for index options or index participation unit options, the published floating margin rate for the index or index participation unit;~~

~~minus~~

~~iii) any out-of-the-money amount associated with the option;~~

~~b) paragraph a) notwithstanding, the minimum margin requirement which must be maintained and carried in a client account trading in options must not be less than:~~

~~i) 100% of the market value of the option; plus~~

~~ii) an additional requirement determined by multiplying:~~

~~A) in the case of a short call option, the market value of the underlying interest; or~~

~~B) in the case of a short put option, the aggregate exercise value of the option;~~

~~by one of the following percentages:~~

~~C) for equity options or equity participation unit options, 5%; or~~

~~D) for index options or index participation unit options, 2%.~~

9104 Covered Option Positions
(01.01.05, abr. 00.00.00)

~~a) No margin is required for a call option carried short in a client's account which is covered by the deposit of an escrow receipt. The underlying interest deposited in respect of such option shall not be deemed to have any value for margin purposes.~~

~~Evidence of a deposit of the underlying interest shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation;~~

~~b) no margin is required for a put option carried short in a client's account which is covered by the deposit of an escrow receipt which certifies that acceptable government securities are being held by the issuer of the escrow receipt for the account of the client. The acceptable government securities held on deposit:~~

~~i) must be government securities:~~

~~A) which are acceptable forms of margin for the clearing corporation; and~~

~~B) which mature within one year of their deposit, and~~

~~ii) shall not be deemed to have any value for margin purposes.~~

~~The aggregate exercise value of the short put option must not be greater than 90% of the aggregate par value of the acceptable government securities held on deposit. Evidence of the deposit of the acceptable government securities shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse on request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation; and~~

~~c) no margin is required for a put option carried short in a client's account if the client has delivered to the approved participant with which such position is maintained a letter of guarantee, issued by a financial institution which has been authorized by the clearing corporation to issue escrow receipts, in a form satisfactory to the Bourse, and is:~~

~~i) a bank which is a Canadian chartered bank or a Quebec savings bank; or~~

~~ii) a trust company which is licensed to do business in Canada, with a minimum paid-up capital and surplus of $5,000,000,~~

~~provided that the letter of guarantee certifies that the bank or trust company,~~

~~iii) holds on deposit for the account of the client cash in the full amount of the aggregate exercise value of the put option and that such amount will be paid to the clearing corporation against delivery of the underlying interest covered by the put option; or~~

~~iv) unconditionally and irrevocably guarantees to pay to the clearing corporation the full amount of the aggregate exercise value of the put option against delivery of the underlying interest covered by the put option;~~

~~and further provided that the approved participant has delivered the letter of guarantee to the clearing corporation and the clearing corporation has accepted it as margin.~~

9105 Options Spreads and Combinations
(01.01.05, 01.02.07, 13.08.07, abr. 00.00.00)

~~**a) Call spreads and put spreads**~~

~~Where a client account contains one of the following spread pairings for an equivalent number of trading units on the same underlying interest:~~

- ~~long call option and short call option; or~~
- ~~long put option and short put option;~~

~~and the short option expires on or before the date of expiration of the long option, the minimum margin required for the spread pairing must be the lesser of:~~

~~i) the margin required on the short option pursuant to article 9103; or~~

~~ii) the spread loss amount, if any, that would result if both options were exercised.~~

~~**b) Short call – short put spreads**~~

~~Where a call option is carried short for a client's account and the account is also short a put option on the same number of units of trading on the same underlying interest, the minimum margin required must be the greater of:~~

~~i) the greater of:~~

~~A) the margin required on the call option; or~~

~~B) the margin required on the put option;~~

~~and~~

~~ii) the excess of the aggregate exercise value of the put option over the aggregate exercise value of the call option.~~

~~**c) Long call – long put spreads**~~

~~Where a call option is carried long for a client's account and the account is also long a put option on the same number of units of trading on the same underlying interest, the minimum margin required must be the lesser of:~~

~~i) the sum of:~~

~~A) the margin required for the call option; and~~

~~B) the margin required for the put option;~~

~~and~~

~~ii) the sum of:~~

~~A) 100% of the market value of the call option; plus~~

~~B) 100% of the market value of the put option; minus~~

~~C) the amount by which the aggregate exercise value of the put option exceeds the aggregate exercise value of the call option.~~

~~**d) Long call – short call – long put**~~

~~Where a call option is carried long for a client's account and the account is also short a call option and long a put option on the same number of units of trading on the same underlying interest, the minimum margin required must be:~~

~~i) 100% of the market value of the long call option; plus~~

~~ii) 100% of the market value of the long put option; minus~~

~~iii) 100% of the market value of the short call option; plus~~

~~iv) the greater of:~~

~~A) any excess of the aggregate exercise value of the long call option over the aggregate exercise value of the short call option; or~~

~~B) any excess of the aggregate exercise value of the long call option over the aggregate exercise value of the long put option.~~

~~Where the amount calculated in iv) is negative, this amount may be applied against the margin charge.~~

~~**e) Short call – long warrant**~~

~~Where a call option is carried short for a client's account and the account is also long a warrant on the same number of units of trading on the same underlying interest, the minimum margin required must be the sum of:~~

~~i) the lesser of:~~

~~A) the margin required for the call option; or~~

~~B) the spread loss amount, if any, that would result if both the option and the warrant were exercised;~~

~~and~~

~~ii) the excess of the market value of the warrant over the in-the-money value of the warrant multiplied by 25%; and~~

~~iii) the in-the-money value of the warrant, multiplied by:~~

~~A) 50%, where the expiration date of the warrant is 9 months or more away; or~~

~~B) 100%, where the expiration date of the warrant is less than 9 months away.~~

~~The market value of the short call option may be used to reduce the margin required on the long warrant, but cannot reduce the margin required to less than zero.~~

9106 Option and Security Combinations
(01.01.05, 01.02.07, abr. 00.00.00)

~~**a) Short call – long underlying (or convertible) combination**~~

~~Where, in the case of equity or equity participation unit options, a call option is carried short in a client's account and the account is also long an equivalent position in the underlying interest or, in the case of equity options in a security readily convertible or exchangeable (without restrictions other than the payment of consideration and within a reasonable time provided such time must be prior to the expiration of the call option) into the underlying interest, or in the case of equity participation unit options in securities readily exchangeable into the underlying interest, the minimum margin required must be the sum of:~~

~~i) the lesser of~~

~~A) the normal margin required on the underlying interest; and~~

~~B) any excess of the aggregate exercise value of the call options over the normal loan value of the underlying interest;~~

~~and~~

~~ii) where a convertible security or exchangeable security is held, any excess of the market value of the convertible or exchangeable security over the market value of the equivalent number of underlying securities.~~

~~In the case of exchangeable or convertible securities, the right to exchange or convert the long security must not expire prior to the expiration date of the short call option. If the expiration of the right to exchange or convert is accelerated (whether by reason of redemption or otherwise), then such short call option must be considered uncovered after the date on which such right to exchange or convert expires.~~

~~b) Short put – short underlying combination~~

~~Where, in the case of equity or equity participation unit options, a put option is carried short in a client's account and the account is also short an equivalent position in the underlying interest, the minimum margin required must be the lesser of:~~

~~i) the normal margin required on the underlying interest; and~~

~~ii) any excess of the normal credit required on the underlying interest over the aggregate exercise value of the put option.~~

~~c) Long call – short underlying combination~~

~~Where, in the case of equity or equity participation unit options, a call option is carried long in a client's account and the account is also short an equivalent position in the underlying interest, the minimum margin required must be the sum of:~~

~~i) 100% of the market value of the call option; and~~

~~ii) the lesser of:~~

~~A) the aggregate exercise value of the call option; and~~

~~B) the normal credit required on the underlying interest.~~

~~d) Long put – long underlying combination~~

~~Where, in the case of equity or equity participation unit options, a put option is carried long in a client's account and the account is also long an equivalent position in the underlying interest, the minimum margin required must be the lesser of:~~

~~i) the normal margin required on the underlying interest; and~~

~~ii) the excess of the combined market value of the underlying interest and the put option over the aggregate exercise value of the put option.~~

~~e) Conversion or long tripo combination~~

~~Where, in the case of equity or equity participation unit options, a position in an underlying interest is carried long in a client's account and the account is also long an equivalent position in put options and short an equivalent position in call options, the minimum margin required must be:~~

~~i) 100% of the market value of the long put options; minus~~

~~ii) 100% of the market value of the short call options; plus~~

~~iii) the difference, plus or minus, between the market value of the underlying interest and the aggregate exercise value of the long put options, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the call options.~~

~~**f) Reconversion or short tripo combination**~~

~~Where, in the case of equity or equity participation unit options, a position in an underlying interest is carried short in a client's account and the account is also long an equivalent position in call options and short an equivalent position in put options, the minimum margin required must be:~~

~~i) 100% of the market value of the long call options; minus~~

~~ii) 100% of the market value of the short put options; plus~~

~~iii) the difference, plus or minus, between the aggregate exercise value of the long call options and the market value of the underlying interest, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the put options.~~

9107 Option Spreads Involving Complex Strategies
(01.01.05, 13.08.07, abr. 00.00.00)

~~In addition to the option spreads permitted in article 9105, the following additional option spread strategies are available for positions in options:~~

~~**a) Box spread**~~

~~Where a client account contains a box spread combination on the same underlying interest with all options expiring at the same time such that the client holds a long and short call option and a long and short put option and where the long call option and short put option, and short call option and long put option have the same strike price, the minimum margin required must be the lesser of:~~

~~i) the greater of the margin requirements calculated for the component call and put spreads (paragraph a) of article 9105); and~~

~~ii) the greater of the out-of-money amounts calculated for the component call and put spreads.~~

~~**b) Long butterfly spread**~~

~~Where a client account contains a long butterfly spread combination on the same underlying interest with all options expiring at the same time such that the client holds a short position in two call options (or put options) and the short call options (or short put options) are at a middle strike price and are~~

~~flanked on either side by a long call option (or long put option) having respectively a lower and higher strike price, and the interval between the strike prices is equal, the minimum margin required must be the net market value of the short and long call options (or put options).~~

~~c) Short butterfly spread~~

~~Where a client account contains a short butterfly spread combination on the same underlying interest with all options expiring at the same time such that the client holds a long position in two call options (or put options) and the long call options (or long put options) are at a middle strike price and are flanked on either side by a short call option (or short put option) having respectively a lower and higher strike price, and the interval between the strike prices is equal, the minimum margin required must be the amount, if any, by which the exercise value of the long call options (or long put options) exceeds the exercise value of the short call options (or short put options). The market value of any premium credit carried on the short options may be used to reduce the margin required.~~

~~d) Long Condor Spread~~

~~Where a client account contains a long condor spread combination on the same underlying interest with all options expiring at the same time, such that the client holds four separate option series wherein the exercise prices of the options are in ascending order and the interval between the strike prices is equal, comprising a short position in two call options (or put options) and the short call options (or short put options) are flanked on either side by a long call option (or long put option) having respectively a lower and higher strike price, the minimum margin required must be the net market value of the short and long call options (or put options).~~

~~e) Short Iron Butterfly Spread~~

~~Where a client account contains a short iron butterfly spread combination on the same underlying interest with all options expiring at the same time, such that the client holds four separate option series wherein the exercise prices of the options are in ascending order, and the interval between the strike prices is equal, comprising short positions in a call option and a put option with the same strike price and the short options are flanked on either side by a long put option and a long call option having respectively a lower and higher strike price, the minimum margin required must be equal to the strike price interval multiplied by the unit of trading. The market value of any premium credit carried on the short options may be used to reduce the minimum margin required.~~

~~f) Short Iron Condor Spread~~

~~Where a client account contains a short iron condor spread combination on the same underlying interest with all options expiring at the same time, such that the client holds four separate option series wherein the exercise prices of the options are in ascending order, and the interval between the strike prices is equal, comprising short positions in a call option and a put option and the short options are flanked on either side by a long put option and a long call option having respectively a lower and higher strike price, the minimum margin required must equal the strike price interval multiplied by the unit of trading. The market value of any premium credit carried on the short options may be used to reduce the minimum margin required.~~

9108 Index Option and Index Participation Unit Option Spread Combinations
(01.01.05, 01.02.07, abr. 00.00.00)

~~**a) Call spread combinations and put spread combinations**~~

~~Where a client account contains one of the following spread combinations:~~

- ~~long index call option and short index participation unit call option; or~~
- ~~long index put option and short index participation unit put option; or~~
- ~~long index participation unit call option and short index call option; or~~
- ~~long index participation unit put option and short index put option;~~

~~and the short option expires on or before the date of expiration of the long option, the minimum margin required for the spread combination must be the lesser of:~~

~~i) the margin required on the short option pursuant to article 9103; and~~

~~ii) the greater of:~~

~~A) the loss amount, if any, that would result if both options were exercised; and~~

~~B) the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

~~**b) Short call – short put spread combinations**~~

~~Where a client account contains one of the following combinations:~~

- ~~short index call option and short index participation unit put option; or~~
- ~~short index participation unit call option and short index put option;~~

~~the minimum margin required must be the greater of:~~

~~i) the greater of:~~

~~A) the margin required on the short call option; or~~

~~B) the margin required on the short put option;~~

~~and~~

~~ii) the excess of the aggregate exercise value of the short put option over the aggregate exercise value of the short call option;~~

~~and~~

~~iii) the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

9109 Index Option Combinations with Qualifying Baskets of Index Securities and Index Participation Units
(01.01.05, 01.02.07, abr. 00.00.00)

~~**a) Short call option combinations with long qualifying baskets of index securities or long index participation units**~~

~~Where a client account contains one of the following option related combinations:~~

- ~~short index call options and long an equivalent number of qualifying baskets of index securities; or~~
- ~~short index call options and long an equivalent number of index participation units (note: subject to tracking error minimum margin); or~~
- ~~short index participation unit call options and long an equivalent number of qualifying baskets of index securities (note: subject to tracking error minimum margin); or~~
- ~~short index participation unit call options and long an equivalent number of index participation units;~~

~~the minimum margin required must be the greater of:~~

~~i) the lesser of~~

~~A) the normal margin required on the qualifying basket of index securities (or index participation units); and~~

~~B) any excess of the aggregate exercise value of the call options over the normal loan value of the qualifying basket of index securities (or index participation units);~~

~~and~~

~~ii) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

~~**b) Short put option combinations with short qualifying baskets of index securities or short index participation units**~~

~~Where a client account contains one of the following option related combinations:~~

- ~~short index put options and short an equivalent number of qualifying baskets of index securities; or~~

- ~~short index put options and short an equivalent number of index participation units (note: subject to tracking error minimum margin); or~~

- ~~short index participation unit put options and short an equivalent number of qualifying baskets of index securities (note: subject to tracking error minimum margin); or~~

- ~~short index participation unit put options and short an equivalent number of index participation units;~~

~~the minimum margin required must be the greater of:~~

~~i) the lesser of~~

~~A) the normal margin required on the qualifying basket of index securities (or index participation units); and~~

~~B) any excess of the normal credit required on the underlying interest qualifying basket of index securities (or index participation units) over the aggregate exercise value of the put option;~~

~~and~~

~~ii) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

~~c) Long call option combinations with short qualifying baskets of index securities or short index participation units~~

~~Where a client account contains one of the following option related combinations:~~

- ~~long index call options and short an equivalent number of qualifying baskets of index securities; or~~

- ~~long index call options and short an equivalent number of index participation units (note: subject to tracking error minimum margin); or~~

- ~~long index participation unit call options and short an equivalent number of qualifying baskets of index securities (note: subject to tracking error minimum margin); or~~

- ~~long index participation unit call options and short an equivalent number of index participation units;~~

~~the minimum margin required must be the sum of:~~

~~i) 100% of the market value of the call options; and~~

~~ii) the greater of:~~

~~A) the lesser of:~~

~~I) the aggregate exercise value of the call options; and~~

~~II) the normal credit required on the qualifying basket of index securities (or index participation units);~~

~~and~~

~~B) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

~~d) Long put option combinations with long qualifying baskets of index securities or long index participation units~~

~~Where a client account contains one of the following option related combinations:~~

- ~~long index put options and long an equivalent number of qualifying baskets of index securities; or~~
- ~~long index put options and long an equivalent number of index participation units (note: subject to tracking error minimum margin); or~~
- ~~long index participation unit put options and long an equivalent number of qualifying baskets of index securities (note: subject to tracking error minimum margin); or~~
- ~~long index participation unit put options and long an equivalent number of index participation units;~~

~~the minimum margin required must be the greater of:~~

~~i) the lesser of:~~

~~A) the normal margin required on the qualifying basket of index securities (or index participation units); and~~

~~B) the excess of the combined market value of the qualifying basket of index securities (or index participation units) and the put option over the aggregate exercise value of the put option;~~

~~and~~

~~ii) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

~~e) Conversion or long tripo combinations~~

~~Where a client account contains one of the following option related combinations:~~

- ~~long a qualifying basket of index securities, long an equivalent number of index put options and short an equivalent number of index call options (note: subject to incremental basket margin where qualifying basket is imperfect); or~~

- ~~long index participation units, long an equivalent number of index put options and short an equivalent number of index call options (note: subject to tracking error minimum margin); or~~

- ~~long a qualifying basket of index securities, long an equivalent number of index participation unit put options and short an equivalent number of index participation unit call options (note: subject to incremental basket margin where qualifying basket is imperfect and subject to tracking error minimum margin); or~~

- ~~long index participation units, long an equivalent number of index participation unit put options and short an equivalent number of index participation unit call options;~~

~~the minimum margin required must be the sum of:~~

~~i) where applicable, the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket;~~

~~and~~

~~ii) the greater of:~~

~~A) the sum of:~~

~~I) 100% of the market value of the long put options; minus~~

~~II) 100% of the market value of the short call options; plus~~

~~III) the difference, plus or minus, between the market value of the qualifying basket of index securities (or index participation units) and the aggregate exercise value of the long put options, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the call options;~~

~~and~~

~~B) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

~~f) Reconversion or short tripo combinations~~

~~Where a client account contains one of the following option related combinations:~~

- ~~short a qualifying basket of index securities, short an equivalent number of index put options and long an equivalent number of index call options (note: subject to incremental basket margin where qualifying basket is imperfect); or~~

- ~~short index participation units, short an equivalent number of index put options and long an equivalent number of index call options (note: subject to tracking error minimum margin); or~~

- ~~short a qualifying basket of index securities, short an equivalent number of index participation unit put options and long an equivalent number of index participation unit call options (note: subject to incremental basket margin where qualifying basket is imperfect and subject to tracking error minimum margin); or~~

- ~~short index participation units, short an equivalent number of index participation unit put options and long an equivalent number of index participation unit call options;~~

~~the minimum margin required must be the sum of:~~

~~i) where applicable, the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket;~~

~~and~~

~~ii) the greater of:~~

~~A) the sum of:~~

~~I) 100% of the market value of the long call options; minus~~

~~II) 100% of the market value of the short put options; plus~~

~~III) the difference, plus or minus, between the aggregate exercise value of the long call options and the market value of the qualifying basket of index securities (or index participation units), where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the put options;~~

~~and~~

~~B) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

9110 – 9120 (reserved)

9121 Exchange Traded Futures Contracts – General
(01.01.05, 23.01.06, 00.00.00)

a) The Bourse shall establish margin requirements applicable to futures contracts positions held by clients and no approved participant shall effect a futures contract transaction or carry an account for a client without proper and adequate margin, which must be obtained as promptly as possible and maintained in conformity with the provisions of this section;

b) positions of clients must be marked to market daily and the required margin must be determined by using the greatest of:

i) the rate required by the futures contract exchange on which the contract is entered into or its clearing corporation; or

ii) the rate required by the broker through which the approved participant ensures the clearing of the futures contract;

c) in the case of a futures contract exchange or its clearing corporation that prescribes margin requirements based on initial and maintenance rates, the initial margin must be required from the client at the time the contract is entered into and such margin must not be for an amount less than the prescribed initial rate. When subsequent adverse price movements in the value of the futures contract reduce the margin on deposit to an amount below the maintenance level, a further amount to restore the margin on deposit to the initial rate must be required. The approved participant may, in addition, require such further margin or deposit as it may consider necessary as a result of fluctuations in market prices;

d) margin requirements established by the Bourse may be made applicable to one or more rather than all approved participants or clients if deemed necessary by the Bourse;

e) for clients, the margin requirements will be satisfied by the deposit of cash, escrow~~margin~~ receipts or securities for which the loan value~~, as established pursuant to articles 7202 to 7206,~~ equals or exceeds the margin required. In the case of an escrow ~~margin~~ receipt, the receipt must certify that government securities are held for futures contract positions of a named client. For the purposes of this receipt, the allowable government securities must mature within one year from the date of the deposit and the required margin covered by the receipt must not be greater than 90% of the par value of such securities held on deposit. All government securities which are an acceptable form of margin for the clearing corporation are acceptable;

f) every approved participant must require from each of its customers for whom trades are effected through an omnibus account, not less than the amount of margin that would be required from such customers if their trades were effected through fully disclosed accounts;

g) specific margin requirements may be applicable on spread positions when a client account holds such positions. Every approved participant must clearly identify such spread positions in its records relating to margin calculations;

h) from time to time, the Bourse may impose special margin requirements with respect to particular futures contracts or particular positions in futures contracts.

9122 Simple or Spread Positions in Futures Contracts
(01.01.05)

a) Shares futures contracts positions

i) For simple positions in share futures contracts held in a client's account, the margin required must be the sum of:

A) the floating margin rate of the underlying interest;

and

B) the greater of:

I) 10% of the floating margin rate of the underlying interest; and

II) where the floating margin rate of the underlying interest is:

a) less than 10%, 5%;
b) less than 20% but greater or equal to 10%, 4%; or
c) greater or equal to 20%, 3%;

multiplied by the daily settlement value of the futures contracts.

ii) For spread positions in share futures contracts held in a client's account, the margin requirements are determined by the Bourse in collaboration with the clearing corporation, from time to time.

b) Index futures contracts positions

The margin requirements which must be applied on all positions in index futures contracts held in a client's account are determined by the Bourse, in collaboration with the clearing corporation, from time to time.

