Bourse
de Montréal Inc.

PROCEDURES FOR THE EXECUTION OF CROSSES ON SAM

1. APPLICABLE RULE

"6380 Crosses

a) Where an approved participant or a restricted permit holder has a buy and a sell order at the same price, he may cross in whole or in part the eligible portion while complying with the priority of bids and offers.

b) Unless an approved participant has completed a cross as mentioned in paragraph a), after the input of an order, it is forbidden to input an opposite side order which could be immediately executed in whole or in part with the first one without leaving between the two inputs the prescribed delay allowing the market to declare its interest. The delay between the two inputs for derivative instruments traded on the Bourse will be determined by the Bourse periodically to reflect market conditions."

2. SUMMARY

For futures contracts and options on futures contracts, two orders from the same market participant at the same price and for the same quantity cannot be entered simultaneously in the system. The market participant must wait for a prescribed delay before entering the second order.

For equity options and index options, simultaneous entry is allowed if the quantity of the orders is above an eligible portion. The eligible portion is presently established by the Bourse at 50 contracts for index options and at 100 contracts for equity options.

3. OBJECTIVES

The objectives of the crossing procedures described herein are:

- Ensure that a cross trade is executed at a price at which there are no other market participants who are willing to trade any or all of the order at a better price;

- Ensure that all market participants are informed of such a trade prior to its execution and have the opportunity to participate.

4. DESCRIPTION

4.1. Futures contracts and Options on Futures contracts

All futures transactions are executed through the Montreal Automated Trading System (SAM). The market participant is responsible to ensure that he allows an amount of time of at least 15 seconds between the input of the buy and the sell orders when the market participant has both sides of the transaction in hand. The client side must be entered first.

4.2. Equity Options contracts, Index Options contracts and Bond Options contracts

If the intended cross price is on or outside the derivative instrument's current best bid or ask, the market participant is responsible for filling all existing orders on the central order book (regardless of type of orders) which are at limit prices better than or equal to the cross price. Hidden quantity orders (not applicable to equity options for which hidden quantity is not a valid order type) on the central order book better than or equal to the cross price must also be filled.

A. Procedures for crossing with no guaranteed minimum cross volume:

- The market participant must issue a Request For Quote (RFQ) for the total intended cross volume;

- The market participant must fill orders on the book that are equal to or better than the cross price. Hidden quantity orders (not applicable to equity options for which hidden quantity is not a valid order type) on the central order book better than or equal to the cross price must also be filled;

- The market participant must fully expose one side of the order (client side) to the market for a minimum of 30 seconds for equity options and 15 second for index options (market participants are not permitted to use hidden (not applicable to equity options for which hidden quantity is not a valid order type) quantity functionality when executing crosses.);

- After 30 seconds for equity options contracts or 15 seconds for index options contracts the market participant must cross any remaining balance by entering the other side of the transaction. There is no guarantee of any minimum cross volume.

B. Procedure for crossing with a 50% guaranteed minimum for orders equal to or greater than 50 contracts for index options and 100 contracts for equity options (applied to the residual quantity – described below):

- Note that the 50% guarantee applies only if the residual quantity (described below) is equal to or greater than the eligible portion (50 contracts for index options and 100 contracts for equity options);

- The market participant must contact a Market Supervisor at 1-888-693-6366 and provide details of the intended cross: total quantity (must be equal to or greater than the eligible portion), price, side that is client. In the case where both sides of the cross are clients, the market participant should confirm this to the Market Supervisor.

- As noted above, the market participant is responsible for filling all existing disclosed orders on the central order book (regardless of type of orders) which are at limit prices better than or equal to the cross price. This must also include hidden orders (not applicable to equity options for which hidden quantity is not a valid order type) better than the cross price. A Market Supervisor will ensure, in combination with the market participant, that this requirement has been met;

- The residual quantity is the volume of the cross remaining after orders on the book with limit prices better than or equal to the cross price are filled. In the case where no orders had to be filled, the residual quantity is equal to the original cross volume.