9123 Share Futures Contracts and Security Combinations
(01.01.05, 00.00.00)

a) Share futures contracts – underlying share combinations

Where a client account contains one of the following combinations:

- long share futures contract and short an equivalent position in the underlying share; or

- short share futures contract and long an equivalent position in the underlying share;

the minimum margin required must be the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share.

b) Short share futures contracts – long warrants, rights, instalment receipts combination

Where a client holds a short share futures contract on the shares of an issuer and a long position in warrants, rights, shares, instalment receipts or other securities pursuant to the terms of which the holder is entitled to acquire the same class and at least the same number of shares of the same issuer, the margin required must be equal to the difference between the market value of the long position and the settlement value of the short share futures contract, plus the aggregate of the subscription price or other cost or charge payable in connection with the acquisition of shares underlying to the relevant warrant, right, share, instalment receipt or other security.

c) Short share futures contracts – long capital shares

For the purposes of this section:

a) "capital share" means a share issued by a split share company which represents all or a substantial portion of the capital appreciation portion of the underlying common share;

b) "capital share conversion loss" means any excess of the market value of the capital shares over the retraction value of the capital shares;

c) "preferred share" means a share issued by a split share company which represents all or a substantial portion of the dividend portion of the underlying common share, and includes equity dividend shares of split share companies;

~~e~~d) "retraction value", for capital shares, means:

i) where the capital shares can be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the excess of the market value of the underlying common shares received over the retraction cash payment to be made when retraction of the capital shares takes place;

ii) where the capital shares cannot be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the retraction cash payment to be received when retraction of the capital shares takes place;

~~f~~e) "split share company" means a corporation formed for the sole purpose of acquiring underlying common shares and issuing its own capital shares based on all or a substantial portion of the capital appreciation portion and its own preferred shares based on all or a substantial portion of the dividend income portion of such underlying common shares.

Where a client holds a long position in capital shares and a short share futures contract, the margin required is the sum of:the capital share conversion loss, if any; and the normal margin required in the case of client account positions on the equivalent number of preferred shares..~~the margin as prescribed in article 7202 A) 2) a).~~

~~In no case the margin required may be less than 3% of the settlement value of the share futures contract.~~

The market value of the underlying security to be used for the calculation of the required margin pursuant to the precedingparagraph~~article 7202 A 2) a)~~ is the settlement value of the share futures contract.

In no case the margin required may be less than 3% of the settlement value of the share futures contract.

9125 Index Futures Contract Combinations with Qualifying Baskets of Index Securities and Index Participation Units
(01.01.05, abr. 00.00.00)

~~Where a client account contains one of the following futures contracts related combinations:~~

- ~~long a qualifying basket of index securities and short an equivalent number of index futures contracts (note: subject to incremental basket margin where qualifying basket is imperfect); or~~
- ~~long index participation units and short an equivalent number of index futures contracts; or~~
- ~~short a qualifying basket of index securities and long an equivalent number of index futures contracts (note: subject to incremental basket margin where qualifying basket is imperfect); or~~
- ~~short index participation units and long an equivalent number of index futures contracts;~~

~~the minimum margin required must be:~~

~~i) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units; plus~~

~~ii) where applicable, the calculated incremental basket margin rate for the qualifying basket of index securities;~~

~~multiplied by the market value of the qualifying basket of index securities (or index participation units).~~

9126 Index Futures Contract Combinations with Index Options
(01.01.05, abr. 00.00.00)

~~With respect to offsets between index options, index participation unit options and index futures contracts held in client accounts, the option contracts and the futures contracts must have the same settlement date, or can be settled in either of the two nearest contract months, and no partial offsets are permitted.~~

~~**a) Short index call options or short index participation unit call options – long index futures contracts**~~

~~Where a client account contains one of the following futures contracts and options related combinations:~~

- ~~short index call options and long index futures contracts; or~~
- ~~short index participation unit call options and long index futures contracts;~~

~~the minimum margin required must be the greater of:~~

~~i) A) the margin required on the futures contracts; less~~

~~B) the aggregate market value of the call options;~~

~~and~~

~~ii) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units.~~

~~b) Short index put options or short index participation unit put options – short index futures contracts~~

~~Where a client account contains one of the following futures contracts and options related combinations:~~

- ~~short index put options and short index futures contracts; or~~
- ~~short index participation unit put options and short index futures contracts;~~

~~the minimum margin required must be the greater of:~~

~~i) A) the margin required on the futures contracts; less~~

~~B) the aggregate market value of the put options;~~

~~and~~

~~ii) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units.~~

~~c) Long index call options or long index participation unit call options – short index futures contracts~~

~~Where a client account contains one of the following futures contracts and options related combinations:~~

- ~~long index call options and short index futures contracts; or~~
- ~~long index participation unit call options and short index futures contracts;~~

~~the minimum margin required must be the greater of:~~

~~i) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units;~~

~~and~~

~~ii) A) *Out-of-the-money position*~~

~~The aggregate market value of the call options; plus the lesser of:~~

~~I) the aggregate exercise value of the call options less the daily settlement value of the futures contracts; or~~

~~II) the margin required on the futures contracts;~~

~~B) *In-the-money or at-the-money position*~~

~~I) the aggregate market value of the call options; less~~

~~II) the aggregate in-the-money amount of the call options.~~

~~**d) Long index put options or long index participation unit put options – long index futures contracts**~~

~~Where a client account contains one of the following futures contracts and options related combinations:~~

- ~~long index put options and long index futures contracts; or~~
- ~~long index participation unit put options and long index futures contracts;~~

~~the minimum margin required must be the greater of:~~

~~i) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units;~~

~~and~~

~~ii) A) *Out-of-the-money position*~~

~~the aggregate market value of the put options; plus the lesser of:~~

~~I) the daily settlement value of the futures contracts less the aggregate exercise value of the put options; or~~

~~II) the margin required on the futures contracts;~~

~~B) *In-the-money or at-the-money position*~~

~~I) the aggregate market value of the put options; less~~

~~II) the aggregate in-the-money amount of the put options.~~

~~**e) Conversion or long tripo combination involving index options or index participation unit options and index futures contracts**~~

~~Where a client account contains one of the following tripo combinations:~~

- ~~long index futures contracts and long index put options and short index call options with the same expiry date; or~~

- ~~long index futures contracts and long index participation unit put options and short index participation unit call options with the same expiry date;~~

~~the minimum margin required must be the greater of:~~

~~i) A) the greater of the difference, plus or minus, between the daily settlement value of the long futures contracts and the aggregate exercise value of the long put options or the short call options; plus~~

~~B) the aggregate net market value of the put and call options;~~

~~and~~

~~ii) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units.~~

~~**f) Reconversion or short tripo combination involving index options or index participation unit options and index futures contracts**~~

~~Where a client account contains one of the following tripo combinations:~~

- ~~short index futures contracts and short index put options and long index call options with the same expiry date; or~~

- ~~short index futures contracts and short index participation unit put options and long index participation unit call options with the same expiry date;~~

~~the minimum margin required must be the greater of:~~

~~i) A) the greater of the difference, plus or minus, between the aggregate exercise value of the long call options or short put options and the daily settlement value of the short futures contracts; plus~~

~~B) the aggregate net market value of the put and call options;~~

~~and~~

~~ii) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units.~~

9127 – 9150 (reserved)

9151 Margin Requirements for Positions in and Offsets Involving OCC Options
(01.01.05, abr. 00.00.00)

~~The margin requirements for OCC options must be the same as set out in articles 9101 through 9150.~~

9152 Margin Requirements for Positions in and Offsets Involving Sponsored Options
(01.01.05, 00.00.00)

The margin requirements for sponsored options are the same as the margin requirements for exchange-traded options ~~set out in articles 9101 through 9150~~, with the following exceptions:

a) in the case of pairings involving European-style or cash settlement sponsored options, the required margin must not be less than 5% of the underlying security market value;

b) for pairings, the units of trading for call or put sponsored options must represent equivalent units of trading of any other options or an equivalent quantity of the underlying interest; and

c) in the case of sponsored options, a client of an approved participant is prohibited to hold a short position with the exception of sponsors for whom the capital rules applicable are those that are applicable to short exchange traded options positions held by an approved participant for its own account.~~defined in articles 9201 through 9300~~.

Section 9201 - 9300
Capital Requirements on Equity-Related Derivatives

9201 Exchange Traded Options – General
(01.01.05, abr. 00.00.00)

~~a) With respect to an approved participant account, a market maker account,a restricted trading permit holder account for which a clearing approved participant has issued a letter of authorization or a sponsor account, the Bourse has established certain charges against capital;~~

~~b) in the treatment of spreads, the long position may expire before the short position;~~

~~c) for any short position carried for a client or non-client account where the account has not provided required margin, any shortfall must be charged against the approved participant's capital;~~

~~d) where an approved participant account holds both CDCC options and OCC options that have the same underlying interest, the OCC options may be considered to be options for the purposes of the calculation of the capital requirements for the account under the provisions of this section;~~

~~e) from time to time the Bourse may impose special capital requirements with respect to particular options or particular positions in options.~~

9202 Long Option Positions
(01.01.05, abr. 00.00.00)

~~a) For approved participant accounts, subject to paragraph b), the capital required for long options must be the sum of:~~

~~i) where the period to expiry is greater or equal to 9 months, 50% of the option's time value, 100% of the option's time value otherwise; and~~

~~ii) the lesser of:~~

~~A) the normal margin required on the underlying interest; or~~

~~B) if any, the in-the-money value associated with the option.~~

~~For the purpose of the present article, "the option's time value" means any excess of the market value of the option over the in-the-money value of the option.~~

~~b) where, in the case of equity options, the underlying security in respect of a long call option is the subject of a legal and binding cash take-over bid for which all the conditions have been met, the capital required on such call option must be the market value of the call option, less the amount by which the amount offered exceeds the exercise price of the call option. Where such a take-over bid is made for less than 100% of the issued and outstanding securities, the capital requirement must be applied pro-rata in the same proportion as the offer, and paragraph a) must apply to the balance.~~

9203 Short Option Positions
(01.01.05, 01.02.07, abr. 00.00.00)

~~The minimum capital required which must be maintained in respect of an option carried short in an approved participant account must be:~~

~~i) A) for equity options or equity participation unit options, the market value of the equivalent number of equity securities or participation units multiplied by the underlying interest margin rate; or~~

~~B) for index participation unit options, the market value of the equivalent number of index participation units multiplied by the floating margin rate; or~~

~~C) for index options, the aggregate current value of the index, multiplied by the floating margin rate;~~

~~minus~~

~~ii) any out-of-the-money amount associated with the option.~~

9204 Covered Option Positions
(01.01.05, abr. 00.00.00)

~~a) No capital is required for a call option carried short in an approved participant account, which is covered by the deposit of an escrow receipt. The underlying interest deposited in respect of such options shall not be deemed to have any value for capital purposes.~~

~~Evidence of a deposit of the underlying interest shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation;~~

~~b) no capital is required for a put option carried short in an approved participant account which is covered by the deposit of an escrow receipt which certifies that acceptable government securities are being held by the issuer of the escrow receipt for the account of the approved participant. The acceptable government securities held on deposit:~~

~~i) must be government securities:~~

~~A) which are acceptable forms of margin for the clearing corporation; and~~

~~B) which mature within one year of their deposit; and~~

~~ii) shall not be deemed to have any value for capital purposes.~~

~~The aggregate exercise value of the short put options must not be greater than 90% of the aggregate par value of the acceptable government securities held on deposit. Evidence of the deposit of the acceptable government securities shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse on request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation; and~~

~~c) no capital is required for a put option carried short in an approved participant account if the approved participant has obtained a letter of guarantee, issued by a financial institution which has been authorized by the clearing corporation to issue escrow receipts, in a form satisfactory to the Bourse, and is:~~

~~i) a bank which is a Canadian chartered bank or a Quebec savings bank; or~~

~~ii) a trust company which is licensed to do business in Canada, with a minimum paid-up capital and surplus of $5,000,000;~~

~~provided that the letter of guarantee certifies that the bank or trust company:~~

~~iii) holds on deposit for the account of the approved participant cash in the full amount of the aggregate exercise value of the put option and that such amount will be paid to the clearing corporation against delivery of the underlying interest covered by the put option; or~~

~~iv) unconditionally and irrevocably guarantees to pay to the clearing corporation the full amount of the aggregate exercise value of the put option against delivery of the underlying interest covered by the put option;~~

~~and further provided that the approved participant has delivered the letter of guarantee to the clearing corporation and the clearing corporation has accepted it as margin.~~

9205 Option Spreads and Combinations
(01.01.05, 01.02.07, 13.08.07, abr. 00.00.00)

~~**a) Call spreads and put spreads**~~

~~Where an approved participant account contains one of the following spread pairings for an equivalent number of trading units on the same underlying interest:~~

- ~~long call option and short call option; or~~
- ~~long put option and short put option;~~

~~the minimum capital required must be the lesser of:~~

~~i) the capital required on the short option pursuant to article 9203; or~~

~~ii) the spread loss amount, if any, that would result if both options were exercised.~~

~~**b) Short call – short put spreads**~~

~~Where a call option is carried short for an approved participant's account and the account is also short a put option on the same number of units of trading on the same underlying interest, the minimum capital required must be the greater of:~~

~~i) the greater of:~~

~~A) the capital required on the call option; or~~

~~B) the capital required on the put option;~~

~~and~~

~~ii) the excess of the aggregate exercise value of the put option over the aggregate exercise value of the call option.~~

~~**c) Long call – long put spreads**~~

~~Where a call option is carried long for an approved participant's account and the account is also long a put option on the same number of units of trading on the same underlying interest, the minimum capital required must be the lesser of:~~

~~i) the sum of:~~

~~A) the capital required for the call option; and~~

~~B) the capital required for the put option;~~

~~and~~

~~ii) the sum of:~~

~~A) 100% of the market value of the call option; plus~~

~~B) 100% of the market value of the put option; minus~~

~~C) the amount by which the aggregate exercise value of the put option exceeds the aggregate exercise value of the call option.~~

~~**d) Long call – short call – long put**~~

~~Where a call option is carried long for an approved participant's account and the account is also short a call option and long a put option on the same number of units of trading on the same underlying interest, the minimum capital required must be:~~

~~i) 100% of the market value of the long call option; plus~~

~~ii) 100% of the market value of the long put option; minus~~

~~iii) 100% of the market value of the short call option; plus~~

~~iv) the greater of:~~

~~A) any excess of the aggregate exercise value of the long call option over the aggregate exercise value of the short call option; and~~

~~B) any excess of the aggregate exercise value of the long call option over the aggregate exercise value of the long put option.~~

~~Where the amount calculated in iv) is negative, this amount may be applied against the capital charge.~~

~~**e) Short call – long warrant**~~

~~Where a call option is carried short for an approved participant's account and the account is also long a warrant on the same number of units of trading on the same underlying interest, the minimum capital required must be the sum of:~~

~~i) the lesser of:~~

~~A) the capital required on the call option; or~~

~~B) the spread loss amount, if any, that would result if both the option and the warrant were exercised;~~

~~and~~

~~ii) the excess of the market value of the warrant over the in-the-money value of the warrant multiplied by 25%;~~

~~and~~

~~iii) the in-the-money value of the warrant, multiplied by:~~

~~A) 50%, where the expiration date of the warrant is 9 months or more away; or~~

~~B) 100%, where the expiration date of the warrant is less than 9 months away.~~

~~The market value of the short call option may be used to reduce the capital required on the long warrant, but cannot reduce the capital required to less than zero.~~

9206 Options and Security Combinations
(01.01.05, 01.02.07, abr. 00.00.00)

~~**a) Short call – long underlying (or convertible) combination**~~

~~Where, in the case of equity or equity participation unit options, a call option is carried short in an approved participant's account and the account is also long an equivalent position in the underlying interest or in the case of equity options in a security readily convertible or exchangeable (without restrictions other than the payment of consideration and within a reasonable time provided such time must be prior to the expiration of the call option) into the underlying interest, or in the case of equity participation unit options in securities readily exchangeable into the underlying interest, the minimum capital required must be the sum of:~~

~~i) the lesser of~~

~~A) the normal capital required on the underlying interest; and~~

~~B) any excess of the aggregate exercise value of the call options over the normal loan value of the underlying interest;~~

~~and~~

~~ii) where a convertible security or exchangeable security is held, any excess of the market value of the convertible or exchangeable security over the market value of the equivalent number of underlying securities.~~

~~The market value of the short call option may be used to reduce the capital required on the long security, but cannot reduce the capital required to less than zero.~~

~~**b) Short put – short underlying combination**~~

~~Where, in the case of equity or equity participation unit options, a put option is carried short in an approved participant's account and the account is also short an equivalent position in the underlying interest, the minimum capital required must be the lesser of:~~

~~i) the normal capital required on the underlying interest; and~~

~~ii) any excess of the normal capital required on the underlying interest over the in-the-money value, if any, of the put option.~~

~~The market value of the short put option may be used to reduce the capital required on the short security, but cannot reduce the capital required to less than zero.~~

~~**c) Long call – short underlying combination**~~

~~Where, in the case of equity or equity participation unit options, a call option is carried long in an approved participant's account and the account is also short an equivalent position in the underlying interest, the minimum capital required must be the sum of:~~

~~i) 100% of the market value of the call option; and~~

~~ii) the lesser of:~~

~~A) any out-of-the-money value associated with the call option; or~~

~~B) the normal capital required on the underlying interest.~~

~~Where the call option is in-the-money, this in-the-money value may be applied against the capital required, but cannot reduce the capital required to less than zero.~~

~~**d) Long put – long underlying combination**~~

~~Where, in the case of equity or equity participation unit options, a put option is carried long in an approved participant's account and the account is also long an equivalent position in the underlying interest, the minimum capital required must be the lesser of:~~

~~i) the normal capital required on the underlying interest; and~~

~~ii) the excess of the combined market value of the underlying interest and the put option over the aggregate exercise value of the put option.~~

~~Where the put option is in-the-money, this in-the-money value may be applied against the capital required, but cannot reduce the capital required to less than zero.~~

~~**e) Conversion or long tripo combination**~~

~~Where, in the case of equity or equity participation unit options, a position in an underlying interest is carried long in an approved participant's account and the account is also long an equivalent position in put options and short an equivalent position in call options, the minimum capital required must be:~~

~~i) 100% of the market value of the long put options; minus~~

~~ii) 100% of the market value of the short call options; plus~~

~~iii) the difference, plus or minus, between the market value of the underlying interest and the aggregate exercise value of the long put options, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the call options.~~

~~**f) Reconversion or short tripo combination**~~

~~Where, in the case of equity or equity participation unit options, a position in an underlying interest is carried short in an approved participant's account and the account is also long an equivalent position in call options and short an equivalent position in put options, the minimum capital required must be:~~

~~i) 100% of the market value of the long call options; minus~~

~~ii) 100% of the market value of the short put options; plus~~

~~iii) the difference, plus or minus, between the aggregate exercise value of the long call options and the market value of the underlying interest, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the put options.~~

9207 Option Spreads Involving Complex Strategies
(01.01.05, 13.08.07, abr. 00.00.00)

~~In addition to the option spreads permitted in article 9205, the following additional option spread strategies are available for positions in options:~~

~~**a) Box spread**~~

~~Where an approved participant account contains a box spread combination on the same underlying interest with all options expiring at the same timesuch that the approved participant holds a long and short call option and a long and short put option and where the long call option and short put option, and short call option and long put option have the same strike price, the minimum capital required must be the lesser of:~~

~~i) the difference, plus or minus, between the aggregate exercise value of the long call options and the aggregate exercise value of the long put options; and~~

~~ii) the net market value of the options.~~

~~**b) Long butterfly spread**~~

~~Where an approved participant account contains a long butterfly spread combination on the same underlying interest with all options expiring at the same time such that the approved participant holds a short position in two call options (or put options) and the short call options (or short put options) are at a middle strike price and are flanked on either side by a long call option (or long put option) having respectively a lower and higher strike price, and the interval between the strike prices is equal, the minimum capital required must be the net market value of the short and long call options (or put options).~~

~~**c) Short butterfly spread**~~

~~Where an approved participant account contains a short butterfly spread combination on the same underlying interest with all options expiring at the same time such that the approved participant holds a long position in two call options (or put options) and the long call options (or long put options) are at a middle strike price and are flanked on either side by a short call option (or short put option) having respectively a lower and higher strike price, and the interval between the strike prices is equal, the minimum capital required must be the amount, if any, by which the exercise value of the long call options (or long put options) exceeds the exercise value of the short call options (or short put options). The market value of any premium credit carried on the short options may be used to reduce the capital required.~~

~~d) Long Condor Spread~~

~~Where an approved participant account contains a long condor spread combination on the same underlying interest with all options expiring at the same time, such that the approved participant holds four separate option series wherein the exercise prices of the options are in ascending order and the interval between the strike prices is equal, comprising a short position in two call options (or put options) and the short call options (or short put options) are flanked on either side by a long call option (or long put option) having a lower and higher strike price respectively, the minimum capital required must be equal to the net market value of the short and long call options (or put options).~~