If the residual quantity is less than the eligible portion, market participants must follow the procedure for crossing with no minimum guaranteed volume, described in section A, and issue a Request For Quote before fully exposing one side of the residual quantity to the market for a minimum of 15 seconds.

- If the residual quantity to be crossed is equal to or greater than the eligible portion, a Market Supervisor contacts the market makers and informs them of half the residual quantity of the cross and the limit price. In the case where only one side of the cross is a client order, the client side will be exposed to the market makers. In the case where both sides are client orders, the Market Supervisor will expose the cross to the market makers at the cross price; the market makers may intervene on either side of the cross trade up to a total maximum quantity of 50% of the residual quantity:

- Market makers will be permitted to participate up to a total maximum of 50% of the residual quantity of the intended cross[1]

- If total market makers participation is less than the 50% of the residual quantity shown to them, a Request for Quote must be issued and this remaining quantity must be put on the central order book for 15 seconds

- The market participant will be able to cross the remaining quantity (a minimum of 50% of the residual quantity, plus any amount not taken of the 50% shown to the market makers/market).

4.3. Sponsored Options

All sponsored options transactions are executed through the Montreal Automated System (SAM). Crosses are not allowed.

[1] *In the case where the total quantity requested by the market makers is equal to or less than the 50% shown, each will be filled entirely. If the total Market Makers' interest exceeds the amount they are shown, each will receive the lesser of (a) an equal portion or (b) their requested quantity. A market maker cannot increase an allocation quantity by proposing a price better than the cross price. A market maker's allocation will not take into consideration any previous executions made to fill existing orders in the book at prices equal to or better than the cross price.*

Bourse de Montréal Inc.

PROCEDURES FOR THE CANCELLATION OF TRADES

1. APPLICABLE RULES

"6303 Validation, alteration or cancellation of a trade

If certain urgent events require it or if certain extraordinary market conditions exist, and in order to maintain a fair and equitable market for all market participants, a vice-president or senior vice-president of the Bourse can validate, alter or cancelany trade and such trade will be recorded, altered or cancelled.

Furthermore, the vice-president or the senior vice-president of the Bourse may disallow any trade, which he deems unreasonable.

These decisions are final and cannot be appealed.

In the case of a cancellation, the trade will have no standing whatsoever and shall be expunged from the records."

"6381 Cancellation of Erroneous Trades

a) A trade on the electronic trading system resulting from an input error could be cancelled by the parties agreeing to it within 15 minutes following its execution. A standard form must be remitted to a Market Supervisor of the Bourse for approval.

b) The Bourse may at any time cancel a trade if it is judged to be detrimental to the normal operation or quality of the market or in any circumstance judged appropriate by a Market Supervisor.

The decisions are final and cannot be appealed."

"6382 Warning Message

When a Market Supervisor of the Bourse receives a transaction cancellation request to which the parties do not agree, he must send a warning message on the trading screens of both parties involved and to the organizations responsible to distribute quotes.

The message indicates for the concerned product, the price of the trade which is subject to the cancellation request.

Some organizations responsible to distribute quotes can choose not to distribute this message."

"6383 Acceptable Market Price

Before the cancellation of a trade, the Market Supervisor of the Bourse notes the spread between the price execution of the trade in the cancellation request and the acceptable market price. The latter indicates the rough price at which the trade should have been done in normal execution conditions.

The acceptable market price is determined by the Market Supervisor of the Bourse, on the basis of available market information at the time the trade in the cancellation request was executed."

"6384 Decision by the Market Supervisor of the Bourse

A trade is not cancelled:

- if the cancellation request is made outside the delay;
- if the spread is inferior to the spread determined by a Market Supervisor of the Bourse;
- if a Market Supervisor of the Bourse considers that he does not have sufficient information to determine the acceptable market price;
- if the request is irregularly made.

The Market Supervisor's decision is final and cannot be appealed."

"6385 Delays of Decision and Notifications

The Market Supervisor of the Bourse decides to cancel or refuses to cancel a transaction within thirty minutes following the cancellation request and he notifies this decision within the same delay to each party to the trade.

However, a decision is not notified until the Market Supervisor of the Bourse receives the standard form.

In the absence of notification of the decision by the Market Supervisor of the Bourse within the above-mentioned delay, the trade is maintained.

This decision is immediately distributed through a warning message on all trading screens and to organizations responsible to distribute quotes."

2. SUMMARY

Trades may be cancelled by the vice-president or the senior vice-president if they are unreasonable or the Market Supervisor if the transaction is detrimental to the normal operation or quality of the market or in any circumstance judged appropriate considering market circumstances at the time of the trade or if the parties involved in the trade agree to the cancellation.

3. OBJECTIVE

The objective of the procedures described herein is:

- To ensure that all transactions are executed at a price coherent with prevailing market circumstances (integrity) and to ensure that input errors can be corrected.

4. DESCRIPTION

4.1. DETECTION AND DELAYS

Market participants have the responsibility to identify erroneous trades. Once the erroneous transaction is identified, the market participant must advise a Market Supervisor of the Bourse by faxing the standard form at (514) 871-3592, following the occurrence of the error. This will enable Market Supervisors to contact the opposite parties to the trade to reach an agreement within 15 minutes as prescribed by Article 6381 of the Rules. In all cases, if a trade resulting from an entry error is not brought to the attention of the Market Supervisor within 15 minutes of the trade, the trade will be maintained.

4.2. VALIDATION – NO CANCEL RANGE

When any potential erroneous trade is brought to the attention of a Market Supervisor, he will determine whether the trade price is in the No Cancel Range for the particular derivative instrument. The No Cancel Range is defined as the price interval within which a trade cannot be cancelled. To establish the No Cancel Range, Market Supervisors:

- Determine, in accordance with article 6383 of the Rules, what the acceptable market price for that derivative instrument was before the trade occurred. In making that determination, the Market Supervisor will consider all relevant information, including the last trade price, a better bid or offer, a more recent price in a related derivative instrument (for example a different expiry month) and the prices of similar derivatives instruments trading in other markets;

- apply (add and deduct) the increments detailed below to the acceptable market price:

DERIVATIVE INSTRUMENT		INCREMENT
Three-month Canadian Banker's Acceptance Futures - BAX 1st 8 quarterly and serial months		5 basis points
Three-month Canadian Banker's Acceptance Futures - BAX 9th month and on out		10 basis points
Three-month Canadian Banker's Acceptance Futures - BAX SPREADS		3 basis points
Options on Three-month Canadian Banker's Acceptance Futures - OBX		5 basis points
Ten-year Government of Canada Bonds Futures - CGB		20 basis points
Five-year Government of Canada Bonds Futures - CGF		20 basis points
Options on Ten-year Governement of Canada Bonds Futures - OGB		20 basis points
S&P Canada 60* Index Futures - SXF		4 index points
S&P Canada 60* Index Options - SXO 1st 3 serial months		0.5 index point
S&P Canada 60* Index Options - SXO next 2 quaterly months)		1 index point
EQUITY OPTIONS		
PRICE RANGES:	$0.00 to $5.00	$0.10
	$5.01 to $10.00	$0.25
	$10.01 to $20.00	$0.50
	$20.00 up	$0.75
SPONSORED OPTIONS		
PRICE RANGES	$0.001 to $0.99	$0.25
	$1.00 up	$0.50
SINGLE STOCK FUTURES		$2.00
* Products based on the S&P/TSE 60 Index		

4.3. TRADE PRICE INSIDE NO CANCEL RANGE

If the Market Supervisor determines that the price of the reported erroneous trade was inside the No Cancel Range, then the trade will be maintained and no further action will be taken.

4.4. TRADE PRICE OUTSIDE NO CANCEL RANGE

If the Market Supervisor determines that the price of the erroneous trade is outside the No Cancel Range, then:

- a warning indicating that the trade is under investigation will be disseminated (article 6382 of the Rules). A market participant who does not agree with the cancellation of the trade must contact a Market Supervisor at 1-866-576-8836 within 10 minutes after the message was disseminated;

- all parties involved in the transaction will be contacted.