~~e) Short Iron Butterfly Spread~~

~~e) Short Iron Butterfly Spread~~

~~Where an approved participant account contains a short iron condor butterfly spread combination on the same underlying interest with all options expiring at the same time, such that the approved participant holds four separate option series wherein the exercise prices of the options are in ascending order, and the interval between the strike prices is equal, comprising short positions in a call option and a put option with the same strike price and the short options are flanked on either side by a long put option and a long call option having respectively a lower and higher strike price, the minimum capital required must be equal to the strike price interval multiplied by the unit of trading. The market value of any premium credit carried on the short options may be used to reduce the minimum capital required.~~

~~f) Short Iron Condor Spread~~

~~Where an approved participant account contains a short iron condor spread combination on the same underlying interest with all options expiring at the same time, such that the approved participant holds four separate option series wherein the exercise prices of the options are in ascending order, and the interval between the strike prices is equal, comprising short positions in a call option and a put option and the short options are flanked on either side by a long put option and a long call option having respectively a lower and higher strike price, the minimum capital required must equal the strike price interval multiplied by the unit of trading. The market value of any premium credit carried on the short options may be used to reduce the minimum capital required.~~

9208 Index Options and Index Participation Unit Option Spread Combinations
(01.01.05, 01.02.07, abr. 00.00.00)

~~a) Call spread combinations and put spread combinations~~

~~Where an approved participant account contains one of the following spread combinations:~~

- ~~long index call option and short index participation unit call option; or~~
- ~~long index participation unit call option and short index call option; or~~
- ~~long index put option and short index participation unit put option; or~~
- ~~long index participation unit put option and short index put option;~~

~~and the short option expires on or before the date of expiration of the long option, the minimum capital required must be the lesser of:~~

~~i) the capital required on the short option pursuant to article 9203; and~~

~~ii) the greater of:~~

~~A) the spread loss amount, if any, that would result if both options were exercised; and~~

~~B) the published tracking error margin rate for a spread between the index and the related participation units, multiplied by the market value of the underlying participation units.~~

~~b) Short call – short put spread combinations~~

~~Where an approved participant account contains one of the following spread combinations:~~

- ~~short index call option and short index participation unit put option; or~~
- ~~short index participation unit call option and short index put option;~~

~~the minimum capital required must be the greater of:~~

~~i) the greater of:~~

~~A) the capital required on the short call option; or~~

~~B) the capital required on the short put option;~~

~~and~~

~~ii) the excess of the aggregate exercise value of the short put option over the aggregate exercise value of the short call option;~~

~~and~~

~~iii) the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

9209 Index Option Combinations with Qualifying Baskets of Index Securities and Index Participation Units
(01.01.05, 01.02.07, abr. 00.00.00)

~~**a) Short call option combinations with long qualifying baskets of index securities or long index participation units**~~

~~Where an approved participant account contains one of the following option related combinations:~~

- ~~short index call options and long an equivalent number of qualifying baskets of index securities; or~~
- ~~short index call options and long an equivalent number of index participation units (note: subject to tracking error minimum margin); or~~
- ~~short index participation unit call options and long an equivalent number of qualifying baskets of index securities (note: subject to tracking error minimum margin); or~~
- ~~short index participation unit call options and long an equivalent number of index participation units;~~

~~the minimum capital required must be the greater of:~~

~~i) the lesser of~~

~~A) the normal capital required on the qualifying basket of index securities (or index participation units); and~~

~~B) any excess of the aggregate exercise value of the call options over the normal loan value of the qualifying basket (or participation units);~~

~~and~~

~~ii) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

~~**b) Short put option combinations with short qualifying index baskets or short index participation units**~~

~~Where an approved participant account contains one of the following option related combinations:~~

- ~~short index put options and short an equivalent number of qualifying baskets of index securities; or~~
- ~~short index put options and short an equivalent number of index participation units (note: subject to tracking error minimum margin); or~~

- ~~short index participation unit put options and short an equivalent number of qualifying baskets of index securities (note: subject to tracking error minimum margin); or~~

- ~~short index participation unit put options and short an equivalent number of index participation units;~~

~~the minimum capital required must be the greater of:~~

~~i) the lesser of~~

~~A) the normal capital required on the qualifying basket of index securities (or indexparticipation units); and~~

~~B) any excess of the normal capital required on the underlying interest over the in-the-money value, if any, of the put option;~~

~~and~~

~~ii) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

~~c) Long call option combinations with short qualifying baskets of index securities or short index participation units~~

~~Where an approved participant account contains one of the following option related combinations:~~

- ~~long index call options and short an equivalent number of qualifying baskets of index securities; or~~

- ~~long index call options and short an equivalent number of index participation units (note: subject to tracking error minimum margin); or~~

- ~~long index participation unit call options and short an equivalent number of qualifying baskets of index securities (note: subject to tracking error minimum margin); or~~

- ~~long index participation unit call options and short an equivalent number of index participation units;~~

~~the minimum capital required must be the sum of:~~

~~i) 100% of the market value of the call options; and~~

~~ii) the greater of:~~

~~A) the lesser of:~~

~~I) the aggregate exercise value of the call options less the market value of the qualifying basket of index securities (or index participation units); and~~

~~II) the normal capital required on the qualifying basket of index securities (or index participation units);~~

~~and~~

~~B) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

~~d) Long put option combinations with long qualifying baskets of index securities or long index participation units~~

~~Where an approved participant account contains one of the following option related combinations:~~

- ~~long index put options and long an equivalent number of qualifying baskets of index securities; or~~
- ~~long index put options and long an equivalent number of index participation units (note: subject to tracking error minimum margin); or~~
- ~~long index participation unit put options and long an equivalent number of qualifying baskets of index securities (note: subject to tracking error minimum margin); or~~
- ~~long index participation unit put options and long an equivalent number of index participation units;~~

~~the minimum capital required must be the greater of:~~

~~i) the lesser of:~~

~~A) the normal capital required on the qualifying basket (or participation units); and~~

~~B) the excess of the combined market value of the qualifying basket (or participation units) and the put option over the aggregate exercise value of the put option;~~

~~and~~

~~ii) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

~~e) Conversion or long tripo combinations~~

~~Where an approved participant account contains one of the following option related combinations:~~

- ~~long a qualifying basket of index securities, long an equivalent number of index put options and short an equivalent number of index call options (note: subject to incremental basket margin where qualifying basket is imperfect); or~~

- ~~long index participation units, long an equivalent number of index put options and short an equivalent number of index call options (note: subject to tracking error minimum margin); or~~

- ~~long a qualifying basket of index securities, long an equivalent number of index participation unit put options and short an equivalent number of index participation unit call options (note: subject to incremental basket margin where qualifying basket is imperfect and subject to tracking error minimum margin); or~~

- ~~long index participation units, long an equivalent number of index participation unit put options and short an equivalent number of index participation unit call options;~~

~~the minimum capital required must be the sum of:~~

~~i) where applicable, the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket;~~

~~and~~

~~ii) the greater of:~~

~~A) the sum of:~~

~~I) 100% of the market value of the long put options; minus~~

~~II) 100% of the market value of the short call options; plus~~

~~III) the difference, plus or minus, between the market value of the qualifying basket of index securities (or index participation units) and the aggregate exercise value of the long put options, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the call options;~~

~~and~~

~~B) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

~~f) Reconversion or short tripo combinations~~

~~Where an approved participant account contains one of the following option related combinations:~~

- ~~short a qualifying basket of index securities, short an equivalent number of index put options and long an equivalent number of index call options (note: subject to incremental basket margin where qualifying basket is imperfect); or~~

- ~~short index participation units, short an equivalent number of index put options and long an equivalent number of index call options (note: subject to tracking error minimum margin); or~~

- ~~short a qualifying basket of index securities, short an equivalent number of index participation unit put options and long an equivalent number of index participation unit call options (note: subject to incremental basket margin where qualifying basket is imperfect and subject to tracking error minimum margin); or~~

- ~~short index participation units, short an equivalent number of index participation unit put options and long an equivalent number of index participation unit call options;~~

~~the minimum capital required must be the sum of:~~

~~i) where applicable, the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket;~~

~~and~~

~~ii) the greater of:~~

~~A) the sum of:~~

~~I) 100% of the market value of the long call options; minus~~

~~II) 100% of the market value of the short put options; plus~~

~~III) the difference, plus or minus, between the aggregate exercise value of the long call options and the market value of the qualifying basket of index securities (or index participation units), where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the put options;~~

~~and~~

~~B) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

9210 Index Option Combinations with Qualifying Baskets of Index Securities and Commitment to Purchase Index Participation Units
(01.01.05, abr. 00.00.00)

~~a) Short index participation unit call options – long qualifying basket of index securities – commitment to purchase index participation units~~

~~Where an approved participant holds a long position in a qualifying basket of index securities offset by an equivalent number of short index participation unit call options, and has a commitment to purchase a new issue of index participation units pursuant to an underwriting agreement and the underwriting period expires after the expiry date of the short call options, provided the size of the long qualifying basket does not exceed the size of the approved participant's underwriting commitment to purchase index participation units, the capital required must be the normal capital required on the long qualifying basket less the market value of the short call options, but in no event must the capital required be less than zero.~~

~~**b) Long index participation unit put options – long qualifying basket of index securities – commitment to purchase index participation units**~~

~~Where an approved participant holds a long position in a qualifying basket of index securities offset by an equivalent number of long index participation unit put options, and has a commitment to purchase a new issue of index participation units pursuant to an underwriting agreement and the underwriting period expires after the expiry date of the long put options, provided the size of the long qualifying basket does not exceed the size of the approved participant's underwriting commitment to purchase index participation units, the capital required must be:~~

~~i) 100% of the market value of the long put options; plus~~

~~ii) the lesser of:~~

~~A) the normal capital required on the long qualifying basket; or~~

~~B) the market value of the qualifying basket less the aggregate exercise value of the put options.~~

~~A negative value calculated under ii) B) may reduce the capital required on the put options, but in no event must the capital required be less than zero.~~

9211 – 9220 (reserved)

9221 Exchange Traded Futures Contracts – General
(01.01.05, 23.01.06)

a) With respect to an account of an approved participant, market-maker, or restricted trading permit holder for which a clearing approved participant has issued a letter of guarantee, the Bourse may establish certain charges against the capital of the approved participant carrying the account, which charges may be less onerous than margin requirements applicable to clients but for which the approved participant must maintain adequate capital resources at all times;

b) positions of approved participants and customers must be marked to market daily and the required capital must be determined by using the greatest of:

i) the rate required by the futures contract exchange on which the contract is entered into or its clearing corporation; or

ii) the rate required by the broker through which the approved participant ensures the clearing of the futures contract;

c) in the case of a futures contract exchange or its clearing corporation that prescribes margin requirements based on initial and maintenance rates, initial capital is required at the time the contract is entered into and the amount of such capital must not be less than the prescribed initial rate. Subsequently, the approved participant must maintain, for each position held, a capital amount equivalent to the prescribed maintenance rate;

d) capital requirements established by the Bourse may be made applicable to one or more rather than all approved participants if deemed necessary by the Bourse;

e) specific capital requirements may be applicable on spread positions when an approved participant account holds such positions. Every approved participant must clearly identify such spread positions in its records relating to margin calculations;

f) from time to time the Bourse may impose special capital requirements with respect to particular futures contracts or particular positions in futures contracts.

9222 Simple or Spread Positions in Futures Contracts
(01.01.05)

a) Share futures contracts positions

i) For simple positions in share futures contracts held in an approved participant's account, the capital required must be the floating margin rate of the underlying interest multiplied by the daily settlement value of the futures contracts;

ii) for spread positions in shares futures contracts held in an approved participant's account, the capital requirements are determined by the Bourse, in collaboration with the clearing corporation, from time to time.

b) Index futures contracts positions

The capital requirements which must be applied on all positions in index futures contracts held in an approved participant's account are determined by the Bourse, in collaboration with the clearing corporation, from time to time.

9223 Share Futures Contracts and Security Combinations
(01.01.05, 00.00.00)

a) Share futures contracts – underlying share combinations

Where an approved participant account contains one of the following combinations:

- long share futures contract and short an equivalent position in the underlying share; or
- short share futures contract and long an equivalent position in the underlying share;

the minimum capital required must be the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share.

b) Short share futures contracts – long convertible security combination

Where an approved participant holds a short share futures contract on the shares of an issuer and a long position in securities which are currently convertible or exchangeable into the same class and at least the same number of shares of the same issuer, the capital required must be the excess of the market value of the long position over the settlement value of the short share futures contracts.

Any residual net credit money balance between the market value and settlement value of the positions which are paired cannot be used to reduce capital otherwise required on the long or short position remaining unhedged after applying the pairing described above.

Where the securities representing the long position held by the approved participant are not convertible or exchangeable until the expiry of a specific period of time but the approved participant has entered into a written, legally enforceable agreement, pursuant to which it has borrowed securities of the same class as those of the short position which do not have to be returned until the expiration of the period of time until conversion or exchange, the above-mentioned pairing may be done as if the securities representing the long position were currently convertible or exchangeable.

c) Short share futures contracts – long warrants, rights, instalment receipts combination

Where an approved participant holds a short share futures contract on the shares of an issuer and a long position in warrants, rights, shares, instalment receipts or other securities pursuant to the terms of which the holder is entitled to acquire the same class and at least the same number of shares of the same issuer, the capital required must be equal to the aggregate of the subscription price or other cost or charge payable in connection with the acquisition of the underlying shares pursuant to the warrant, right, share, instalment receipt or other security plus (or minus, if the result is negative) the difference between the aggregate market value of the warrant, right, share, instalment receipt or other security and the settlement value of the share futures contracts.

d) Short share futures contracts – long capital shares

For the purposes of this section:

a) "capital share" means a share issued by a split share company which represents all or a substantial portion of the capital appreciation portion of the underlying common share;

b) “capital share conversion loss” means any excess of the market value of the capital shares over the retraction value of the capital shares;

c) "preferred share" means a share issued by a split share company which represents all or a substantial portion of the dividend portion of the underlying common share, and includes equity dividend shares of split share companies;

e) “retraction value”, for capital shares, means:

i) where the capital shares can be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the excess of the market value of the underlying common shares received over the retraction cash payment to be made when retraction of the capital shares takes place;

ii) where the capital shares cannot be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the retraction cash payment to be received when retraction of the capital shares takes place;

f) "split share company" means a corporation formed for the sole purpose of acquiring underlying common shares and issuing its own capital shares based on all or a substantial portion of the capital appreciation portion and its own preferred shares based on all or a substantial portion of the dividend income portion of such underlying common shares.

Where an approved participant holds a long position in capital shares and a short share futures contract, the capital required is equal to the sum of the conversion loss, if any, and the normal capital required on the equivalent number of preferred shares.~~the capital as prescribed in article 7202A 2) a).~~

~~In no case, the capital required shall be less than 3% of the settlement value of the share futures contract.~~

The market value of the underlying security to be used for the calculation of the required capital pursuant to the preceding paragraph~~article 7202A 2) a)~~ is the settlement value of the share futures contract.

In no case, the capital required shall be less than 3% of the settlement value of the share futures contract.

9225 Index Futures Contract Combinations with Qualifying Baskets of Index Securities and Index Participation Units
(01.01.05, abr. 00.00.00)

~~Where an approved participant account contains one of the following futures contracts related combinations:~~

- ~~long a qualifying basket of index securities and short an equivalent number of index futures contracts (note: subject to incremental basket margin where qualifying basket is imperfect); or~~
- ~~long index participation units and short an equivalent number of index futures contracts; or~~
- ~~short a qualifying basket of index securities and long an equivalent number of index futures contracts (note: subject to incremental basket margin where qualifying basket is imperfect); or~~
- ~~short index participation units and long an equivalent number of index futures contracts;~~

~~the capital required must be:~~

~~i) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units; plus~~

~~ii) where applicable, the calculated incremental basket margin rate for the qualifying basket of index securities;~~

~~multiplied by the market value of the qualifying basket of index securities (or index participation units).~~

9226 Index Futures Contract Combinations with Index Options
(01.01.05, abr. 00.00.00)

~~With respect to offsets between index options, index participation unit options and index futures contracts held in approved participant accounts, the option contracts and the futures contracts must have the same settlement date, or can be settled in either of the two nearest contract months, and no partial offsets are permitted.~~

~~a) Short index call options or short index participation unit call options – long index futures contracts~~

~~Where an approved participant account contains one of the following futures contracts and options related combinations:~~

- ~~short index call options and long index futures contracts; or~~
- ~~short index participation unit call options and long index futures contracts;~~

~~the minimum capital required must be the greater of:~~

~~i) A) the capital required on the futures contracts; less~~

~~B) the aggregate market value of the call options;~~

~~and~~

~~ii) the published tracking error margin rate for a spread between the futures contracts and the related index or participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units.~~

~~b) Short index put options or short index participation unit put options – short index futures contracts~~

~~Where an approved participant account contains one of the following futures contracts and options related combinations:~~

- ~~short index put options and short index futures contracts; or~~
- ~~short index participation unit put options and short index futures contracts;~~

~~the minimum capital required must be the greater of:~~

~~i) A) the capital required on the futures contracts; less~~

~~B) the aggregate market value of the put options;~~

~~and~~

~~ii) the published tracking error margin rate for a spread between the futures contract and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units.~~

~~**c) Long index call options or long index participation unit call options – short index futures contracts**~~

~~Where an approved participant account contains one of the following futures contracts and options related combinations:~~

- ~~long index call options and short index futures contracts; or~~
- ~~long index participation unit call options and short index futures contracts;~~

~~the minimum capital required must be the greater of:~~

~~i) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units;~~

~~and~~

~~ii) A) *Out-of-the-money position*~~

~~The aggregate market value of the call options, plus the lesser of:~~

~~I) the aggregate exercise value of the call options, less the daily settlement value of the futures contracts; or~~

~~II) the capital required on the futures contracts;~~

~~B) *In-the-money or at-the-money position*~~

~~I) the aggregate market value of the call options; less~~

~~II) the aggregate in-the-money amount of the call options.~~

~~**d) Long index put options or long index participation unit put options – long index futures contracts**~~

~~Where an approved participant account contains one of the following futures contracts and options related combinations:~~

- ~~long index put options and long index futures contracts; or~~
- ~~long index participation unit put options and long index futures contracts;~~

~~the minimum capital required must be the greater of:~~

~~i) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units;~~

~~and~~

~~ii) A) *Out-of-the-money position*~~

~~The aggregate market value of the put options, plus the lesser of:~~

~~I) the daily settlement value of the futures contracts, less the aggregate exercise value of the put options; or~~

~~II) the capital required on the futures contracts;~~

~~B) *In-the-money or at-the-money position*~~

~~I) the aggregate market value of the put options; less~~

~~II) the aggregate in-the-money amount of the put options.~~

~~**e) Conversion or long tripo combination involving index options or index participation unit options and index futures contracts**~~

~~Where an approved participant account contains one of the following tripo combinations:~~

- ~~long index futures contracts and long index put options and short index call options with the same expiry date; or~~
- ~~long index futures contracts and long index participation unit put options and short index participation unit call options with the same expiry date;~~

~~the minimum capital required must be the greater of:~~

~~i) A) the greater of the difference, plus or minus, between the daily settlement value of the long futures contracts and the aggregate exercise value of the long put options or the short call options; plus~~

~~B) the aggregate net market value of the put and call options;~~

~~and~~

~~ii) the published tracking error margin rate for a spread between the futures contract and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units.~~

~~**f) Reconversion or short tripo combinations involving index options or index participation unit options and index futures contracts**~~

~~Where an approved participant account contains one of the following tripo combinations:~~

- ~~short index futures contracts and short index put options and long index call options with the same expiry date; or~~

- ~~short index futures contracts and short index participation unit put options and long index participation unit call options with the same expiry date;~~

~~the minimum capital required must be the greater of:~~

~~i) A) the greater of the difference, plus or minus, between the aggregate exercise value of the long call options or short put options and the daily settlement value of the short futures contracts; plus~~

~~B) the aggregate net market value of the put and call options;~~

~~and~~

~~ii) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units.~~

9227 – 9250 (reserved)

9251 Capital Requirements for Positions In and Offsets Involving OCC Options
(01.01.05, abr. 00.00.00)

~~The capital requirements for OCC options must be the same as set out in articles 9201 through 9250.~~

9252 Capital Requirements for Positions In and Offsets Involving Sponsored Options
(01.01.05, 00.00.00)

The capital requirements for sponsored options are the same as the capital requirements for exchange-traded options~~ set out in articles 9201 through 9250~~, with the following exceptions:

a) in the case of pairings involving European-style or cash settlement sponsored options, the required capital must not be less than 5% of the underlying security market value;

b) for pairings, the units of trading for call or put sponsored options must represent equivalent units of trading of any other options or an equivalent quantity of the underlying interest.

Section 9301 – 9400
Margin Requirements for~~on Interest Rate Related~~ Derivatives Instruments on Bonds and Interest Rates

9301 Exchange Traded Bond Options - General
(01.01.05, 01.02.07, 00.00.00)

a) The Bourse shall establish margin requirements applicable to bond options positions held by clients and no approved participant shall effect an option transaction or carry an account for a client without proper and adequate margin, which must be obtained as promptly as possible and maintained in conformity with the provisions of this section;

b) all opening selling transactions and resulting short positions must be carried in a margin account;

c) each bond option must be margined separately and any difference between the market price of the underlying interest and the exercise price of the option must be considered to be of value only in providing the amount of margin required on that particular option;

d) where a client account holds both CDCC bond options and OCC bond options that have the same underlying interest, the OCC bond options may be considered to be bond options for the purposes of the calculation of the margin requirements for the account under the provisions of this section;

e) from time to time the Bourse may impose special margin requirements with respect to particular bond options or particular positions in such options.

9302 Long Bond Option Positions
(01.01.05, 00.00.00)

All purchases of bond options must be for cash and long positions shall have no value for margin purposes.

9303 Short Bond Option Positions
(01.01.05, 00.00.00)

a) The minimum margin requirement which must be maintained in respect of a~~n~~ bond option carried short in a client account must be:

i) 100% of the market value of the option; plus

ii) a percentage of the market value of the underlying ~~interest~~bond, determined using the following percentages:

A) underlying bond~~interest~~ maturing over 10 years, 3%;
B) underlying bond~~interest~~ maturing over 3 years to 10 years, 1.75%; or
C) underlying bond~~interest~~ maturing in 3 years or less, 1%;

minus

iii) any out-of-the-money amount associated with the bond option.

b) Paragraph a) notwithstanding, the minimum margin requirement which must be maintained and carried in a client account trading in bond options must not be less than:

i) 100% of the market value of the option; plus

ii) an additional requirement determined by multiplying 0.50% by the market value of the underlying bond~~interest~~.

9304 Covered Bond Option Positions
(01.01.05, 00.00.00)

a) No margin is required for a call option carried short in a client's account which is covered by the deposit of an escrow receipt. The underlying ~~interest~~ bond deposited in respect of such options shall not be deemed to have any value for margin purposes.

Evidence of a deposit of the underlying ~~interest~~ bond shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse upon request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation;

b) no margin is required for a put option carried short in a client's account which is covered by the deposit of an escrow receipt which certifies that acceptable government securities are being held by the issuer of the escrow receipt for the account of the client. The acceptable government securities held on deposit:

i) must be government securities:

A) which are acceptable forms of margin for the clearing corporation; and

B) which mature within one year of their deposit; and

ii) shall not be deemed to have any value for margin purposes.

The aggregate exercise value of the short put option must not be greater than 90% of the aggregate ~~par~~ nominal value of the acceptable government securities held on deposit. Evidence of the deposit of the acceptable government securities shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse on request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation; and

c) no margin is required for a put option carried short in a client's account if the client has delivered to the approved participant with which such position is maintained a letter of guarantee, issued by a financial institution which has been authorized by the clearing corporation to issue escrow receipts, in a form satisfactory to the Bourse, and is:

i) a bank which is a Canadian chartered bank or a Quebec savings bank; or

ii) a trust company which is licensed to do business in Canada, with a minimum paid-up capital and surplus of $5,000,000;

provided that the letter of guarantee certifies that the bank or trust company,

iii) holds on deposit for the account of the client cash in the full amount of the aggregate exercise value of the put option and that such amount will be paid to the clearing corporation against delivery of the underlying interest covered by the put option; or

iv) unconditionally and irrevocably guarantees to pay to the clearing corporation the full amount of the aggregate exercise value of the put option against delivery of the underlying interest covered by the put option;

and further provided that the approved participant has delivered the letter of guarantee to the clearing corporation and the clearing corporation has accepted it as margin.

9305 Bond Options Spreads and Combinations
(01.01.05, 00.00.00)

a) Call spreads and put spreads

Where a client account contains one of the following spread pairings:

- long call option and short call option; or
- long put option and short put option;

and the short option expires on or before the date of expiration of the long option, the minimum margin required for the spread pairing must be the lesser of:

i) the margin required on the short option; or

ii) the spread loss amount, if any, that would result if both options were exercised.

b) Short call – short put spreads

Where a call option is carried short for a client's account and the account is also short a put option on the same number of units of trading on the same underlying ~~interest~~bond, the minimum margin required must be the sum of:

i) the greater of:

A) the margin required on the call option; or

B) the margin required on the put option;

and

ii) the loss amount that would result if the option having the lesser margin required was exercised.

9306 Bond Option and Security Combinations
(01.01.05, 00.00.00)

a) Short call – long underlying bond combination

Where, in the case of bond options, a call option is carried short in a client's account and the account is also long an equivalent position in the underlying bond, the minimum margin required must be the lesser of:

i) the margin required on the underlying bond; or

ii) the margin required on the underlying bond based on the exercise price of the call option.

For purposes of this Rule, " underlying bond " includes any bond issue of the Government of Canada which:

i) has a higher coupon rate than the underlying bond;

ii) has an aggregate face value at maturity of at least $1,000,000,000;

iii) trades at a price of $5 per $100 face value greater than the underlying bond; and

iv) matures no sooner than 2 years prior to the underlying bond.

b) Short put – short underlying bond combination

Where, in the case of bond options, a put option is carried short in a client's account and the account is also short an equivalent position in the underlying bond, the minimum margin required must be the greater of:

i) the margin required on the underlying bond; or

ii) the margin required on the underlying bond based on the exercise price of the put option.

c) Long call – short underlying bond combination

Where, in the case of bond options, a call option is carried long in a client's account and the account is also short an equivalent position in the underlying bond, the minimum margin required must be the sum of:

i) 100% of the market value of the call option; and

ii) the lesser of:

A) the aggregate exercise value of the call option; or

B) the normal margin required on the underlying bond.

d) Long put – long underlying bond combination

Where, in the case of bond options, a put option is carried long in a client's account and the account is also long an equivalent position in the underlying bond, the minimum margin required must be the sum of:

i) 100% of the market value of the put option; and

ii) 50% of the margin required on the underlying bond; and

iii) any out-of-the-money value associated with the put option, up to the amount determined in ii) above.

9307 – 9310 (reserved)

9311 Long Option on Futures Contracts Positions
(01.01.05, 00.00.00)

All purchases of options on futures contracts must be for cash and long positions shall have no loan value for margin purposes.

9312 Short Option on Futures Contracts Positions
(01.01.05)

The minimum margin requirement which must be maintained in respect of an option carried short in a client account must be:

i) 100% of the market value of the option; plus

ii) the greater of:

A) 50% of the normal margin required on the underlying futures contract; or

B) the normal margin required on the underlying futures contract less 50% of the amount by which the option is out-of-the-money.

9313 Options on Futures Contracts Spreads and Combinations
(01.01.05)

a) Call spreads and put spreads

i) Where a client account contains one of the following spread pairings:

- long call option and short call option with the same or higher exercise price; or
- long put option and short put option with the same or lower exercise price;

the minimum margin required for the spread pairing must be:

A) 100% of the market value of the long option; minus

B) 100% of the market value of the short option; plus

C) where the long option expires before the short option, 50% of the normal margin required on the underlying futures contract.

ii) Where a client account contains one of the following spread pairings:

- long call option and short call option with a lower exercise price; or
- long put option and short put option with a higher exercise price;

the minimum margin required for the spread pairing must be the sum of:

A) the lesser of:

I) the loss amount that would result if both options were exercised; or

II) a) where the long and short options have the same expiry date, the margin required on the short option; or

b) where the long and short options have different expiry dates, the normal margin required on the underlying futures contract;

and

B) where the options have different expiry dates, the net market value of the long and short options.

b) Short call – short put spreads

Where a call option is carried short for a client's account and the account is also short a put option, the minimum margin required must be the sum of:

i) the greater of:

A) the margin required on the call option ; or

B) the margin required on the put option;

and

ii) the loss amount that would result if the option having the lesser margin required was exercised.

9314 – 9320 (reserved)

9321 Exchange Traded Futures Contracts – General
(01.01.05, 23.01.06, 00.00.00)

a) The Bourse shall establish margin requirements applicable to futures contracts positions held by clients and no approved participant shall effect a futures contract transaction or carry an account for a client without proper and adequate margin, which must be obtained as promptly as possible and maintained in conformity with the provisions of this section;

~~b) positions of clients must be marked to market daily and the required margin must be determined by using the greatest of:~~

~~i) the rate required by the futures contract exchange on which the contract is entered into or its clearing corporation; or~~

~~ii) the rate required by the broker through which the approved participant ensures the clearing of the futures contract;~~

~~c) in the case of a futures contract exchange or its clearing corporation that prescribes margin requirements based on initial and maintenance rates, the initial margin must be required from the client at the time the contract is entered into in and such margin must not be for an amount less than the prescribed initial rate. When subsequent adverse price movements in the value of the futures contract reduce the margin on deposit to an amount below the maintenance level, a further amount to restore the margin on deposit to the initial rate must be required. The approved participant may, in addition, require such further margin or deposit as it may consider necessary as a result of fluctuations in market prices;~~

~~d) margin requirements established by the Bourse may be made applicable to one or more rather than all approved participants or clients if deemed necessary by the Bourse;~~

e) for clients, the margin requirements will be satisfied by the deposit of cash, ~~margin~~ escrow receipt or securities for which the loan value~~, as established pursuant to articles 7202 to 7206,~~ equals or exceeds the margin required. In the case of an escrow~~margin~~ receipt, the receipt must certify that government securities are held for futures contract positions of a named client. For the purposes of this receipt, the allowable government securities must mature within one year from the date of the deposit and the required margin covered by the receipt must not be greater than 90% of the par value of such securities held on deposit. All government securities which are an acceptable form of margin for the clearing corporation are acceptable;

~~f) every approved participant must require from each of its customers for whom trades are effected through an omnibus account not less than the amount of margin that would be required from such customers if their trades were effected through fully disclosed accounts;~~

g) specific margin requirements may be applicable on spread positions when a client account holds such positions. Every approved participant must clearly identify such spread positions in its records relating to margin calculations;

h) from time to time, the Bourse may impose special margin requirements with respect to particular futures contracts or particular positions in futures contracts.

9322 Simple or Spread Positions in Futures Contracts
(01.01.05)

The margin requirements which must be applied on all positions in futures contracts held in a client's account are determined by the Bourse, in collaboration with the clearing corporation, from time to time.

9323 Futures Contracts and Security Combinations
(01.01.05, 27.02.06, abr. 00.00.00)

~~With respect to futures contracts and securities (including future purchase and sale commitments) held in a client's account, the combinations described in paragraphs a) to e) may only apply if the following requirements are complied with:~~

~~i) securities described in Group III (municipality of Canada) of article 7204 are eligible for offset only if they have a long-term issuer credit rating of a single A or higher by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record;~~

~~ii) securities described in Group V (corporate) of article 7204 are eligible for offset only if they are not convertible and have a single A or higher rating by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record;~~

~~iii) securities in offsetting positions must be denominated in the same currency; and~~

~~iv) the market value of the offsetting positions is equal and no offset is permitted in respect of the market value of the short (or long) position which is in excess of the market value of the long (or short) position.~~

~~For the purpose of this article, maturity bands are the one referred to in article 7204 for the purpose of determining margin rates.~~

~~**a) Bond futures contracts combinations with Group I securities**~~

~~Where a client account contains a long (short) Government of Canada bond futures contracts position and a short (long) position in Government of Canada securities as described in Group I of article 7204, and the offsetting positions are maturing within the same maturity band, the total margin required in respect of both positions must be the margin required on the net long or short position;~~

~~Where a client account contains a long (short) Government of Canada bond futures contracts position and a short (long) position in Government of Canada securities as described in Group I of article 7204, and the offsetting positions are of different maturity bands, the total margin required in respect of both positions must be 50% of the greater of the margin required on the long or short position.~~

~~**b) Bond futures contracts combinations with Group II securities**~~

~~Where a client account contains a long (short) Government of Canada bond futures contracts position and a short (long) position in Province of Canada securities as described in Group II of article 7204, and the offsetting positions are maturing within the same or different maturity bands, the total margin required in respect of both positions must be 50% of the greater of the margin required on the long or short position.~~

~~**c) Bond futures contracts combinations with Group III securities**~~

~~Where a client account contains a long (short) Government of Canada bond futures contracts position and a short (long) position in municipality of Canada securities as described in Group III of article 7204, and the offsetting positions are maturing within the same maturity band, the total margin required in respect of both positions must be 50% of the greater of the margin required on the long or short position.~~

~~**d) Bond futures contracts combinations with Group V securities**~~

~~Where a client account contains a long (short) Government of Canada bond futures contracts position and a short (long) position in corporation securities as described in Group V of article 7204, and the offsetting positions are maturing within the same maturity band, the total margin required in respect of both positions must be the greater of the margin required on the long or short position.~~

~~**e) Canadian bankers' acceptance futures contracts combinations with bankers' acceptance**~~

~~Where a client account contains a long (short) 3-month Canadian bankers' acceptance (BAX) futures contracts position and a short (long) position in a bankers' acceptance issued by a Canadian chartered bank, the total margin required in respect of both positions must be the greater of the margin required on the long or short position.~~

9324 Bond Futures Contracts Combinations with Bond Options
(01.01.05)

With respect to bond options and bond futures contracts held in client accounts, where the option contracts and the futures contracts have the same settlement date, or can be settled in either of the two nearest contract months, and where the underlying interest of the bond options is a Government of Canada bond maturing or callable for redemption between 3 years 9 months and 10½ years, the option contracts and the futures contracts may be offset as follows:

a) Long bond options combinations with bond futures contracts

Where a client account contains one of the following combinations:

- long call options and short an equivalent face value at maturity of futures contracts; or
- long put options and long an equivalent face value at maturity of futures contracts;

the minimum margin required must be:

i) In-the-money or at-the-money position:

A) $500; plus

B) the market value of the option; less

C) the in-the-money amount of the option.

ii) Out-of-the-money position:

A) the market value of the option; plus

B) the margin required on the futures contract; less

C) the excess of $500 over the out-of-the-money amount of the option.

b) Short bond options combinations with bond futures contracts

Where a client account contains one of the following combinations:

- short call options and long an equivalent face value at maturity of futures contracts; or
- short put options and short an equivalent face value at maturity of futures contracts;

the minimum margin required must be the margin required on the futures contracts.

c) Conversion or long tripo combination involving bond options and bond futures contracts

Where a put option is carried long for a client's account and the account is also short a call option and long an equivalent face value at maturity of futures contracts, the minimum margin required must be the greater of:

i) A) the greater of the difference, plus or minus, between the daily settlement value of the long futures contracts and the aggregate exercise value of the long put options or the short call options; plus

B) the aggregate market value of the long put options;

and

ii) $500.

d) Reconversion or short tripo combination involving bond options and bond futures contracts

Where a put option is carried short for a client's account and the account is also long a call option and short an equivalent face value at maturity of futures contracts, the minimum margin required must be the greater of:

i) A) the greater of the difference, plus or minus, between the aggregate exercise value of the long call options or the short put options and the daily settlement value of the short futures contracts; plus

B) the aggregate market value of the long call options;

and

ii) $500.

9325 Futures Contracts Combinations with Options on Futures Contracts
(01.01.05)

a) Long options on futures contracts combinations with futures contracts

Where a client account contains one of the following combinations:

- long call options and short an equivalent position in futures contracts; or
- long put options and long an equivalent position in futures contracts;

the minimum margin required must be the greater of:

i) the aggregate market value of the long options; or

ii) the margin required on the futures contracts.

b) Short options on futures contracts combinations with futures contracts

Where a client account contains one of the following combinations:

- short call options and long an equivalent position in futures contracts; or
- short put options and short an equivalent position in futures contracts;

the minimum margin required must be:

i) the aggregate market value of the short options; plus

ii) the greater of:

A) 50% of the margin required on the futures contracts; or

B) the excess of the margin required on the futures contracts over 50% of the in-the-money amount of the option.

9326 Pairing of Government of Canada Bond Futures Contracts with U. S. Treasury Bond Futures Contracts
(23.01.06, abr. 00.00.00)

~~Where a client's account holds inter-commodity spreads in Government of Canada Bond futures contracts and US Treasury Bond futures contracts traded on recognized exchanges, the margin required is the greater of the margin required on either the long position or the short position.~~

~~For the purpose of this article, the foregoing spreads must be on the basis of one Canadian dollar for each U.S. Dollar of the contract size of the relevant futures contracts and, with respect to the United States side of the above inter-commodity spreads, such positions must be maintained on a contract market as designated pursuant to the United States *Commodity Exchange Act*.~~

Section 9401 - 9500
Capital Requirements on Bonds and Interest Rate Related Derivatives

9401 Exchange Traded Bond Options – General
(01.01.05, 01.02.07, 00.00.00)

a) With respect to an approved participant account or market maker account, or of a restricted trading permit holder account for which an approved participant (or a clearing firm) has issued a letter of authorization or of a sponsor account, the Bourse has established certain charges against capital;

b) in the treatment of spreads, the long position may expire before the short position;

c) for any short position carried for a client or non-client account where the account has not provided required margin, any shortfall will be charged against the approved participant's capital;

d) where an approved participant account holds both CDCC bond options and OCC bond options that have the same underlying interest, the OCC bond options may be considered to be bond options for the purposes of the calculation of the capital requirements for the account under the provisions of this section;

e) from time to time the Bourse may impose special capital requirements with respect to particular bond options or particular positions in bond options;

f) in the pairing described in articles 9405, 9406 and 9424, bond options of different classes for which the underlying bonds have the same margin rate may be paired together provided that:

i) the exercise price of the bond option for which the market value of the underlying bond is the lowest must be increased by the difference between the market value of the underlying bonds; and

ii) to the capital required pursuant to articles 9405, 9406 and 9424 must be added an amount equal to the margin that would be required on the net bond position which would result if both bond options were exercised.

9402 Long Bond Option Positions
(01.01.05, 00.00.00)

For approved participant accounts, the capital required for a long bond option is the market value of the option. Where the bond option premium is $1 or more, the capital required for the bond option may be reduced by 50% of any in-the-money amount associated with the bond option.

9403 Short Bond Option Positions
(01.01.05, 00.00.00)

The capital required which must be maintained in respect of a~~n~~ bond option carried short in an approved participant account must be:

i) a percentage of the market value of the underlying ~~interest~~ bond determined using the following percentages:

A) underlying ~~interest~~ bond maturing over 10 years, 3%;
B) underlying ~~interest~~ bond maturing over 3 years to 10 years, 1.75%;
C) underlying ~~interest~~ bond maturing in 3 years or less, 0.50%;

minus

ii) any out-of-the-money amount associated with the bond option.

9404 Covered Bond Option Positions
(01.01.05, 00.00.00)

a) No capital is required for a call option carried short in an approved participant account, which is covered by the deposit of an escrow receipt. The underlying bond~~interest~~ deposited in respect of such options shall not be deemed to have any value for capital purposes.

Evidence of a deposit of the underlying ~~interest~~ bond shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse on request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation;

b) no capital is required for a put option carried short in an approved participant account which is covered by the deposit of an escrow receipt which certifies that acceptable government securities are being held by the issuer of the escrow receipt for the account of the approved participant. The acceptable government securities held on deposit:

i) must be government securities:

A) which are acceptable forms of margin for the clearing corporation; and

B) which mature within one year of their deposit; and

ii) shall not be deemed to have any value for capital purposes.

The aggregate exercise value of the short put options must not be greater than 90% of the aggregate ~~par~~ nominal value of the acceptable government securities held on deposit. Evidence of the deposit of the acceptable government securities shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse on request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation; and

c) no capital is required for a put option carried short in an approved participant account if the approved participant has obtained a letter of guarantee, issued by a financial institution which has been authorized by the clearing corporation to issue escrow receipts, in a form satisfactory to the Bourse, and is:

i) a bank which is a Canadian chartered bank or a Quebec savings bank; or

ii) a trust company which is licensed to do business in Canada, with a minimum paid-up capital and surplus of $5,000,000;

provided that the letter of guarantee certifies that the bank or trust company:

iii) holds on deposit for the account of the approved participant cash in the full amount of the aggregate exercise value of the put option and that such amount will be paid to the clearing corporation against delivery of the underlying ~~interest~~ bond covered by the put option; or

iv) unconditionally and irrevocably guarantees to pay to the clearing corporation the full amount of the aggregate exercise value of the put option against delivery of the underlying ~~interest~~ bond covered by the put option;

and further provided that the approved participant has delivered the letter of guarantee to the clearing corporation and the clearing corporation has accepted it as margin.

9405 Bond Options Spreads and Combinations
(01.01.05, 00.00.00)

a) Call spreads and put spreads

Where an approved participant account contains one of the following spread pairings:

- long call option and short call option; or
- long put option and short put option;

the minimum capital required must be:

i) 100% of the market value of the long option; minus

ii) 100% of the market value of the short option; and

iii) plus the loss (up to the amount of capital required on the short option) or less the gain (up to 50% of the amount by which the long option is in-the-money), that would result if both options were exercised.

b) Short call – short put spreads

Where a call option is carried short for an approved participant's account and the account is also short a put option on the same number of units of trading on the same underlying ~~interest~~bond, the minimum capital required must be:

i) the greater of:

A) the capital required on the call option; or

B) the capital required on the put option;

plus

ii) the loss amount that would result if the option having the lesser capital required was exercised;

minus

iii) the aggregate market value of the short call and short put options.

c) Long call – long put spreads

Where a call option is carried long for an approved participant's account and the account is also long a put option on the same number of units of trading on the same underlying ~~interest~~bond, the minimum capital required must be:

i) 100% of the market value of the call option; plus

ii) 100% of the market value of the put option; minus

iii) the greater of:

A) the amount by which the aggregate exercise value of the put option exceeds the aggregate exercise value of the call option; or

B) where the premium is equal or greater than $1, 50% of the total amount by which each option is in-the-money.

d) Long call – short call – long put

Where a call option is carried long for an approved participant's account and the account is also short a call option and long a put option on the same number of units of trading on the same underlying bond and where the exercise price of the long put option is greater than the exercise price of the long call option, the minimum capital required must be:

i) 100% of the market value of the long call option; plus

ii) 100% of the market of the long put option; minus

iii) 100% of the market value of the short call option; and

iv) less the gain or plus the loss if both call options were exercised (note: the exercise price of the short call option to be used is the lesser of the exercise price of the short call option or the exercise price of the long put option).