The transaction will be cancelled if:

- all parties agree to cancel the trade.

The trade will not be cancelled if:

- one of the parties involved in the trade does not agree to cancel the trade.

4.5. OTHER SITUATIONS JUSTIFYING THE CANCELLATION OF TRANSACTIONS

The Market Supervisor will review all circumstances surrounding the transaction to determine whether the trade occurred in accordance with the rules of the Bourse. The factors that will be considered include: the market conditions immediately before and after the trade was executed; the volatility of the market; the prices of related instruments in other markets.

In the case of a system failure, it is possible that the Montreal Automated System (SAM) will freeze with orders queued and waiting to be processed. Once the problem is resolved, the market must be put into a pre-opening phase by halting each derivative instrument in order to modify the opening time parameter. This will allow market participants to modify orders and will ensure that the failure does not impact the integrity of the market. Market Supervisors must halt each instrument in order to modify the opening time parameter. Nevertheless, when the system is unfrozen, the pending orders could be unreasonably executed before the Bourse can halt the instruments. Accordingly, Market Supervisors will cancel trades resulting from executions in these circumstances.

4.6. MULTIPLE MARKET MAKER TRANSACTIONS ON EQUITY, INDEX AND BOND OPTIONS

A Market Supervisor may also cancel transactions under the following conditions:

1. Multiple consecutive transactions can be cancelled if they consist of four (4) or more transactions against one market maker provided:

    - all transactions were executed within a one (1) second interval;

    - the opposite side of the transactions consists of one or several market makers.

2. The market maker involved in the four (or more) transactions contacted a Market Supervisor at 1-866-576-8836 within one (1) minute of the execution time of the multiple consecutive transactions, to request the cancellation.

4.7. DECISION

A decision to cancel or to refuse to cancel will be rendered by a Market Supervisor within 30 minutes following the cancellation request.

If the decision is to cancel the trade, the Market Supervisor will remove the trade from the records. Furthermore, if stop orders were triggered and therefore executed as a result of the cancelled trades, then these “stop” trades will also be cancelled and the orders re-instated. Trade cancellation messages will be disseminated.

If the decision is to not cancel the trade, the parties to the transaction may not reverse themselves the transaction by using a position transfer through the Canadian Derivatives Clearing Corporation (CDCC).

Bourse de Montréal Inc.

PROCEDURES APPLICABLE TO THE EXECUTION OF STRATEGIES INVOLVING OPTIONS

1. INTRODUCTION

Bourse de Montréal Inc. is planning to implement a strategy function geared to support user-defined strategies (UDS) in SAM in early 2002. Until this function is available, a Market Supervisor of the Bourse will assist in the execution of options strategies and simultaneous combinations.

2. OBJECTIVE

The objective of these procedures is:

- To provide market participants the opportunity to trade options strategies and option/ equity with the assistance of a Market Supervisor, until the user-defined strategy function becomes available on SAM in early 2002.

3. DESCRIPTION

Please note that for the purposes of these procedures, strategies are defined as simultaneous executions of two or more options series and combinations are defined as simultaneous execution of one or more options series combined with the underlying equity (or S&P Canada 60 Index Futures (SXF) in the case of S&P Canada 60 Index Options (SXO)). The procedure is the following:

1) Market participants must contact a Market Supervisor at 1-866-576-8836, and indicate the option strategy: this should include the option series, quantity ratio and price[1], as well as the total quantity of the order. The market participant must have already received and time-stamped his order prior to contacting a Market Supervisor.

    - If there is more than one option series in the strategy, the price must be quoted as a net price[1].
    - If the transaction includes an equity leg, the market participant must also indicate the referential price of the underlying equity (a price which was on or within the best bid and offer on The Toronto Stock Exchange Inc. at the time the order was time-stamped), and the number of shares to be executed per strategy.

[1] The net price of the strategy must be such that the derived prices of the legs are valid price ticks.