9406 Bond Option and Security Combinations
(01.01.05, 00.00.00)

a) Short bond options combinations with underlying ~~interest~~ bond

Where an approved participant account contains one of the following combinations:

- short call options and long an equivalent position in the underlying bond; or
- short put options and short an equivalent position in the underlying bond;

the minimum capital required must be:

i) the normal capital required on the underlying bond; minus

ii) 100% of the market value of the short option.

b) Long bond options combinations with underlying ~~interest~~ bond

Where an approved participant account contains one of the following combinations:

- long call options and short an equivalent position in the underlying bond; or
- long put options and long an equivalent position in the underlying bond;

the minimum capital required must be the sum of:

i) 100% of the market value of the option; and

ii) the lesser of:

A) any out-of-the-money value associated with the option; or

B) 50% of the normal capital required on the underlying bond.

Where the option is in-the-money, this in-the-money value may be applied against the capital required, up to the market value of the option.

c) Conversion or long tripo combination

Where, in the case of bond options, a position in an underlying bond is carried long in an approved participant's account and the account is also long an equivalent position in put options and short an equivalent position in call options, the minimum capital required must be:

i) 100% of the market value of the long put options; minus

ii) 100% of the market value of the short call options; plus

iii) the difference, plus or minus, between the market value of the underlying bond and the aggregate exercise value of the long put options, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the call options.

d) Reconversion or short tripo combination

Where, in the case of bond options, a position in an underlying bond is carried short in an approved participant's account and the account is also long an equivalent position in call options and short an equivalent position in put options, the minimum capital required must be:

i) 100% of the market value of the long call options; minus

ii) 100% of the market value of the short put options; plus

iii) the difference, plus or minus, between the aggregate exercise value of the long call options and the market value of the underlying bond, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the put options.

9407 – 9410 (reserved)

9411 Long Futures Contracts Option~~s on Futures Contract~~ Positions
(01.01.05, 00.00.00)

The minimum capital required to carry a long call option or a long put option in an approved participant's account is the market value of the option, but this amount may be reduced by 50% of the amount by which the option is in-the-money when the premium is equal to or greater than 4 basis points in the case of options on Canadian bankers' acceptance futures contracts and 10 basis points in the case of options on Governement of Canada bond futures contracts.

9412 Short Futures Contracts Option~~s on Futures Contracts Positions~~
(01.01.05, 00.00.00)

The minimum capital required which must be maintained in respect of an option carried short in an approved participant account must be the greater of:

i) 50% of the capital required on the underlying futures contract; or

ii) the capital required on the futures contract less the amount by which the option is out-of-the-money.

9413 Futures Contracts Options ~~on Futures Contracts~~ Spreads and Combinations
(01.01.05, 00.00.00)

a) Call spreads and put spreads

Where an approved participant account contains one of the following spread pairings:

- long call option and short call option; or
- long put option and short put option;

the minimum capital required must be:

i) 100% of the market value of the long option; minus

ii) 100% of the market value of the short option; and

iii) plus the loss (up to the amount of capital required on the short option) or less the gain (up to 50% of the amount by which the long option is in-the-money) that would result if both options were exercised (note: to recognize an in-the-money amount, the premium should be equal or greater than 4 basis points in the case of options on Canadian bankers' acceptance futures contracts and 10 basis points in the case of options on Governement of Canada bond futures contracts).

b) Short call – short put spreads

Where a call option is carried short for an approved participant account and the account is also short a put option, the minimum capital required must be the sum of:

i) the greater of:

A) the capital required on the call option; or

B) the capital required on the put option;

and

ii) the loss that would result if the option having the lesser capital required was exercised.

c) Long call – long put spreads

Where a call option is carried long for an approved participant account and the account is also long a put option, the minimum capital required must be:

i) 100% of the market value of the call option; plus

ii) 100% of the market value of the put option; minus

iii) the greater of:

A) the amount by which the aggregate exercise value of the put option exceeds the exercise value of the call option; or

B) 50 % of the total of the amount by which each option is in-the-money when the premium is equal to or greater than 4 basis points in the case of options on Canadian bankers' acceptance futures contracts and 10 basis points in the case of options on Government of Canada bond futures contracts.

9414 – 9420 (reserved)

9421 Exchange Traded Futures Contracts – General
(01.01.05, 23.01.06, 00.00.00)

a) With respect to an account of an approved participant, market-maker, or restricted trading permit holder for which a clearing approved participant has issued a letter of guarantee, the Bourse has established certain charges against the capital of the approved participant carrying the account, which charges may be less onerous than margin requirements applicable to clients but for which the approved participant must maintain adequate capital resources at all times;

~~b) positions of approved participants and customers must be marked to market daily and the required capital must be determined by using the greatest of:~~

~~i) the rate required by the futures contract exchange on which the contract is entered into or its clearing corporation; or~~

~~ii) the rate required by the broker through which the approved participant ensures the clearing of the futures contract;~~

~~c) in the case of a futures contract exchange or its clearing corporation that prescribes margin requirements based on initial and maintenance rates, initial capital is required at the time the contract is entered into and the amount of such capital must not be less than the prescribed initial rate. Subsequently, the approved participant must maintain, for each position held, a capital amount equivalent to the prescribed maintenance rate;~~

~~d) capital requirements established by the Bourse may be made applicable to one or more rather than all approved participants or clients if deemed necessary by the Bourse;~~

e) specific capital requirements may be applicable on spread positions when an approved participant account holds such positions. Every approved participant must clearly identify such spread positions in its records relating to margin calculations;

f) from time to time the Bourse may impose special capital requirements with respect to particular futures contracts or particular positions in futures contracts.

9422 Simple or Spread Positions in Futures Contracts
(01.01.05)

The capital requirements which must be applied on all positions in futures contracts held in an approved participant's account are determined by the Bourse, in collaboration with the clearing corporation, from time to time.

9423 Futures Contracts and Security Combinations
(01.01.05, 27.02.06, abr. 00.00.00)

~~With respect to futures contracts and securities (including future purchase and sale commitments) held in an approved participant's account, the combinations described in paragraphs a) to e) may only apply if the following requirements are complied with:~~

~~i) securities described in Group III (municipality of Canada) of article 7204 are eligible for offset only if they have a long term issuer credit rating of a single A or higher by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record;~~

~~ii) securities described in Group V (corporate) of article 7204 are eligible for offset only if they are not convertible and have a single A or higher rating by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record;~~

~~iii) securities in offsetting positions must be denominated in the same currency; and~~

~~iv) the market value of the offsetting positions is equal and no offset is permitted in respect of the market value of the short (or long) position which is in excess of the market value of the long (or short) position.~~

~~For the purpose of this article, maturity bands are the one referred to in article 7204 for the purpose of determining margin rates.~~

~~**a) Bond futures contracts combinations with Group I securities**~~

~~Where an approved participant account contains a long (short) Government of Canada bond futures contracts position and a short (long) position in Government of Canada securities as described in Group I of article 7204, and the offsetting positions are maturing within the same maturity band, the total capital required in respect of both positions must be the capital required on the net long or short position;~~

~~Where an approved participant account contains a long (short) Government of Canada bond futures contracts position and a short (long) position in Government of Canada securities as described in Group I of article 7204, and the offsetting positions are of different maturity bands, the total capital required in respect of both positions must be 50% of the greater of the capital required on the long or short position.~~

~~**b) Bond futures contracts combinations with Group II securities**~~

~~Where an approved participant account contains a long (short) Government of Canada bond futures contracts position and a short (long) position in Province of Canada securities as described in Group II of article 7204, and the offsetting positions are maturing within the same or different maturity bands, the total capital required in respect of both positions must be 50% of the greater of the capital required on the long or short position.~~

~~**c) Bond futures contracts combinations with Group III securities**~~

~~Where an approved participant account contains a long (short) Government of Canada bond futures contracts position and a short (long) position in municipality of Canada securities as described in Group III of article 7204, and the offsetting positions are maturing within the same maturity band, the total capital required in respect of both positions must be 50% of the greater of the capital required on the long or short position.~~

~~**d) Bond futures contracts combinations with Group V securities**~~

~~Where a client account contains a long (short) Government of Canada bond futures contracts position and a short (long) position in corporation securities as described in Group V of article 7204, and the offsetting positions are maturing within the same maturity band, the total capital required in respect of both positions must be the greater of the capital required on the long or short position.~~

~~**e) Canadian bankers' acceptance futures contracts combinations with bankers' acceptance**~~

~~Where an approved participant account contains a long (short) 3-month Canadian bankers' acceptance (BAX) futures contracts position and a short (long) position in a bankers' acceptance issued by a Canadian chartered bank, the total capital required in respect of both positions must be the greater of the capital required on the long or short position.~~

9424 Bond Futures Contract Combinations with Bond Options
(01.01.05)

With respect to bond options and bond futures contracts held in approved participant accounts, where, the option contracts and the futures contracts have the same settlement date, or can be settled in either of the two nearest contract months and where the underlying interest of the bond options is a Government of Canada bond maturing or callable for redemption in a period between 3 years 9 months and 10½ years, the option contracts and the futures contracts may be offset as follows:

a) Long bond options – position in bond futures contracts

Where an approved participant account contains one of the following combinations:

- long call options and short an equivalent face value at maturity of futures contracts; or
- long put options and long an equivalent face value at maturity of futures contracts;

the minimum capital required must be:

i) *In-the-money or at-the-money position*:

A) $500; plus

B) 100% of the market value of the option; less

C) the in-the-money amount of the option.

ii) *Out of the money position*:

A) 100% of the market value of the option; plus

B) the capital required on the futures contract; less

C) the excess of $500 over the out-of-the-money amount of the option.

b) Short bond options – position in bond futures contracts

Where an approved participant account contains one of the following combinations:

- short call options and long an equivalent face value at maturity of futures contracts; or
- short put options and short an equivalent face value at maturity of futures contracts;

the minimum capital required must be the greater of:

i) A) the capital required on the futures contract; less

B) 100% of the market value of the short option;

and

ii) $500.

c) Conversion or long tripo combination involving bond options and bond futures contracts

Where a put option is carried long for an approved participant's account and the account is also short a call option and long an equivalent face value at maturity of futures contracts, the minimum capital required must be the greater of:

i) A) the greater of the difference, plus or minus, between the daily settlement value of the long futures contracts and the aggregate exercise value of the long put options or short the call options; plus

B) the net market value of the long put and short call options;

and

ii) $500.

d) Reconversion or short tripo combination involving bond options and bond futures contracts

Where a put option is carried short for an approved participant's account and the account is also long a call option and short an equivalent face value at maturity of futures contracts, the minimum capital required must be the greater of:

i) A) the greater of the difference, plus or minus, between the aggregate exercise value of the long call options or the short put options and the daily settlement value of the short futures contracts; plus

B) the net market value of the long call and short put options;

and

ii) $500.

9425 Futures Contracts Combinations with Options on Futures Contracts
(01.01.05)

For the following combinations, the delivery months of the options and of the futures contracts have no importance.

a) Long options on futures contracts – position in futures contracts

Where an approved participant account contains one of the following combinations:

- long call options and short an equivalent position in futures contracts; or
- long put options and long an equivalent position in futures contracts;

the minimum capital required must be the greater of:

i) the capital required on the long option;

and

ii) A) the capital required on the futures contract; less

B) the amount by which the option is in-the-money.

b) Short options on futures contracts – position in futures contracts

Where an approved participant account contains one of the following combinations:

- short call options and long an equivalent position in futures contracts; or
- short put options and short an equivalent position in futures contracts;

the minimum capital required must be the greater of:

i) 50% of the capital required on the futures contract;

and

ii) A) the capital required on the futures contract; less

B) the amount by which the option is in-the-money.

c) Conversion or long tripo combination involving options on futures contracts and futures contracts

Where a position in a futures contract is carried long in an approved participant's account and the account is also long an equivalent position in put options and short an equivalent position in call options, the minimum capital required must be the greater of:

i) A) the greater of the difference, plus or minus, between the daily settlement value of the long futures contracts and the exercise value of the long put options or short call options; plus

B) the net market value of the long put and short call options;

and

ii) 50% of the capital required on the futures contracts.

d) Reconversion or short tripo combination involving options on futures contracts and futures contracts

Where a position in a futures contract is carried short in an approved participant's account and the account is also short an equivalent position in put options and long an equivalent position in call options, the minimum capital required must be the greater of:

i) A) the greater of the difference, plus or minus, between the exercise value of the long call options or short put options and the daily settlement value of the futures contracts; plus

B) the net market value of the short put and long call options;

and

ii) 50% of the capital required on the futures contracts.

9426 Pairing of Government of Canada Bond Futures Contracts with U. S. Treasury Bond Futures Contracts
(23.01.06<u>, abr. 00.00.00</u>)

~~Where an approved participant's account holds inter-commodity spreads in Government of Canada Bond futures contracts and US Treasury Bond futures contracts traded on recognized exchanges, the margin required is the greater of the margin required on either the long position or the short position.~~

~~For the purpose of the present article, the foregoing spreads must be on the basis of one Canadian dollar for each U.S. Dollar of the contract size of the relevant futures contracts and, with respect to the United States side of the above inter-commodity spreads, such positions must be maintained on a contract market as designated pursuant to the United States *Commodity Exchange Act*.~~

Section –9501 – 9600
Over-the-counter (OTC) options

9501 Margin Requirements - General Provisions
(01.01.05, 19.10.06, abr. 00.00.00)

~~**a) Basis of valuation**~~

~~Over-the-counter option positions in a client account must be marked to the market daily by calculating the value on a basis consistent with the valuation benchmark or mathematical model used in determining the premium at the time the contract was initially entered.~~

~~**b) Margin accounts and agreements**~~

~~i) All opening short transactions in over-the-counter options must be carried in a margin account;~~

~~ii) approved participants writing and issuing or guaranteeing over-the-counter options on behalf of a customer must have and maintain, with each customer, a written margin agreement defining the rights and obligations between them in regard to over-the-counter options or have and maintain supplementary over-the-counter option agreements with customers selling such options.~~

~~**c) Counterparty as client**~~

~~Where the approved participant is a party to an over-the-counter option, the counterparty to the option must be considered a client of the approved participant.~~

~~**d) Financial Institutions**~~

~~i) No margin is required for over-the-counter options entered into by a client that is an acceptable institution, as such term is defined in Policy C-3 of the Bourse ("Joint Regulatory Financial Questionnaire and Report"), as amended from time to time;~~

~~ii) where the client is an acceptable counterparty or a regulated entity, as such terms are defined in Policy C-3 of the Bourse, as amended from time to time, the required margin must be equal to the market value deficiency calculated in respect of the option position on an item-by-item basis;~~

~~for the purpose of this subparagraph, the market value deficiency means the amount by which the premium paid exceeds the market value of the option.~~

~~**e) Terms of put and call options**~~

~~An approved participant or *an approved person* must not make or participate in an over-the-counter trade in any put or call option, unless such option:~~

~~i) does not relate to underlying securities which are the object of options issued by the Canadian Derivatives Clearing Corporation; or~~

~~ii) does relate to underlying securities which are the object of options issued by the Canadian Derivatives Clearing Corporation, but whose terms are materially different from those of any series of options issued by the Canadian Derivatives Clearing Corporation.~~

~~For the purposes of the present section, writing over-the-counter options means the distribution of securities for which a prospectus may be required or for which specific or blanket exemptions may be necessary under the applicable securities legislation. The writer of over-the-counter options may, in effect, be an issuer distributing securities and so must, accordingly, ensure that such distribution complies with applicable securities legislation.~~

~~f) Confirmation, delivery and exercise~~

~~i) Every over-the-counter option must be confirmed in writing as between the parties, such confirmation to be mailed or delivered on the day of the transaction;~~

~~ii) payment, settlement, exercise and delivery of an over-the-counter option must be made in accordance with the terms of the over-the-counter option contract.~~

~~g) Semi-monthly returns~~

~~Approved participants are required to report as of the close of business on the fifteenth and last days of each month or, when either of these days is not a trading day, on the preceding trading day, the total puts and calls written and issued or guaranteed during the period which has ended.~~

9502 Margin requirements - Simple Long Positions
(01.01.05, abr. 00.00.00)

~~All purchases of over-the-counter options for clients accounts must be for cash.~~

9503 Margin Requirements - Simple Short Positions
(01.01.05, abr. 00.00.00)

~~Subject to articles 9501 e) and 9505, the margin requirements for short positions in over-the-counter options must be as follows:~~

~~a) In the case of a short over-the-counter option position, the margin required is equal to:~~

~~i) 100% of the current premium of the short over-the-counter option;~~

~~ii) plus the product of multiplying the margin rate applicable to the underlying interest by the market value of the underlying interest; and~~

~~iii) less any out-of-the-money amount.~~

~~b) Notwithstanding paragraph a), in the case of a short over-the-counter option position held in a client account, the minimum margin must not be less than:~~

~~i) 100% of the current premium of the option; and~~

~~ii) plus 25% of the product of multiplying the margin rate applicable to the underlying interest by the market value of the underlying interest.~~

9504 Margin Requirements - Paired Option Positions
(01.01.05, abr. 00.00.00)

~~a) Except as otherwise provided in the present section, clients, as defined at article 9501 c), are permitted margin offsets for the purpose of hedging over-the-counter options in the same manner as set out in section 9101-9150 and in section 9301-9350, provided that the underlying interest is the same;~~

~~b) in the case of spreads involving European exercise over-the-counter options, a margin offset is permitted only in the following cases:~~

~~i) where the spread consists of a long and a short European exercise options having the same expiration date; or~~

~~ii) where the spread consists of a short European exercise option and a long American exercise option;~~

~~c) a margin offset is not permitted where the spread consists of a long European exercise option and a short American exercise option.~~

9505 Acceptable Forms of Margin
(01.01.05, abr. 00.00.00)

~~**a) The following constitutes adequate margin for over-the-counter options:**~~

~~i) a specific deposit of the underlying interest, in a negotiable form, in the client's margin account with the approved participant;~~

~~ii) a deposit with the approved participant of an escrow receipt, as defined in b), in respect of the underlying interest; or~~

~~iii) a letter of guarantee issued by a bank or a trust company in virtue of which this institution undertakes to receive or deliver securities for a client account.~~

~~**b) Escrow Receipt**~~

~~The evidence of a deposit of an over-the-counter option's underlying interest shall be deemed an escrow receipt for the purposes hereof if the underlying interest is held by a custodian that is a depository approved by the clearing corporation pursuant to an escrow agreement, acceptable to the Bourse, between the approved participant with which the escrow receipt is deposited and the approved depository.~~

~~**c) The requirements of this article apply, regardless of any otherwise available margin reduction or margin offset, in the following circumstances:**~~

~~i) where an over-the-counter option is written by a client that is not an acceptable institution, an acceptable counterparty or a regulated entity, as such terms are defined in the Joint Regulatory Financial Questionnaire and Report, as amended from time to time;~~

~~ii) where the terms of the over-the-counter option require settlement by physical delivery of the underlying interest; and~~

~~iii) where the Bourse has not established a margin rate less than 100% for the underlying interest.~~

9506 – 9510 (Reserved for future use)

9511 Capital Requirements - General Provisions
(01.01.05, 19.10.06, abr. 00.00.00)

~~**a) Basis of valuation**~~

~~Over-the-counter option positions in inventory must be marked to the market daily by calculating the value on a basis consistent with the valuation benchmark or mathematical model used in determining the premium at the time the contract was initially entered.~~

~~**b) Terms of put and call options**~~

~~An approved participant or *an approved person* must not make or participate in an over-the-counter trade in any put or call option, unless such option:~~

~~i) does not relate to underlying securities which are the object of options issued by the Canadian Derivatives Clearing Corporation; or~~

~~ii) does relate to underlying securities which are the object of options issued by the Canadian Derivatives Clearing Corporation, but whose terms are materially different from those of any series of options issued by the Canadian Derivatives Clearing Corporation.~~

~~For the purposes of the present section, writing over-the-counter options means the distribution of securities for which a prospectus may be required or for which specific or blanket exemptions relief may be necessary under the applicable securities legislation. The writer of over-the-counter options may, in effect, be an issuer distributing securities and so must, accordingly, ensure that such distribution complies with applicable securities legislation.~~

~~**c) Confirmation, delivery and exercise**~~

~~i) Every over-the-counter option must be confirmed in writing as between the parties, such confirmation to be mailed or delivered on the day of the transaction.~~

~~ii) Payment, settlement, exercise and delivery of an over-the-counter option must be made in accordance with the terms of the over-the-counter option contract.~~

~~**d) Semi-monthly returns**~~

~~Approved participants are required to report as of the close of business on the fifteenth and last days of each month or, when either of these days is not a trading day, on the preceding trading day, the total puts and calls written and issued or guaranteed during the period which has ended.~~

9512 Capital Requirements - Simple Long Positions
(01.01.05, abr. 00.00.00)

~~a) The capital required for a long call and for a long put, where the over-the-counter option's premium is less than $1, must be equal to the market value of the option;~~

~~b) the capital required on a long call, where the over-the-counter option's premium is $1 or more and which is not used to offset the capital required on any other position, must be equal to the market value of the call, less 50% of the excess of the market value of the underlying interest over the exercise price of the call;~~

~~c) the capital required on a long put, where the over-the-counter option's premium is $1 or more and which is not used to offset the capital required on any other position, must be equal to the market value of the put, less 50% of the excess of the exercise price of the put over the market value of the underlying interest.~~

9513 Capital Requirements - Simple Short Positions
(01.01.05, abr. 00.00.00)

~~The capital requirements for short positions in over-the-counter options in inventory must be as follows:~~

~~a) In the case of a short over-the-counter option position, the capital required is equal to:~~

~~i) 100% of the current premium of the short over-the-counter option;~~

~~ii) plus the product of multiplying the margin rate applicable to the underlying interest by the market value of the underlying interest; and~~

~~iii) less any out-of-the-money amount.~~

9514 Capital Requirements - Paired Option Positions
(01.01.05, abr. 00.00.00)

~~a) Except as otherwise provided in this section, approved participants are permitted capital offsets for the purpose of hedging over-the-counter options in the same manner as set out in section 9201-9150 and in section 9401-9450, provided that the underlying interest is the same.~~

~~b) In the case of spreads involving European exercise over-the-counter options, capital offset is permitted only in the following cases:~~

~~i) where the spread consists of a long and a short European exercise options having the same expiration date; or~~

~~ii) where the spread consists of a short European exercise option and a long American style option.~~

~~c) A capital offset is not permitted where the spread consists of a long European exercise option and a short American exercise option.~~

9515 Capital Reduction Allowed for Positions Held by Approved Participants
(01.01.05, abr. 00.00.00)

~~Consistent with listed options, approved participants are permitted to apply the premium credit generated on a short over-the-counter option against the capital required pursuant to this section.~~

~~However, the excess of the premium credit generated on a short over-the-counter option over the capital required on the subject position must not be used to reduce the capital required on another position.~~

Section 9601 – 9650
Margin Requirements on Currency-Related Derivatives

9601 Exchange Traded Currency Options – General Provisions
(26.09.05, abr. 00.00.00)

~~a) The Bourse has established margin requirements applicable to currency option positions held by clients and no approved participant must effect a transaction on these options or carry an account for a client without proper and adequate margin, which must be obtained as promptly as possible and maintained in conformity with the provisions of the present section;~~

~~b) all opening selling transactions and all resulting short positions must be carried in a margin account;~~

~~c) each currency option must be margined separately and any difference between the market price or the current value of the underlying currency and the exercise price of the option must be considered to be of value only in providing the amount of margin required on that particular option;~~

~~d) where a client account holds both currency options issued by the Canadian Derivatives Clearing Corporation (CDCC) and currency options issued by the Options Clearing Corporation (OCC) that have the same underlying currency, the OCC options may, for the purpose of the present section, be considered to be equivalent to CDCC options when calculating the margin requirements applicable to a client account;~~

~~e) from time to time the Bourse may impose special margin requirements with respect to particular currency options or particular positions in these options;~~

~~f) for the purposes of the present section, the "published spot risk margin rate" for a currency means the rate published and modified from time to time by the Investment Dealers Association of Canada.~~

9602 Long Currency Option Positions
(26.09.05, abr. 00.00.00)

~~The margin requirement for long currency options must be the sum of:~~

~~i) where the period to expiry is greater or equal to nine months, 50% of the option's time value, 100% of the option's time value otherwise; and~~

~~ii) the lesser of~~

~~A) the normal margin required on the underlying currency; or~~

~~B) if any, the in-the-money value associated with the option.~~

~~For the purpose of the present article, "the option's time value" means any excess of the market value of the option over the in-the-money value of the option.~~

9603 Short Currency Option Positions
(26.09.05, abr. 00.00.00)

~~a) The minimum margin requirement which must be maintained in respect of a currency option carried short in a client account must be:~~

~~i) 100% of the market value of the option; plus~~

~~ii) a percentage of the market value of the underlying currency determined by using the published spot risk margin rate for this currency; minus~~

~~iii) any out-of-the-money amount associated with the option.~~

~~b) paragraph a) notwithstanding, the minimum amount of margin which must be maintained and carried in a client account trading in currency options must not be less than:~~

~~i) 100% of the market value of the option; plus~~

~~ii) an additional amount determined by multiplying 0.75% by,~~

~~A) in the case of a short call option, the market value of the underlying currency; or~~

~~B) in the case of a short put option, the aggregate exercise value of the option.~~

9604 Covered Currency Option Positions
(26.09.05, abr. 00.00.00)

~~a) No margin is required for a currency call option carried short in a client's account where this option is covered by the deposit of an escrow receipt. The underlying currency deposited in respect of such option shall then be deemed to not have any value for margin purposes.~~

~~Evidence of a deposit of the underlying currency shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse on request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation;~~

~~b) no margin is required for a currency put option carried short in a client's account where such option is covered by the deposit of an escrow receipt which certifies that acceptable government securities are being held by the issuer of the escrow receipt for the account of the client. The acceptable government securities held on deposit:~~

~~i) must be government securities~~

~~A) which are acceptable forms of margin for the clearing corporation; and~~

~~B) which mature within one year of their deposit, and~~

~~ii) shall not be deemed to have any value for margin purposes.~~

~~The aggregate exercise value of the short currency put option must not be greater than 90% of the aggregate par value of the acceptable government securities held on deposit. Evidence of the deposit of the acceptable government securities shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse on request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation; and~~

~~c) no margin is required for a currency put option carried short in a client's account if the client has delivered to the approved participant with which such position is maintained a letter of guarantee, issued by a financial institution which has been authorized by the clearing corporation to issue escrow receipts, in a form satisfactory to the Bourse, and is:~~

~~i) a bank which is a Canadian chartered bank or a Quebec savings bank; or~~

~~ii) a trust company which is licensed to do business in Canada, with a minimum paid-up capital and surplus of at least $5,000,000,~~

~~provided that the letter of guarantee certifies that the bank or trust company~~

~~iii) holds on deposit for the account of the client cash in the full amount of the aggregate exercise value of the put option and that such amount will be paid to the clearing corporation against delivery of the currency underlying the put option; or~~

~~iv) unconditionally and irrevocably guarantees to pay to the clearing corporation the full amount of the aggregate exercise value of the put option against delivery of the put option underlying currency;~~

~~and provided further that the approved participant has delivered the letter of guarantee to the clearing corporation and the clearing corporation has accepted it as margin.~~

9605 Currency Option Spreads and Combinations
(26.09.05, abr. 00.00.00)

~~**a) Currency call spreads and put spreads**~~

~~Where a client account contains one of the following spread positions:~~

- ~~currency long call option and currency short call option; or~~
- ~~currency long put option and currency short put option;~~

~~and the short option expires on or before the date of expiration of the long option, the minimum margin required for the spread position must be the lesser of:~~

~~i) the margin required on the short option; or~~

~~ii) the spread loss amount, if any, that would result if both options were exercised.~~

~~**b) Currency short call – short put spreads**~~

~~Where a currency call option is carried short for a client's account and the account is also short a currency put option on the same number of units of trading on the same underlying currency, the minimum margin required must be the greater of:~~

~~i) the greater of~~

~~A) the margin required on the call option; or~~

~~B) the margin required on the put option;~~

~~and~~

~~ii) the excess of the aggregate exercise value of the put option over the aggregate exercise value of the call option.~~

~~**c) Currency long call – long put spreads**~~

~~Where a currency call option is carried long for a client's account and the account is also long a currency put option on the same number of units of trading on the same underlying currency, the minimum margin required must be the lesser of:~~

~~i) the sum of~~

~~A) the margin required for the call option; and~~

~~B) the margin required for the put option;~~

~~and~~

~~ii) the sum of~~

~~A) 100% of the market value of the call option; plus~~

~~B) 100% of the market value of the put option; minus~~

~~C) the amount by which the aggregate exercise value of the put option exceeds the aggregate exercise value of the call option.~~

~~**d) Currency Long call – short call – long put**~~

~~Where a currency call option is carried long for a client's account and the account is also short a currency call option and long a currency put option on the same number of units of trading on the same underlying currency, the minimum margin required must be:~~

~~i) 100% of the market value of the long call option; plus~~

~~ii) 100% of the market value of the long put option; minus~~

~~iii) 100% of the market value of the short call option; plus~~

~~iv) the greater of~~

~~A) any excess of the aggregate exercise value of the long call option over the aggregate exercise value of the short call option; or~~

~~B) any excess of the aggregate exercise value of the long call option over the aggregate exercise value of the long put option.~~

~~Where the amount calculated in iv) is negative, this amount may be applied against the required margin.~~

9606 Currency Options and Assets Denominated in the Same Currency Combinations
(26.09.05, abr. 00.00.00)

~~**a) Short currency call – long asset in the same currency combination**~~

~~Where a currency call option is carried short in a client's account and the account is also long an equivalent position in an asset denominated in the same currency as the option underlying currency, the minimum margin required must be the lesser of:~~

~~i) the normal margin required on the asset denominated in the same currency; and~~

~~ii) any excess of the aggregate exercise value of the call option over the normal loan value of the asset denominated in the same currency.~~

~~**b) Short currency put – short asset in the same currency combination**~~

~~Where a currency put option is carried short in a client's account and the account is also short an equivalent position in an asset denominated in the same currency as the option underlying currency, the minimum margin required must be the lesser of:~~

~~i) the normal margin required on the underlying asset denominated in the same currency; and~~

~~ii) any excess of the normal credit required on the asset denominated in the same currency over the aggregate exercise value of the put option.~~

~~**c) Long currency call – short asset in the same currency combination**~~

~~Where a currency call option is carried long in a client's account and the account is also short an equivalent position in an asset denominated in the same currency as the option underlying currency, the minimum margin required must be the sum of:~~

~~i) 100% of the market value of the call option; and~~

~~ii) the lesser of~~

~~A) the aggregate exercise value of the call option; and~~

~~B) the normal credit required on the short asset.~~

~~**d) Long currency put – long asset in the same currency combination**~~

~~Where a currency put option is carried long in a client's account and the account is also long an equivalent position in an asset denominated in the same currency as the option underlying currency, the minimum margin required must be the lesser of:~~

~~i) the normal margin required on the asset denominated in the same currency; and~~

~~ii) the excess of the combined market value of the asset denominated in the same currency and the put option over the aggregate exercise value of the put option.~~

Section 9651 - 9700
Capital Requirements on Currency-Related Derivatives

9651 Exchange Traded Currency Options – General
(26.09.05, abr. 00.00.00)

~~a) With respect to an approved participant account, a market maker account, a restricted trading permit holder account for which a clearing approved participant has issued a letter of authorization or a sponsor account, the Bourse has established certain charges against capital;~~

~~b) for spreads, the long position may expire before the short position;~~

~~c) for any short position carried for a client or non-client account where the account has not provided required margin, any shortfall must be charged against the approved participant's capital;~~

~~d) where an approved participant account holds both currency options issued by the Canadian Derivatives Clearing Corporation (CDCC) and currency options issued by the Options Clearing Corporation (OCC) that have the same underlying currency, the OCC options may, for the purpose of this section, be considered to be equivalent to CDCC options when calculating the capital requirements applicable to an approved participant;~~

~~e) from time to time the Bourse may impose special capital requirements with respect to particular currency options or particular positions in such options;~~

~~f) for the purposes of the present section, the "published spot risk margin rate" for a currency means the rate published and modified from time to time by the Investment Dealers Association of Canada.~~

9652 Long Currency Option Positions
(26.09.05, abr. 00.00.00)

~~For approved participant accounts, the capital required for long currency options must be the sum of:~~

~~i) where the period to expiry is greater or equal to nine months, 50% of the option's time value, 100% of the option's time value otherwise; and~~

~~ii) the lesser of~~

~~A) the normal capital required on the underlying currency; or~~

~~B) if any, the in-the-money value associated with the option.~~

~~For the purpose of the present article, "the option's time value" means any excess of the market value of the option over the in-the-money value of the option.~~

9653 Short Currency Option Positions
(26.09.05, abr. 00.00.00)

~~The minimum capital required which must be maintained in respect of a currency option carried short in an approved participant account must be:~~

~~i) a percentage of the market value of the underlying currency determined by using the published spot risk margin rate for this currency; minus~~

~~ii) any out-of-the-money amount associated with the option.~~

9654 Covered Currency Option Positions
(26.09.05, abr. 00.00.00)

~~a) No capital is required for a currency call option carried short in an approved participant account, where this option is covered by the deposit of an escrow receipt. The underlying currency deposited in respect of such options shall then be deemed to not have any value for capital purposes.~~

~~Evidence of a deposit of the underlying currency shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse on request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation;~~

~~b) no capital is required for a currency put option carried short in an approved participant account which is covered by the deposit of an escrow receipt which certifies that acceptable government securities are being held by the issuer of the escrow receipt for the account of the approved participant. The acceptable government securities held on deposit:~~

~~i) must be government securities~~

~~A) which are acceptable forms of margin for the clearing corporation; and~~

~~B) which mature within one year of their deposit; and~~

~~ii) shall not be deemed to have any value for capital purposes.~~

~~The aggregate exercise value of the short currency put options must not be greater than 90% of the aggregate par value of the acceptable government securities held on deposit. Evidence of the deposit of the acceptable government securities shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse on request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation; and~~

~~c) no capital is required for a currency put option carried short in an approved participant account if the approved participant has obtained a letter of guarantee, issued by a financial institution which has been authorized by the clearing corporation to issue escrow receipts, in a form satisfactory to the Bourse, and is:~~

~~i) a bank which is a Canadian chartered bank or a Quebec savings bank; or~~

~~ii) a trust company which is licensed to do business in Canada, with a minimum paid-up capital and surplus of at least $5,000,000;~~

~~provided that the letter of guarantee certifies that the bank or trust company~~

~~iii) holds on deposit for the account of the approved participant cash in the full amount of the aggregate exercise value of the put option and that such amount will be paid to the clearing corporation against delivery of the currency underlying the put option; or~~

~~iv) unconditionally and irrevocably guarantees to pay to the clearing corporation the full amount of the aggregate exercise value of the put option against delivery of the put option underlying currency;~~

~~and provided further that the approved participant has delivered the letter of guarantee to the clearing corporation and the clearing corporation has accepted it as margin.~~

9655 Currency Option Spreads and Combinations
(26.09.05, abr. 00.00.00)

~~**a) Currency call spreads and put spreads**~~

~~Where an approved participant account contains one of the following spread positions:~~

- ~~currency long call option and currency short call option; or~~
- ~~currency long put option and currency short put option;~~

~~the minimum capital required must be the lesser of~~

~~i) the capital required on the short option; or~~

~~ii) the spread loss amount, if any, that would result if both options were exercised.~~

~~**b) Currency short call – short put spreads**~~

~~Where a currency call option is carried short for an approved participant's account and the account is also short a currency put option on the same number of units of trading on the same underlying currency, the minimum capital required must be the greater of:~~

~~i) the greater of~~

~~A) the capital required on the call option; or~~

~~B) the capital required on the put option;~~

~~and~~

~~ii) the excess of the aggregate exercise value of the put option over the aggregate exercise value of the call option.~~

~~**c) Currency long call – long put spreads**~~

~~Where a currency call option is carried long for an approved participant's account and the account is also long a currency put option on the same number of units of trading on the same underlying currency, the minimum capital required must be the lesser of:~~

~~i) the sum of~~

~~A) the capital required for the call option; and~~

~~B) the capital required for the put option;~~

~~and~~

~~ii) the sum of~~

~~A) 100% of the market value of the call option; plus~~

~~B) 100% of the market value of the put option; minus~~

~~C) the amount by which the aggregate exercise value of the put option exceeds the aggregate exercise value of the call option.~~

~~**d) Currency long call – short call – long put**~~

~~Where a currency call option is carried long for an approved participant's account and the account is also short a currency call option and long a currency put option on the same number of units of trading on the same underlying currency, the minimum capital required must be:~~

~~i) 100% of the market value of the long call option; plus~~

~~ii) 100% of the market value of the long put option; minus~~

~~iii) 100% of the market value of the short call option; plus~~

~~iv) the greater of~~

~~A) any excess of the aggregate exercise value of the long call option over the aggregate exercise value of the short call option; or~~

~~B) any excess of the aggregate exercise value of the long call option over the aggregate exercise value of the long put option.~~

~~Where the amount calculated in iv) is negative, this amount may be applied against the capital required.~~

9656 Currency Options and Assets Denominated in the Same Currency Combinations
(26.09.05, abr. 00.00.00)

~~a) Short currency call – long asset in the same currency combination~~

~~Where a currency call option is carried short in an approved participant's account and the account is also long an equivalent position in an asset denominated in the same currency as the option underlying currency, the minimum capital required must be the lesser of:~~

~~i) the normal capital required on the asset denominated in the same currency; and~~

~~ii) any excess of the aggregate exercise value of the call option over the normal loan value of the asset denominated in the same currency.~~

~~The market value of the short call option may be used to reduce the capital required on the long asset, but in no event can the capital required on this asset be less than zero.~~

~~b) Short currency put – short asset in the same currency combination~~

~~Where a currency put option is carried short in an approved participant's account and the account is also short an equivalent position in an asset denominated in the same currency as the option underlying currency, the minimum capital required must be the lesser of:~~

~~i) the normal capital required on the asset denominated in the same currency; and~~

~~ii) any excess of the normal capital required on the asset denominated in the same currency over the in-the-money value, if any, of the put option.~~

~~The market value of the short put option may be used to reduce the capital required on the short asset, but in no event can the capital required on this asset be less than zero.~~

~~c) Long currency call – short asset in the same currency combination~~

~~Where a currency call option is carried long in an approved participant's account and the account is also short an equivalent position in an asset denominated in the same currency as the option underlying currency, the minimum capital required must be the sum of:~~

~~i) 100% of the market value of the call option; and~~

~~ii) the lesser of~~

~~A) any out-of-the-money value associated with the call option; or~~

~~B) the normal capital required on the asset denominated in the same currency.~~

~~Where the call option is in-the-money, this in-the-money value may be applied against the capital required, but cannot reduce the capital required to less than zero.~~

~~d) Long currency put – long asset in the same currency combination~~

~~Where a currency put option is carried long in an approved participant's account and the account is also long an equivalent position in an asset denominated in the same currency as the option underlying currency, the minimum capital required must be the lesser of:~~

~~i) the normal capital required on the asset denominated in the same currency; and~~

~~ii) the excess of the combined market value of the asset denominated in the same currency and the put option over the aggregate exercise value of the put option.~~

~~Where the put option is in-the-money, this in-the-money value may be applied against the capital required, but cannot reduce the capital required to less than zero.~~

RULE NINE
MARGIN AND CAPITAL REQUIREMENTS FOR OPTIONS, FUTURES CONTRACTS AND OTHER DERIVATIVE INSTRUMENTS

Section 9001 – 9100
General Provisions

9001 Definitions
(01.01.05, 01.02.07, 30.11.15, 14.01.16)

For the purpose of the present Rule:

"**approved participant account**" means all non-client accounts including firm accounts, market maker accounts, restricted trading permit holder accounts for which a clearing approved participant has issued a letter of guarantee and sponsor accounts;

"**client account**" means an account for a client of an approved participant, but does not include account in which a member of a self-regulatory organization, or a related firm, approved person or employee of such an approved participant, member or related firm, as the case may be, has a direct or indirect interest, other than an interest in a commission charged;

"**escrow receipt**" means:

i) in the case of an equity, exchange-traded fund or income trust unit or bond option, a document issued by a financial institution approved by the Canadian Derivatives Clearing Corporation certifying that a security is held and will be delivered upon exercise by such financial institution in respect of a specified option of a particular client of an approved participant; or

ii) in the case of an OCC option, a document issued by a depository approved by the clearing corporation, after executing and delivering agreements required by The Options Clearing Corporation, certifying that a security is held and will be delivered upon exercise by such financial institution in respect of a specified OCC option of a particular client of an approved participant;

"**firm account**" means an account established by an approved participant, which is confined to positions carried by the approved participant on its own behalf;

"**floating margin rate**" means:

i) the last calculated regulatory margin interval, effective for the regular reset period or until a violation occurs, such rate to be reset on the regular reset date, to the calculated regulatory margin interval determined at that date; or

ii) where a violation has occurred, the last calculated regulatory margin interval determined at the date of the violation, effective for a minimum of twenty trading days, such rate to be reset at the close of the twentieth trading day, to the calculated regulatory margin interval determined at that date, where a reset results in a lower margin rate.

For the purposes of this definition, the term “regular reset date” is the date subsequent to the last reset date where the maximum number of trading days in the regular reset period has passed.

For the purposes of this definition, the term “regular reset period” is the normal period between margin rate resets. This period must be determined by the Canadian self-regulatory organizations with member regulation responsibilities and must not be no longer than sixty trading days.

For the purpose of this definition, the term “regulatory margin interval” means the margin interval calculated by the Canadian Derivatives Clearing Corporation.

For the purpose of this definition, the term "violation" means the circumstance where the maximum 1 or 2 day percentage change in the daily closing prices is greater than the margin rate;

"**index**" means an equity index where:

i) the basket of equity securities underlying the index is comprised of eight or more securities;

ii) the weight of the single largest security position in the basket of equity securities underlying the index represents no more than 35% of the overall market value of the basket;

iii) the average market capitalization for each security position in the basket of equity securities underlying the index is at least $50 million; and

iv) in the case of foreign equity indices, the index is both listed and traded on an exchange that meets the criteria for being considered a recognized exchange as set out in the definition of “regulated entities” included in the General Notes and Definitions of the ‘’Joint Regulatory Financial Questionnaire and Report’’ form of the Investment Industry Regulatory Organization of Canada;

“**market maker account**” means a firm account of an approved participant that is confined to transactions initiated by a market maker;

“**non-client account**” means an account established with an approved participant by another member of a self-regulatory organization, a related firm, an approved person or employee of an approved participant or of a member of self-regulatory organization or of a related firm, as the case may be, in which the approved participant does not have an interest, direct or indirect, other than an interest in fees or commissions charged;

“**OCC option**” means a call option or a put option issued by The Options Clearing Corporation;

"**tracking error margin rate**" means the last calculated regulatory margin interval for the tracking error resulting from a particular offset strategy. The meaning of the term “regulatory margin interval” and the margin rate policy are the same as for the floating margin rate.

9002 Risk Margining Systems
(01.01.05, 30.11.15)

a) With respect to an approved participant account constituted exclusively of positions in derivative instruments listed on the Bourse, the margin required may be the one calculated by the Standard

Portfolio Analysis (SPAN) methodology using the margin interval calculated and the assumptions used by the Canadian Derivatives Clearing Corporation.

If the approved participant selects the SPAN methodology, the margin requirements calculated under this methodology will supersede the provisions stipulated in the Rules.

b) With respect to a client account, it is prohibited to use SPAN methodology to determine margin requirements.