2) The Market Supervisor will use the conference call feature to contact the market makers assigned to the class of options in accordance with the following rotation basis:

   - For strategies of a quantity of less than 50 contracts – each market maker will be contacted when it is his turn which, will be determined based on a rotation;

   - For strategies of a quantity of more than 50 contracts but less than 100 contracts - market makers will be contacted in groups of two;

   - For strategies of a quantity of more than 100 contracts - all market makers will be contacted.

- The market participant will remain on the call during the pricing stage. If the market participant accepts the price provided by the market maker(s), the trade will be recorded by the Market Supervisor. The Market Supervisor will establish the sequence in which the rotation will operate and will ensure that the process is fair and equitable.

- In the case of strategies involving only options series, the Market Supervisor references the bid, offer, or trading price of the underlying stock and the first market maker's delta when he contacts subsequent market makers. This ensures that prices provided by the market makers are all based on the same information. In the case of combinations with the underlying equity, the referential price provided by the market participant will be communicated to the market makers.

- If during the process, the Market Supervisor observes that the price of the strategy or spread moves into line with the market and it is executable on the market then he will advise the market participant and let him enter it into the SAM.

3) The market makers will provide responding bids, offers and quantities.

- If the market makers choose to provide a market for the strategy, they must be willing to trade all corresponding legs. Note that the market maker is under no obligation to provide a two-sided market and may provide only or a bid or an offer for a quantity less than the total order quantity.

- If a particular market maker is not available within fifteen (15) seconds of the Market Supervisor initiating the telephone call, no additional attempts to contact him will be made. The market maker should provide an answer to the Market Supervisor within approximately thirty (30) seconds of the strategy description. Allowance will be made for a longer response time in the case of a particularly complex strategy.

- If the market maker expresses interest in the strategy, he should maintain his quote long enough for the Market Supervisor to complete the pricing process and communicate to the originating market participant the results. His strategy quotes should stand for as long as the underlying remains stable, up to a maximum of five (5) minutes.

The Market Supervisor will inform the market participant of the best responding bid and offer during the conference call. Once the details of the trade have been settled, the market participant can request that the Market Supervisor assist in the execution of the strategy.

If the combination includes an equity leg, and the options leg has been executed, the Market Supervisor will complete and fax a form to The Toronto Stock Exchange Inc. (see the attached form).

If a market participant would like to cross a combined order or strategy, then the procedures for crossing must be followed, with the exception of the RFQ requirement. (Refer to the procedures applicable to crosses)

BOURSE DE MONTREAL INC.
CONTINGENT TRADES

Market Supervisor's Initials	Stock	Price of Trade	Time of Trade

Buyer			**Seller**		
Firm ID & Designation	ID	# of Shares	Firm ID & Designation	ID	# of Shares

Source: Market Monitoring (514) 871-7877 or 1-866-576-8836
Toronto fax: 1-416-947-4280

Contact:____________________________________

BOURSE DE MONTREAL INC.
TRANSACTIONS CONTINGENTES

Superviseur de marché	Action	Prix	Heure de la transaction

Acheteur			Vendeur		
Firme & Designation	ID	# d'actions	Firme & Designation	ID	# d'actions

Source: Pilotage du marché (514) 871-7877 ou 1-866-576-8836
Télécopieur pour Toronto: 1-416-947-4280

Contact:___________________________________

Bourse de Montréal Inc.

PROCEDURES APPLICABLE TO THE CLOSING OF EQUITY OPTIONS, INDEX OPTIONS, BOND OPTIONS AND SPONSORED OPTIONS

1. APPLICABLE RULES

“6368 Trading Stages

The following is a list of trading stages:

- Pre-Opening/ Pre-Closing
- No-cancel stage – In the last 2 minutes of the Pre-opening/ Pre-closing, orders cannot be cancelled or CFO’ed (Modification of an order). Orders can only be entered.
- Opening/ Closing
- Market Session (Continuous Trading)

Depending on the product, trading stages may vary, as determined by the products specifications.”

“6390 Daily Settlement Price or Closing quotation

The daily settlement price or the closing quotation are determined according to the procedures established by the Bourse for each derivative instrument.”