9003 Inter-Commodity Combinations
(01.01.05, 01.02.07)

Unless otherwise specified, offsets are not permitted for positions in client accounts or approved participant accounts involving derivative instruments based on two different underlying interests.

Section 9101 – 9200
Margin Requirements on Equity-Related Derivatives

9101 Exchange Traded Options – General Provisions
(01.01.05, abr. 14.01.16)

9102 Long Option Positions
(01.01.05, abr. 14.01.16)

9103 Short Option Positions
(01.01.05, 01.02.07, abr. 14.01.16)

9104 Covered Option Positions
(01.01.05, abr. 14.01.16)

9105 Options Spreads and Combinations
(01.01.05, 01.02.07, 13.08.07, abr. 14.01.16)

9106 Option and Security Combinations
(01.01.05, 01.02.07, abr. 14.01.16)

9107 Option Spreads Involving Complex Strategies
(01.01.05, 13.08.07, abr. 14.01.16)

9108 Index Option and Index Participation Unit Option Spread Combinations
(01.01.05, 01.02.07, abr. 14.01.16)

9109 Index Option Combinations with Qualifying Baskets of Index Securities and Index Participation Units
(01.01.05, 01.02.07, abr. 14.01.16)

9110 – 9120 (reserved)

9121 Exchange Traded Futures Contracts – General
(01.01.05, 23.01.06, 14.01.16)

a) The Bourse shall establish margin requirements applicable to futures contracts positions held by clients and no approved participant shall effect a futures contract transaction or carry an account for a client without proper and adequate margin, which must be obtained as promptly as possible and maintained in conformity with the provisions of this section;

b) positions of clients must be marked to market daily and the required margin must be determined by using the greatest of:

   i) the rate required by the futures contract exchange on which the contract is entered into or its clearing corporation; or

   ii) the rate required by the broker through which the approved participant ensures the clearing of the futures contract;

c) in the case of a futures contract exchange or its clearing corporation that prescribes margin requirements based on initial and maintenance rates, the initial margin must be required from the client at the time the contract is entered into and such margin must not be for an amount less than the prescribed initial rate. When subsequent adverse price movements in the value of the futures contract reduce the margin on deposit to an amount below the maintenance level, a further amount to restore the margin on deposit to the initial rate must be required. The approved participant may, in addition, require such further margin or deposit as it may consider necessary as a result of fluctuations in market prices;

d) margin requirements established by the Bourse may be made applicable to one or more rather than all approved participants or clients if deemed necessary by the Bourse;

e) for clients, the margin requirements will be satisfied by the deposit of cash, escrow receipts or securities for which the loan value equals or exceeds the margin required. In the case of an escrow receipt, the receipt must certify that government securities are held for futures contract positions of a named client. For the purposes of this receipt, the allowable government securities must mature within one year from the date of the deposit and the required margin covered by the receipt must not be greater than 90% of the par value of such securities held on deposit. All government securities which are an acceptable form of margin for the clearing corporation are acceptable;

f) every approved participant must require from each of its customers for whom trades are effected through an omnibus account, not less than the amount of margin that would be required from such customers if their trades were effected through fully disclosed accounts;

g) specific margin requirements may be applicable on spread positions when a client account holds such positions. Every approved participant must clearly identify such spread positions in its records relating to margin calculations;

h) from time to time, the Bourse may impose special margin requirements with respect to particular futures contracts or particular positions in futures contracts.

9122 Simple or Spread Positions in Futures Contracts
(01.01.05)

a) Shares futures contracts positions

i) For simple positions in share futures contracts held in a client's account, the margin required must be the sum of:

A) the floating margin rate of the underlying interest;

and

B) the greater of:

I) 10% of the floating margin rate of the underlying interest; and

II) where the floating margin rate of the underlying interest is:

a) less than 10%, 5%;
b) less than 20% but greater or equal to 10%, 4%; or
c) greater or equal to 20%, 3%;

multiplied by the daily settlement value of the futures contracts.

ii) For spread positions in share futures contracts held in a client's account, the margin requirements are determined by the Bourse in collaboration with the clearing corporation, from time to time.

b) Index futures contracts positions

The margin requirements which must be applied on all positions in index futures contracts held in a client's account are determined by the Bourse, in collaboration with the clearing corporation, from time to time.

9123 Share Futures Contracts and Security Combinations
(01.01.05, 14.01.16)

a) Share futures contracts – underlying share combinations

Where a client account contains one of the following combinations:

- long share futures contract and short an equivalent position in the underlying share; or

- short share futures contract and long an equivalent position in the underlying share;

the minimum margin required must be the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share.

b) Short share futures contracts – long warrants, rights, instalment receipts combination

Where a client holds a short share futures contract on the shares of an issuer and a long position in warrants, rights, shares, instalment receipts or other securities pursuant to the terms of which the holder is entitled to acquire the same class and at least the same number of shares of the same issuer, the margin required must be equal to the difference between the market value of the long position and the settlement value of the short share futures contract, plus the aggregate of the subscription price or other cost or charge payable in connection with the acquisition of shares underlying to the relevant warrant, right, share, instalment receipt or other security.

c) Short share futures contracts – long capital shares

For the purposes of this section:

a) "capital share" means a share issued by a split share company which represents all or a substantial portion of the capital appreciation portion of the underlying common share;

b) “capital share conversion loss” means any excess of the market value of the capital shares over the retraction value of the capital shares;

c) "preferred share" means a share issued by a split share company which represents all or a substantial portion of the dividend portion of the underlying common share, and includes equity dividend shares of split share companies;

d) “retraction value”, for capital shares, means:

   i) where the capital shares can be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the excess of the market value of the underlying common shares received over the retraction cash payment to be made when retraction of the capital shares takes place;

   ii) where the capital shares cannot be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the retraction cash payment to be received when retraction of the capital shares takes place;

e) "split share company" means a corporation formed for the sole purpose of acquiring underlying common shares and issuing its own capital shares based on all or a substantial portion of the capital appreciation portion and its own preferred shares based on all or a substantial portion of the dividend income portion of such underlying common shares.

Where a client holds a long position in capital shares and a short share futures contract, the margin required is the sum of:the capital share conversion loss, if any; and the normal margin required in the case of client account positions on the equivalent number of preferred shares..

The market value of the underlying security to be used for the calculation of the required margin pursuant to the precedingparagraph is the settlement value of the share futures contract.

In no case the margin required may be less than 3% of the settlement value of the share futures contract.

9125 Index Futures Contract Combinations with Qualifying Baskets of Index Securities and Index Participation Units
(01.01.05, abr. 14.01.16)

9126 Index Futures Contract Combinations with Index Options
(01.01.05, abr. 14.01.16)

9127 – 9150 (reserved)

9151 Margin Requirements for Positions in and Offsets Involving OCC Options
(01.01.05, abr. 14.01.16)

9152 Margin Requirements for Positions in and Offsets Involving Sponsored Options
(01.01.05, 14.01.16)

The margin requirements for sponsored options are the same as the margin requirements for exchange-traded options, with the following exceptions:

a) in the case of pairings involving European-style or cash settlement sponsored options, the required margin must not be less than 5% of the underlying security market value;

b) for pairings, the units of trading for call or put sponsored options must represent equivalent units of trading of any other options or an equivalent quantity of the underlying interest; and

c) in the case of sponsored options, a client of an approved participant is prohibited to hold a short position with the exception of sponsors for whom the capital rules applicable are those that are applicable to short exchange traded options positions held by an approved participant for its own account..

Section 9201 - 9300
Capital Requirements on Equity-Related Derivatives

9201 Exchange Traded Options – General
(01.01.05, abr. 14.01.16)

9202 Long Option Positions
(01.01.05, abr. 14.01.16)

9203 Short Option Positions
(01.01.05, 01.02.07, abr. 14.01.16)

9204 Covered Option Positions
(01.01.05, abr. 14.01.16)

9205 Option Spreads and Combinations
(01.01.05, 01.02.07, 13.08.07, abr. 14.01.16)

9206 Options and Security Combinations
(01.01.05, 01.02.07, abr. 14.01.16)

9207 Option Spreads Involving Complex Strategies
(01.01.05, 13.08.07, abr. 14.01.16)

9208 Index Options and Index Participation Unit Option Spread Combinations
(01.01.05, 01.02.07, abr. 14.01.16)

9209 Index Option Combinations with Qualifying Baskets of Index Securities and Index Participation Units
(01.01.05, 01.02.07, abr. 14.01.16)

9210 Index Option Combinations with Qualifying Baskets of Index Securities and Commitment to Purchase Index Participation Units
(01.01.05, abr. 14.01.16)

9211 – 9220 (reserved)

9221 Exchange Traded Futures Contracts – General
(01.01.05, 23.01.06)

a) With respect to an account of an approved participant, market-maker, or restricted trading permit holder for which a clearing approved participant has issued a letter of guarantee, the Bourse may establish certain charges against the capital of the approved participant carrying the account, which charges may be less onerous than margin requirements applicable to clients but for which the approved participant must maintain adequate capital resources at all times;

b) positions of approved participants and customers must be marked to market daily and the required capital must be determined by using the greatest of:

  i) the rate required by the futures contract exchange on which the contract is entered into or its clearing corporation; or

  ii) the rate required by the broker through which the approved participant ensures the clearing of the futures contract;

c) in the case of a futures contract exchange or its clearing corporation that prescribes margin requirements based on initial and maintenance rates, initial capital is required at the time the contract is entered into and the amount of such capital must not be less than the prescribed initial rate. Subsequently, the approved participant must maintain, for each position held, a capital amount equivalent to the prescribed maintenance rate;

d) capital requirements established by the Bourse may be made applicable to one or more rather than all approved participants if deemed necessary by the Bourse;

e) specific capital requirements may be applicable on spread positions when an approved participant account holds such positions. Every approved participant must clearly identify such spread positions in its records relating to margin calculations;

f) from time to time the Bourse may impose special capital requirements with respect to particular futures contracts or particular positions in futures contracts.

9222 Simple or Spread Positions in Futures Contracts
(01.01.05)

a) Share futures contracts positions

i) For simple positions in share futures contracts held in an approved participant's account, the capital required must be the floating margin rate of the underlying interest multiplied by the daily settlement value of the futures contracts;

ii) for spread positions in shares futures contracts held in an approved participant's account, the capital requirements are determined by the Bourse, in collaboration with the clearing corporation, from time to time.

b) Index futures contracts positions

The capital requirements which must be applied on all positions in index futures contracts held in an approved participant's account are determined by the Bourse, in collaboration with the clearing corporation, from time to time.

9223 Share Futures Contracts and Security Combinations
(01.01.05, 14.01.16)

a) Share futures contracts – underlying share combinations

Where an approved participant account contains one of the following combinations:

- long share futures contract and short an equivalent position in the underlying share; or
- short share futures contract and long an equivalent position in the underlying share;

the minimum capital required must be the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share.

b) Short share futures contracts – long convertible security combination

Where an approved participant holds a short share futures contract on the shares of an issuer and a long position in securities which are currently convertible or exchangeable into the same class and at least the same number of shares of the same issuer, the capital required must be the excess of the market value of the long position over the settlement value of the short share futures contracts.

Any residual net credit money balance between the market value and settlement value of the positions which are paired cannot be used to reduce capital otherwise required on the long or short position remaining unhedged after applying the pairing described above.

Where the securities representing the long position held by the approved participant are not convertible or exchangeable until the expiry of a specific period of time but the approved participant has entered into a written, legally enforceable agreement, pursuant to which it has borrowed securities of the same class as those of the short position which do not have to be returned until the expiration of the period of time until conversion or exchange, the above-mentioned pairing may be done as if the securities representing the long position were currently convertible or exchangeable.

c) Short share futures contracts – long warrants, rights, instalment receipts combination

Where an approved participant holds a short share futures contract on the shares of an issuer and a long position in warrants, rights, shares, instalment receipts or other securities pursuant to the terms of which the holder is entitled to acquire the same class and at least the same number of shares of the same issuer, the capital required must be equal to the aggregate of the subscription price or other cost or charge payable in connection with the acquisition of the underlying shares pursuant to the warrant, right, share, instalment receipt or other security plus (or minus, if the result is negative) the difference between the aggregate market value of the warrant, right, share, instalment receipt or other security and the settlement value of the share futures contracts.

d) Short share futures contracts – long capital shares

For the purposes of this section:

a) "capital share" means a share issued by a split share company which represents all or a substantial portion of the capital appreciation portion of the underlying common share;

b) “capital share conversion loss” means any excess of the market value of the capital shares over the retraction value of the capital shares;

c) "preferred share" means a share issued by a split share company which represents all or a substantial portion of the dividend portion of the underlying common share, and includes equity dividend shares of split share companies;

e) “retraction value”, for capital shares, means:

   i) where the capital shares can be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the excess of the market value of the underlying common shares received over the retraction cash payment to be made when retraction of the capital shares takes place;

   ii) where the capital shares cannot be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the retraction cash payment to be received when retraction of the capital shares takes place;

f) "split share company" means a corporation formed for the sole purpose of acquiring underlying common shares and issuing its own capital shares based on all or a substantial portion of the capital appreciation portion and its own preferred shares based on all or a substantial portion of the dividend income portion of such underlying common shares.

Where an approved participant holds a long position in capital shares and a short share futures contract, the capital required is equal to the sum of the conversion loss, if any, and the normal capital required on the equivalent number of preferred shares.

The market value of the underlying security to be used for the calculation of the required capital pursuant to the preceding paragraph is the settlement value of the share futures contract.

In no case, the capital required shall be less than 3% of the settlement value of the share futures contract.

9225 Index Futures Contract Combinations with Qualifying Baskets of Index Securities and Index Participation Units
(01.01.05, abr. 14.01.16)

9226 Index Futures Contract Combinations with Index Options
(01.01.05, abr. 14.01.16)

9227 – 9250 (reserved)

9251 Capital Requirements for Positions In and Offsets Involving OCC Options
(01.01.05, abr. 14.01.16)

9252 Capital Requirements for Positions In and Offsets Involving Sponsored Options
(01.01.05, 14.01.16)

The capital requirements for sponsored options are the same as the capital requirements for exchange-traded options, with the following exceptions:

a) in the case of pairings involving European-style or cash settlement sponsored options, the required capital must not be less than 5% of the underlying security market value;

b) for pairings, the units of trading for call or put sponsored options must represent equivalent units of trading of any other options or an equivalent quantity of the underlying interest.

Section 9301 – 9400
Margin Requirements for Derivative Instruments on Bonds and Interest Rates

9301 Exchange Traded Bond Options - General
(01.01.05, 01.02.07, 14.01.16)

a) The Bourse shall establish margin requirements applicable to bond options positions held by clients and no approved participant shall effect an option transaction or carry an account for a client without proper and adequate margin, which must be obtained as promptly as possible and maintained in conformity with the provisions of this section;

b) all opening selling transactions and resulting short positions must be carried in a margin account;

c) each bond option must be margined separately and any difference between the market price of the underlying interest and the exercise price of the option must be considered to be of value only in providing the amount of margin required on that particular option;

d) where a client account holds both CDCC bond options and OCC bond options that have the same underlying interest, the OCC bond options may be considered to be bond options for the purposes of the calculation of the margin requirements for the account under the provisions of this section;

e) from time to time the Bourse may impose special margin requirements with respect to particular bond options or particular positions in such options.

9302 Long Bond Option Positions
(01.01.05, 14.01.16)

All purchases of bond options must be for cash and long positions shall have no value for margin purposes.

9303 Short Bond Option Positions
(01.01.05, 14.01.16)

a) The minimum margin requirement which must be maintained in respect of a bond option carried short in a client account must be:

i) 100% of the market value of the option; plus

ii) a percentage of the market value of the underlying bond, determined using the following percentages:

A) underlying bond maturing over 10 years, 3%;
B) underlying bond maturing over 3 years to 10 years, 1.75%; or
C) underlying bond maturing in 3 years or less, 1%;

minus

iii) any out-of-the-money amount associated with the bond option.

b) Paragraph a) notwithstanding, the minimum margin requirement which must be maintained and carried in a client account trading in bond options must not be less than:

i) 100% of the market value of the option; plus

ii) an additional requirement determined by multiplying 0.50% by the market value of the underlying bond.

9304 Covered Bond Option Positions
(01.01.05, 14.01.16)

a) No margin is required for a call option carried short in a client's account which is covered by the deposit of an escrow receipt. The underlying bond deposited in respect of such options shall not be deemed to have any value for margin purposes.

Evidence of a deposit of the underlying bond shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse upon request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation;

b) no margin is required for a put option carried short in a client's account which is covered by the deposit of an escrow receipt which certifies that acceptable government securities are being held by the issuer of the escrow receipt for the account of the client. The acceptable government securities held on deposit:

i) must be government securities:

A) which are acceptable forms of margin for the clearing corporation; and

B) which mature within one year of their deposit; and

ii) shall not be deemed to have any value for margin purposes.

The aggregate exercise value of the short put option must not be greater than 90% of the aggregate nominal value of the acceptable government securities held on deposit. Evidence of the deposit of the acceptable government securities shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse on request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation; and

c) no margin is required for a put option carried short in a client’s account if the client has delivered to the approved participant with which such position is maintained a letter of guarantee, issued by a financial institution which has been authorized by the clearing corporation to issue escrow receipts, in a form satisfactory to the Bourse, and is:

i) a bank which is a Canadian chartered bank or a Quebec savings bank; or

ii) a trust company which is licensed to do business in Canada, with a minimum paid-up capital and surplus of $5,000,000;

provided that the letter of guarantee certifies that the bank or trust company,

iii) holds on deposit for the account of the client cash in the full amount of the aggregate exercise value of the put option and that such amount will be paid to the clearing corporation against delivery of the underlying interest covered by the put option; or

iv) unconditionally and irrevocably guarantees to pay to the clearing corporation the full amount of the aggregate exercise value of the put option against delivery of the underlying interest covered by the put option;

and further provided that the approved participant has delivered the letter of guarantee to the clearing corporation and the clearing corporation has accepted it as margin.

9305 Bond Options Spreads and Combinations
(01.01.05, 14.01.16)

a) Call spreads and put spreads

Where a client account contains one of the following spread pairings:

- long call option and short call option; or
- long put option and short put option;

and the short option expires on or before the date of expiration of the long option, the minimum margin required for the spread pairing must be the lesser of:

i) the margin required on the short option; or

ii) the spread loss amount, if any, that would result if both options were exercised.

b) Short call – short put spreads

Where a call option is carried short for a client's account and the account is also short a put option on the same number of units of trading on the same underlying bond, the minimum margin required must be the sum of:

i) the greater of:

A) the margin required on the call option; or

B) the margin required on the put option;

and

ii) the loss amount that would result if the option having the lesser margin required was exercised.

9306 Bond Option and Security Combinations
(01.01.05, 14.01.16)

a) Short call – long underlying bond combination

Where, in the case of bond options, a call option is carried short in a client's account and the account is also long an equivalent position in the underlying bond, the minimum margin required must be the lesser of:

i) the margin required on the underlying bond; or

ii) the margin required on the underlying bond based on the exercise price of the call option.

For purposes of this Rule, " underlying bond " includes any bond issue of the Government of Canada which:

i) has a higher coupon rate than the underlying bond;

ii) has an aggregate face value at maturity of at least $1,000,000,000;

iii) trades at a price of $5 per $100 face value greater than the underlying bond; and

iv) matures no sooner than 2 years prior to the underlying bond.

b) Short put – short underlying bond combination

Where, in the case of bond options, a put option is carried short in a client's account and the account is also short an equivalent position in the underlying bond, the minimum margin required must be the greater of:

i) the margin required on the underlying bond; or

ii) the margin required on the underlying bond based on the exercise price of the put option.

c) Long call – short underlying bond combination

Where, in the case of bond options, a call option is carried long in a client's account and the account is also short an equivalent position in the underlying bond, the minimum margin required must be the sum of:

i) 100% of the market value of the call option; and

ii) the lesser of:

A) the aggregate exercise value of the call option; or

B) the normal margin required on the underlying bond.

d) Long put – long underlying bond combination

Where, in the case of bond options, a put option is carried long in a client's account and the account is also long an equivalent position in the underlying bond, the minimum margin required must be the sum of:

i) 100% of the market value of the put option; and

ii) 50% of the margin required on the underlying bond; and

iii) any out-of-the-money value associated with the put option, up to the amount determined in ii) above.

9307 – 9310 (reserved)

9311 Long Option on Futures Contracts Positions
(01.01.05, 14.01.16)

All purchases of options on futures contracts must be for cash and long positions shall have no loan value for margin purposes.

9312 Short Option on Futures Contracts Positions
(01.01.05)

The minimum margin requirement which must be maintained in respect of an option carried short in a client account must be:

i) 100% of the market value of the option; plus

ii) the greater of:

A) 50% of the normal margin required on the underlying futures contract; or

B) the normal margin required on the underlying futures contract less 50% of the amount by which the option is out-of-the-money.

9313 Options on Futures Contracts Spreads and Combinations
(01.01.05)

a) Call spreads and put spreads

i) Where a client account contains one of the following spread pairings:

- long call option and short call option with the same or higher exercise price; or
- long put option and short put option with the same or lower exercise price;

the minimum margin required for the spread pairing must be:

A) 100% of the market value of the long option; minus

B) 100% of the market value of the short option; plus

C) where the long option expires before the short option, 50% of the normal margin required on the underlying futures contract.

ii) Where a client account contains one of the following spread pairings:

- long call option and short call option with a lower exercise price; or
- long put option and short put option with a higher exercise price;

the minimum margin required for the spread pairing must be the sum of:

A) the lesser of:

I) the loss amount that would result if both options were exercised; or

II) a) where the long and short options have the same expiry date, the margin required on the short option; or

b) where the long and short options have different expiry dates, the normal margin required on the underlying futures contract;

and

B) where the options have different expiry dates, the net market value of the long and short options.

b) Short call – short put spreads

Where a call option is carried short for a client's account and the account is also short a put option, the minimum margin required must be the sum of:

i) the greater of:

A) the margin required on the call option ; or

B) the margin required on the put option;

and

ii) the loss amount that would result if the option having the lesser margin required was exercised.

9314 – 9320 (reserved)

9321 Exchange Traded Futures Contracts – General
(01.01.05, 23.01.06, 14.01.16)

a) The Bourse shall establish margin requirements applicable to futures contracts positions held by clients and no approved participant shall effect a futures contract transaction or carry an account for a client without proper and adequate margin, which must be obtained as promptly as possible and maintained in conformity with the provisions of this section;

e) for clients, the margin requirements will be satisfied by the deposit of cash, escrow receipt or securities for which the loan value equals or exceeds the margin required. In the case of an escrow receipt, the receipt must certify that government securities are held for futures contract positions of a named client. For the purposes of this receipt, the allowable government securities must mature within one year from the date of the deposit and the required margin covered by the receipt must not be greater than 90% of the par value of such securities held on deposit. All government securities which are an acceptable form of margin for the clearing corporation are acceptable;

g) specific margin requirements may be applicable on spread positions when a client account holds such positions. Every approved participant must clearly identify such spread positions in its records relating to margin calculations;

h) from time to time, the Bourse may impose special margin requirements with respect to particular futures contracts or particular positions in futures contracts.

9322 Simple or Spread Positions in Futures Contracts
(01.01.05)

The margin requirements which must be applied on all positions in futures contracts held in a client's account are determined by the Bourse, in collaboration with the clearing corporation, from time to time.

9323 Futures Contracts and Security Combinations
(01.01.05, 27.02.06, abr. 14.01.16)

9324 Bond Futures Contracts Combinations with Bond Options
(01.01.05)

With respect to bond options and bond futures contracts held in client accounts, where the option contracts and the futures contracts have the same settlement date, or can be settled in either of the two nearest contract months, and where the underlying interest of the bond options is a Government of Canada bond maturing or callable for redemption between 3 years 9 months and 10½ years, the option contracts and the futures contracts may be offset as follows:

a) Long bond options combinations with bond futures contracts

Where a client account contains one of the following combinations:

- long call options and short an equivalent face value at maturity of futures contracts; or
- long put options and long an equivalent face value at maturity of futures contracts;

the minimum margin required must be:

i) In-the-money or at-the-money position:

A) $500; plus

B) the market value of the option; less

C) the in-the-money amount of the option.

ii) Out-of-the-money position:

A) the market value of the option; plus

B) the margin required on the futures contract; less

C) the excess of $500 over the out-of-the-money amount of the option.

b) Short bond options combinations with bond futures contracts

Where a client account contains one of the following combinations:

- short call options and long an equivalent face value at maturity of futures contracts; or
- short put options and short an equivalent face value at maturity of futures contracts;

the minimum margin required must be the margin required on the futures contracts.

c) Conversion or long tripo combination involving bond options and bond futures contracts

Where a put option is carried long for a client's account and the account is also short a call option and long an equivalent face value at maturity of futures contracts, the minimum margin required must be the greater of:

i) A) the greater of the difference, plus or minus, between the daily settlement value of the long futures contracts and the aggregate exercise value of the long put options or the short call options; plus

B) the aggregate market value of the long put options;

and

ii) $500.

d) Reconversion or short tripo combination involving bond options and bond futures contracts

Where a put option is carried short for a client's account and the account is also long a call option and short an equivalent face value at maturity of futures contracts, the minimum margin required must be the greater of:

i) A) the greater of the difference, plus or minus, between the aggregate exercise value of the long call options or the short put options and the daily settlement value of the short futures contracts; plus

B) the aggregate market value of the long call options;

and

ii) $500.

9325 Futures Contracts Combinations with Options on Futures Contracts
(01.01.05)

a) Long options on futures contracts combinations with futures contracts

Where a client account contains one of the following combinations:

- long call options and short an equivalent position in futures contracts; or
- long put options and long an equivalent position in futures contracts;

the minimum margin required must be the greater of:

i) the aggregate market value of the long options; or

ii) the margin required on the futures contracts.

b) Short options on futures contracts combinations with futures contracts

Where a client account contains one of the following combinations:

- short call options and long an equivalent position in futures contracts; or
- short put options and short an equivalent position in futures contracts;

the minimum margin required must be:

i) the aggregate market value of the short options; plus

ii) the greater of:

A) 50% of the margin required on the futures contracts; or

B) the excess of the margin required on the futures contracts over 50% of the in-the-money amount of the option.

9326 Pairing of Government of Canada Bond Futures Contracts with U. S. Treasury Bond Futures Contracts
(23.01.06, abr. 14.01.16)

Section 9401 - 9500
Capital Requirements on Bonds and Interest Rate Related Derivatives

9401 Exchange Traded Bond Options – General
(01.01.05, 01.02.07, 14.01.16)

a) With respect to an approved participant account or market maker account, or of a restricted trading permit holder account for which an approved participant (or a clearing firm) has issued a letter of authorization or of a sponsor account, the Bourse has established certain charges against capital;

b) in the treatment of spreads, the long position may expire before the short position;

c) for any short position carried for a client or non-client account where the account has not provided required margin, any shortfall will be charged against the approved participant’s capital;

d) where an approved participant account holds both CDCC bond options and OCC bond options that have the same underlying interest, the OCC bond options may be considered to be bond options for the purposes of the calculation of the capital requirements for the account under the provisions of this section;

e) from time to time the Bourse may impose special capital requirements with respect to particular bond options or particular positions in bond options;

f) in the pairing described in articles 9405, 9406 and 9424, bond options of different classes for which the underlying bonds have the same margin rate may be paired together provided that:

i) the exercise price of the bond option for which the market value of the underlying bond is the lowest must be increased by the difference between the market value of the underlying bonds; and

ii) to the capital required pursuant to articles 9405, 9406 and 9424 must be added an amount equal to the margin that would be required on the net bond position which would result if both bond options were exercised.

9402 Long Bond Option Positions
(01.01.05, 14.01.16)

For approved participant accounts, the capital required for a long bond option is the market value of the option. Where the bond option premium is $1 or more, the capital required for the bond option may be reduced by 50% of any in-the-money amount associated with the bond option.

9403 Short Bond Option Positions
(01.01.05, 14.01.16)

The capital required which must be maintained in respect of a bond option carried short in an approved participant account must be:

i) a percentage of the market value of the underlying bond determined using the following percentages:

A) underlying bond maturing over 10 years, 3%;
B) underlying bond maturing over 3 years to 10 years, 1.75%;
C) underlying bond maturing in 3 years or less, 0.50%;

minus

ii) any out-of-the-money amount associated with the bond option.

9404 Covered Bond Option Positions
(01.01.05, 14.01.16)

a) No capital is required for a call option carried short in an approved participant account, which is covered by the deposit of an escrow receipt. The underlying bond deposited in respect of such options shall not be deemed to have any value for capital purposes.

Evidence of a deposit of the underlying bond shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse on request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation;

b) no capital is required for a put option carried short in an approved participant account which is covered by the deposit of an escrow receipt which certifies that acceptable government securities are being held by the issuer of the escrow receipt for the account of the approved participant. The acceptable government securities held on deposit:

i) must be government securities:

A) which are acceptable forms of margin for the clearing corporation; and

B) which mature within one year of their deposit; and

ii) shall not be deemed to have any value for capital purposes.

The aggregate exercise value of the short put options must not be greater than 90% of the aggregate nominal value of the acceptable government securities held on deposit. Evidence of the deposit of the acceptable government securities shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse on request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation; and

c) no capital is required for a put option carried short in an approved participant account if the approved participant has obtained a letter of guarantee, issued by a financial institution which has been authorized by the clearing corporation to issue escrow receipts, in a form satisfactory to the Bourse, and is:

i) a bank which is a Canadian chartered bank or a Quebec savings bank; or

ii) a trust company which is licensed to do business in Canada, with a minimum paid-up capital and surplus of $5,000,000;

provided that the letter of guarantee certifies that the bank or trust company:

iii) holds on deposit for the account of the approved participant cash in the full amount of the aggregate exercise value of the put option and that such amount will be paid to the clearing corporation against delivery of the underlying bond covered by the put option; or

iv) unconditionally and irrevocably guarantees to pay to the clearing corporation the full amount of the aggregate exercise value of the put option against delivery of the underlying bond covered by the put option;

and further provided that the approved participant has delivered the letter of guarantee to the clearing corporation and the clearing corporation has accepted it as margin.

9405 Bond Options Spreads and Combinations
(01.01.05, 14.01.16)

a) Call spreads and put spreads

Where an approved participant account contains one of the following spread pairings:

- long call option and short call option; or
- long put option and short put option;

the minimum capital required must be:

i) 100% of the market value of the long option; minus

ii) 100% of the market value of the short option; and

iii) plus the loss (up to the amount of capital required on the short option) or less the gain (up to 50% of the amount by which the long option is in-the-money), that would result if both options were exercised.

b) Short call – short put spreads

Where a call option is carried short for an approved participant's account and the account is also short a put option on the same number of units of trading on the same underlying bond, the minimum capital required must be:

i) the greater of:

A) the capital required on the call option; or

B) the capital required on the put option;

plus

ii) the loss amount that would result if the option having the lesser capital required was exercised;

minus

iii) the aggregate market value of the short call and short put options.

c) Long call – long put spreads

Where a call option is carried long for an approved participant's account and the account is also long a put option on the same number of units of trading on the same underlying bond, the minimum capital required must be:

i) 100% of the market value of the call option; plus

ii) 100% of the market value of the put option; minus

iii) the greater of:

A) the amount by which the aggregate exercise value of the put option exceeds the aggregate exercise value of the call option; or

B) where the premium is equal or greater than $1, 50% of the total amount by which each option is in-the-money.

d) Long call – short call – long put

Where a call option is carried long for an approved participant's account and the account is also short a call option and long a put option on the same number of units of trading on the same underlying bond and where the exercise price of the long put option is greater than the exercise price of the long call option, the minimum capital required must be:

i) 100% of the market value of the long call option; plus

ii) 100% of the market of the long put option; minus

iii) 100% of the market value of the short call option; and

iv) less the gain or plus the loss if both call options were exercised (note: the exercise price of the short call option to be used is the lesser of the exercise price of the short call option or the exercise price of the long put option).

9406 Bond Option and Security Combinations
(01.01.05, 14.01.16)

a) Short bond options combinations with underlying bond

Where an approved participant account contains one of the following combinations:

- short call options and long an equivalent position in the underlying bond; or
- short put options and short an equivalent position in the underlying bond;

the minimum capital required must be:

i) the normal capital required on the underlying bond; minus

ii) 100% of the market value of the short option.

b) Long bond options combinations with underlying bond

Where an approved participant account contains one of the following combinations:

- long call options and short an equivalent position in the underlying bond; or
- long put options and long an equivalent position in the underlying bond;

the minimum capital required must be the sum of:

i) 100% of the market value of the option; and

ii) the lesser of:

A) any out-of-the-money value associated with the option; or

B) 50% of the normal capital required on the underlying bond.

Where the option is in-the-money, this in-the-money value may be applied against the capital required, up to the market value of the option.

c) Conversion or long tripo combination

Where, in the case of bond options, a position in an underlying bond is carried long in an approved participant's account and the account is also long an equivalent position in put options and short an equivalent position in call options, the minimum capital required must be:

i) 100% of the market value of the long put options; minus

ii) 100% of the market value of the short call options; plus

iii) the difference, plus or minus, between the market value of the underlying bond and the aggregate exercise value of the long put options, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the call options.

d) Reconversion or short tripo combination

Where, in the case of bond options, a position in an underlying bond is carried short in an approved participant's account and the account is also long an equivalent position in call options and short an equivalent position in put options, the minimum capital required must be:

i) 100% of the market value of the long call options; minus

ii) 100% of the market value of the short put options; plus

iii) the difference, plus or minus, between the aggregate exercise value of the long call options and the market value of the underlying bond, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the put options.

9407 – 9410 (reserved)

9411 Long Futures Contracts Options Positions
(01.01.05, 14.01.16)

The minimum capital required to carry a long call option or a long put option in an approved participant's account is the market value of the option, but this amount may be reduced by 50% of the amount by which the option is in-the-money when the premium is equal to or greater than 4 basis points in the case of options on Canadian bankers' acceptance futures contracts and 10 basis points in the case of options on Governement of Canada bond futures contracts.

9412 Short Futures Contracts Options
(01.01.05, 14.01.16)

The minimum capital required which must be maintained in respect of an option carried short in an approved participant account must be the greater of:

i) 50% of the capital required on the underlying futures contract; or

ii) the capital required on the futures contract less the amount by which the option is out-of-the-money.

9413 Futures Contracts Options Spreads and Combinations
(01.01.05, 14.01.16)

a) Call spreads and put spreads

Where an approved participant account contains one of the following spread pairings:

- long call option and short call option; or
- long put option and short put option;

the minimum capital required must be:

i) 100% of the market value of the long option; minus

ii) 100% of the market value of the short option; and

iii) plus the loss (up to the amount of capital required on the short option) or less the gain (up to 50% of the amount by which the long option is in-the-money) that would result if both options were exercised (note: to recognize an in-the-money amount, the premium should be equal or greater than 4 basis points in the case of options on Canadian bankers' acceptance futures contracts and 10 basis points in the case of options on Governement of Canada bond futures contracts).

b) Short call – short put spreads

Where a call option is carried short for an approved participant account and the account is also short a put option, the minimum capital required must be the sum of:

i) the greater of:

A) the capital required on the call option; or

B) the capital required on the put option;

and

ii) the loss that would result if the option having the lesser capital required was exercised.

c) Long call – long put spreads

Where a call option is carried long for an approved participant account and the account is also long a put option, the minimum capital required must be:

i) 100% of the market value of the call option; plus

ii) 100% of the market value of the put option; minus

iii) the greater of:

A) the amount by which the aggregate exercise value of the put option exceeds the exercise value of the call option; or

B) 50 % of the total of the amount by which each option is in-the-money when the premium is equal to or greater than 4 basis points in the case of options on Canadian bankers' acceptance futures contracts and 10 basis points in the case of options on Government of Canada bond futures contracts.

9414 – 9420 (reserved)

9421 Exchange Traded Futures Contracts – General
(01.01.05, 23.01.06, 14.01.16)

a) With respect to an account of an approved participant, market-maker, or restricted trading permit holder for which a clearing approved participant has issued a letter of guarantee, the Bourse has established certain charges against the capital of the approved participant carrying the account, which charges may be less onerous than margin requirements applicable to clients but for which the approved participant must maintain adequate capital resources at all times;
e) specific capital requirements may be applicable on spread positions when an approved participant account holds such positions. Every approved participant must clearly identify such spread positions in its records relating to margin calculations;

f) from time to time the Bourse may impose special capital requirements with respect to particular futures contracts or particular positions in futures contracts.

9422 Simple or Spread Positions in Futures Contracts
(01.01.05)

The capital requirements which must be applied on all positions in futures contracts held in an approved participant's account are determined by the Bourse, in collaboration with the clearing corporation, from time to time.

9423 Futures Contracts and Security Combinations
(01.01.05, 27.02.06, abr. 14.01.16)

9424 Bond Futures Contract Combinations with Bond Options
(01.01.05)

With respect to bond options and bond futures contracts held in approved participant accounts, where, the option contracts and the futures contracts have the same settlement date, or can be settled in either of the two nearest contract months and where the underlying interest of the bond options is a Government of Canada bond maturing or callable for redemption in a period between 3 years 9 months and 10½ years, the option contracts and the futures contracts may be offset as follows:

a) Long bond options – position in bond futures contracts

Where an approved participant account contains one of the following combinations:

- long call options and short an equivalent face value at maturity of futures contracts; or

- long put options and long an equivalent face value at maturity of futures contracts;

the minimum capital required must be:

i) *In-the-money or at-the-money position*:

A) $500; plus

B) 100% of the market value of the option; less

C) the in-the-money amount of the option.

ii) *Out of the money position*:

A) 100% of the market value of the option; plus

B) the capital required on the futures contract; less

C) the excess of $500 over the out-of-the-money amount of the option.

b) Short bond options – position in bond futures contracts

Where an approved participant account contains one of the following combinations:

- short call options and long an equivalent face value at maturity of futures contracts; or
- short put options and short an equivalent face value at maturity of futures contracts;

the minimum capital required must be the greater of:

i) A) the capital required on the futures contract; less

B) 100% of the market value of the short option;

and

ii) $500.

c) Conversion or long tripo combination involving bond options and bond futures contracts

Where a put option is carried long for an approved participant's account and the account is also short a call option and long an equivalent face value at maturity of futures contracts, the minimum capital required must be the greater of:

i) A) the greater of the difference, plus or minus, between the daily settlement value of the long futures contracts and the aggregate exercise value of the long put options or short the call options; plus

B) the net market value of the long put and short call options;

and

ii) $500.

d) Reconversion or short tripo combination involving bond options and bond futures contracts

Where a put option is carried short for an approved participant's account and the account is also long a call option and short an equivalent face value at maturity of futures contracts, the minimum capital required must be the greater of:

i) A) the greater of the difference, plus or minus, between the aggregate exercise value of the long call options or the short put options and the daily settlement value of the short futures contracts; plus

B) the net market value of the long call and short put options;

and

ii) $500.

9425 Futures Contracts Combinations with Options on Futures Contracts
(01.01.05)

For the following combinations, the delivery months of the options and of the futures contracts have no importance.

a) Long options on futures contracts – position in futures contracts

Where an approved participant account contains one of the following combinations:

- long call options and short an equivalent position in futures contracts; or
- long put options and long an equivalent position in futures contracts;

the minimum capital required must be the greater of:

i) the capital required on the long option;

and

ii) A) the capital required on the futures contract; less

B) the amount by which the option is in-the-money.

b) Short options on futures contracts – position in futures contracts

Where an approved participant account contains one of the following combinations:

- short call options and long an equivalent position in futures contracts; or
- short put options and short an equivalent position in futures contracts;

the minimum capital required must be the greater of:

i) 50% of the capital required on the futures contract;

and

ii) A) the capital required on the futures contract; less

B) the amount by which the option is in-the-money.

c) Conversion or long tripo combination involving options on futures contracts and futures contracts

Where a position in a futures contract is carried long in an approved participant's account and the account is also long an equivalent position in put options and short an equivalent position in call options, the minimum capital required must be the greater of:

i) A) the greater of the difference, plus or minus, between the daily settlement value of the long futures contracts and the exercise value of the long put options or short call options; plus

B) the net market value of the long put and short call options;

and

ii) 50% of the capital required on the futures contracts.

d) Reconversion or short tripo combination involving options on futures contracts and futures contracts

Where a position in a futures contract is carried short in an approved participant's account and the account is also short an equivalent position in put options and long an equivalent position in call options, the minimum capital required must be the greater of:

i) A) the greater of the difference, plus or minus, between the exercise value of the long call options or short put options and the daily settlement value of the futures contracts; plus

B) the net market value of the short put and long call options;

and

ii) 50% of the capital required on the futures contracts.

9426 Pairing of Government of Canada Bond Futures Contracts with U. S. Treasury Bond Futures Contracts

(23.01.06, abr. 14.01.16)

Section –9501 – 9600
Over-the-counter (OTC) options

9501 Margin Requirements - General Provisions
(01.01.05, 19.10.06, abr. 14.01.16)

9502 Margin requirements - Simple Long Positions
(01.01.05, abr. 14.01.16)

9503 Margin Requirements - Simple Short Positions
(01.01.05, abr. 14.01.16)

9504 Margin Requirements - Paired Option Positions
(01.01.05, abr. 14.01.16)

9505 Acceptable Forms of Margin
(01.01.05, abr. 14.01.16)

9506 – 9510 (Reserved for future use)

9511 Capital Requirements - General Provisions
(01.01.05, 19.10.06, abr. 14.01.16)

9512 Capital Requirements - Simple Long Positions
(01.01.05, abr. 14.01.16)

9513 Capital Requirements - Simple Short Positions
(01.01.05, abr. 14.01.16)

9514 Capital Requirements - Paired Option Positions
(01.01.05, abr. 14.01.16)

9515 Capital Reduction Allowed for Positions Held by Approved Participants
(01.01.05, abr. 14.01.16)

Section 9601 – 9650
Margin Requirements on Currency-Related Derivatives

9601 Exchange Traded Currency Options – General Provisions
(26.09.05, abr. 14.01.16)

9602 Long Currency Option Positions
(26.09.05, abr. 14.01.16)

9603 Short Currency Option Positions
(26.09.05, abr. 14.01.16)

9604 Covered Currency Option Positions
(26.09.05, abr. 14.01.16)

9605 Currency Option Spreads and Combinations
(26.09.05, abr. 14.01.16)

9606 Currency Options and Assets Denominated in the Same Currency Combinations
(26.09.05, abr. 14.01.16)

Section 9651 - 9700
Capital Requirements on Currency-Related Derivatives

9651 Exchange Traded Currency Options – General
(26.09.05, abr. 14.01.16)

9652 Long Currency Option Positions
(26.09.05, abr. 14.01.16)

9653 Short Currency Option Positions
(26.09.05, abr. 14.01.16)

9654 Covered Currency Option Positions
(26.09.05, abr. 14.01.16)

9655 Currency Option Spreads and Combinations
(26.09.05, abr. 14.01.16)

9656 Currency Options and Assets Denominated in the Same Currency Combinations
(26.09.05, abr. 14.01.16)

POLICY C-3
JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT
(abr. 14.01.16)