2. SUMMARY

Equity options, index options, bond options and sponsored options markets close at a pre-established time, depending on the options class as per the product’s specifications. The no-cancel stage does not apply to equity options, index options, bond options and sponsored options.

3. OBJECTIVES

The objectives of the closing procedures are:

- To ensure a fair, equitable and transparent end of trading session by establishing a time where no new orders or trading are permitted;
- To ensure that the closing quotations are available to market participants and quote vendors for evaluation of portfolios.

4. DESCRIPTION

The market maker is responsible to ensure that bids and offers in compliance with the pre-defined spread commitments are posted at all times for all series for his assignments. The exception to this obligation is during the last 30 seconds (3:59:30 p.m.) of the market session in which market maker obligations will be suspended. This time period will not be taken into consideration for the purposes of performance evaluation. However, it is the marker maker’s obligation to post bids and offers at the close in order to ensure the good order of all end of day activities. If due to exceptional circumstances the market maker was not able to post bids and offers at the close of the market, he must contact a Market Supervisor of the Bourse at 1-866-576-8836. The Market Supervisor of the Bourse will intervene to ensure bids and offers are posted.

Bourse de Montréal Inc.

PROCEDURES APPLICABLE TO THE INTRODUCTION AND DELETION OF CLASSES AND SERIES OF OPTIONS

1. RULE

“6394 Introduction and Deletion of Classes and Series of Options

INTRODUCTION

a) Before submitting a formal application to the Clearing Corporation for the introduction of a new class of options, the Bourse shall be satisfied that the liquidity of the options market on the Bourse is not unduly reduced by reason of such addition.

b) When introducing a new class of options, the Bourse shall determine:

   i) the symbol;

   ii) the date that trading shall begin.

DELETION

a) Whenever the Bourse determines that an underlying interest previously approved for options transactions on the Bourse does not meet the requirements for continued approval or for any other reason should no longer be approved, it may decide not to open for trading any additional series of the class covering the underlying interest and to prohibit any opening purchase transactions in already existing series of that class.

b) The Bourse can delete an equity option if the issuer has failed to make timely reports as required by the regulation where the underlying interest is traded.

c) Such action shall not be taken without regard to the necessity of maintaining a fair and orderly market and to the protection of purchasers and writers of option contracts.

d) The Bourse may delete specific series of any class of options when the series have no open interest.”

2. SUMMARY

When listing either a new options class or series, Bourse de Montréal Inc. must be satisfied that all the options listing criteria of the Bourse are complied with. If there is no longer market participant interest based on the listing data and activity, then an instrument may be delisted. The Bourse may also delist an instrument based on the absence of open interest.

3. OBJECTIVES FOR THE INTRODUCTION OF CLASSES AND SERIES OF OPTIONS

- To review the monthly list generated by the Investment Dealers Association (IDA), verifying which stocks are eligible for option listing;
- To ensure that all options comply with the selection criteria of the Bourse before listing any new classes or series;
- To add additional series to an existing options class when the price of the underlying interest has significantly moved.

4. OBJECTIVES FOR THE DELETION OF CLASSES AND SERIES OF OPTIONS

- To reduce operating costs with the reduction of order traffic, thereby increasing the availability of the system capacity required for market makers using automated quotation software;
- To reduce the number of simultaneous updates of a variety of instruments, to minimize any slowdown in response times between the trading system and the users.

5. DESCRIPTION

A) CLASSES OF OPTIONS

LISTING

Bourse de Montréal Inc. refers to a monthly list generated by the Investment Dealers Association to study the trading volume and capital float of all equities. Once this monthly list has been verified, the Bourse may decide to list a new class (es). Once the Bourse has selected a class (es) for listing, a Market Supervisor of the Bourse will complete and circulate a list of the proposed class (es) to the market participants for comments. Market makers for the new class (es) are later determined in accordance with the Bourse's market maker selection process.

DELISTING

Whenever the Bourse determines an options class no longer complies with the listing requirements, it may decide not to list additional series and to prohibit any opening transactions in existing series. A monthly review is conducted approximately one week prior to options expiry to establish if any class is eligible for deletion. If the Bourse decides to delete a class, a Market Supervisor will notify assigned market makers and all market participants. This will be a gradual process, where in no case, will a class be deleted if there is open interest.

B) SERIES OF OPTIONS

LISTING

The Bourse will use the following guidelines:

Out of the money (X – 5 increments)	Put
Out of the money (X – 1,2,3 and 4 increments)	Call / Put
At the money (X)	Call / Put
In the money (X + 1, 2, 3 and 4 increments)	Call / Put
In the money (X + 5 increments)	Call

A market participant may request a new series by contacting a Market Supervisor of the Bourse at 1-866-576-8836. If Bourse de Montréal Inc. decides to list this new instrument, it will become available for trading the next business day following the listing request.

Generally, if during the last 6 months the closing price of the underlying is lower than $5.00 on the majority of trading days, no new series will be listed. Accordingly, at the expiry of that series, no new expiry will be listed. Bourse de Montréal Inc. reserves the right to make exceptions in particular circumstances.

DELISTING

The Bourse may delete specific series of any class of options provided the series have no open interest and:

- The series are deep-in/out-the-money; or
- The average daily trading volume of the class is less than fifty (50) contracts; or
- The average monthly value of the underlying equity is less than $5.00.

These guidelines apply to all classes of options, except for newly listed (6 months or less) classes of options. The Bourse can give to give special consideration to these newly listed classes.

CATEGORIES OF CLASSES

Category A will be composed of the most active classes in terms of traded volume (50 contracts daily or more), generally those that are inter-listed on US options exchanges (regardless of volume) as well as S&P Canada 60 Index Options (SXO).

Category A classes will have a minimum of two quarterly expiries plus the near two calendar month cycles and/or long-term options (example: June, July, September, December). There will be a minimum of two competing market makers for these classes who will be obliged to provide continuous bid and offer prices on all instruments.

New options classes will commence in Category A. A decision to list a new options class is entirely up to the Bourse (following interest demonstrated by market participants), which will issue a request for market maker candidates prior to listing. A minimum of two market makers is required for the listing of a new class.

Category B will include the remaining least active classes in terms of trading volume (less than 50 contracts per day). This category will also include classes in the process of deletion. Classes in this category will most likely have three (3) expiries.

To determine whether a class is subject to a change of category, an analysis of the last 3, 6 and 12 months of trading activity will be conducted. The decision regarding the change of category of an options class should be made at least one week prior to the next expiry and the change should be made at expiry.

TRANSFERRING FROM CATEGORY B TO A

- The change requires the listing of a new expiry;
- The number of market makers may be eventually increased if the Bourse deems it necessary.

TRANSFERRING FROM CATEGORY A TO B

- The change implies no listing of new expiries.

Bourse de Montréal Inc.

PROCEDURES APPLICABLE TO HALTS IN TRADING OF DERIVATIVES INSTRUMENTS

1. RULES AND POLICIES

“6007 Trading Delays and Halts

a) An official of the Exchange has the authority to take such decisions as may be required to delay the opening in any listed security or to interrupt trading in any such security for any period of less than two hours, to assist in the orderly opening or re-opening of such security.”

“6203 Suspension of Trading Sessions

a) When urgent circumstances warrant it, the Chairman, or the Vice-Chairman, or the President, or in the absence of all of them, the acting President, may suspend trading for one trading session or any part of a trading session and shall, if so directed by a resolution of the Governing Committee close the Exchange for such number of consecutive trading sessions not exceeding twenty-one (21) as may be specified in such resolutions.

b) For the purpose of the application of Policy T-3 on "circuit breakers", the Director of Market Surveillance or the Vice-President, Floor Operations, may suspend trading, in conformity with the provisions of Policy T-3.”

“6204 Delayed, Halted and Suspended Trading

a) When, in the opinion of the Exchange, important information concerning a listed security has not been made public, an important announcement is pending or in any situation which would render the market unfair to shareholders and investors, the Exchange may delay, halt or suspend trading in any Exchange listed security.”

“6387 Malfunction of the Trading System

Should the electronic system malfunction; a Market Supervisor of the Bourse can interrupt access to the system.

The orders recorded before the malfunction can be withdrawn from the system by the approved participant or the restricted permit holder by preparing cancellation instructions for the orders. Upon the system functioning again, there will be a pre-opening session where the cancellation instructions for the orders will be executed.”

“POLICY T-3 CIRCUIT BREAKER

In conjunction with The Toronto Stock Exchange, which will act in coordination with the New York Stock Exchange ("NYSE") and following a significant decline in the Dow Jones Industrials Average («DJIA»), the Montreal Exchange will halt trading in all securities in the following circumstances:

a) 10% decline in the DJIA
- Before 2:00 p.m., will result in an hour long halt;
- Between 2:00 p.m. and 2:30 p.m., will result in a 30 minute halt;
- After 2:30 p.m., will not result in a halt. The market will remain open.

b) 20% decline in the DJIA
- Before 1:00 p.m., will result in a two hour long halt;
- Between 1:00 p.m. and 2:00 p.m., will result in an hour long halt;
- After 2:00 p.m., will result in a halt for the balance of the day.

c) 30% decline in the DJIA
- The halt will be maintained for the balance of the day.

d) When required the reinstatement of trading shall be coordinated with The Toronto Stock Exchange, which will itself act in coordination with the NYSE.

e) The thresholds applied for the trading halts are to be adjusted on a quarterly basis according to an average daily closing calculation of the DJIA for the previous month. This information will be communicated to the Exchange members by circular on a quarterly basis.

f) Derivative Products

This Policy will not apply to listed derivative products with the exception of equity options, index futures, Canadian and U.S. based share futures contracts, index options and options on index participation units.”

2. SUMMARY

The opening of trading can be delayed or the trading can be halted when prevailing market conditions so require or when a technical problem arises in accordance with the provisions mentioned in the above Section 1.

3. OBJECTIVES

The objectives of the halting procedures are described herein:

To ensure market integrity in the following cases:

- When there is a technical problem on the Bourse;
- When the underlying is suspended at the host exchange(s);
- When there is a significant decline in the Dow Jones Industrial Average;

- Important information concerning a listed security has not been made public, an important announcement is pending or in any situation which would render the market unfair to market participants;
- When urgent circumstances occur.

4. DESCRIPTION

A) ACTIONS DUE TO MARKET CONDITIONS

I. If the trading on the underlying is suspended due to a trading halt issued by the host exchange(s):
   - A Market Supervisor will halt the series, class, and related strategies in question. The impact of halting a derivative instrument is identical to that of the derivative instrument resuming the pre-opening phase of the trading session (article 6375). All valid option order types may be entered, modified or cancelled, but trading is not allowed;
   - The Bourse will advise market participants when the markets will re-open.

II. If the options markets are halted due to a severe decline in the Dow Jones Industrial Average:
   - The Circuit Breaker Policy T-3 will be applied.

B) ACTIONS DUE TO TECHNICAL PROBLEMS

I. If there is no market on an **interlisted** equity underlying due to technical reasons at one exchange:
   - Bourse de Montréal Inc. will not delay or halt trading on the options class, and all related strategies, but will suspend market maker obligations for as long as the problem persists.

II. If there is no market on an underlying due to technical reasons at its **only** host exchange:
   - Bourse de Montréal Inc. will delay or halt trading on that class, and all related strategies.

III. If there is a technical problem where Bourse de Montréal Inc. cannot ensure market integrity:
   - Without delay, the Bourse will notify market participants;
   - The derivatives instruments will be in a trading state whereby order entry, cancellations and modifications will be permitted;
   - Following the resolution of the problem, a time will be set for pre-opening and continuous trading.

Bourse de Montréal Inc. will only halt trading if market integrity is jeopardized. The market will not be halted if the technical problem is an isolated case, for example, if one of the participants has lost connection to the Bourse or their trading stations are not functioning. Participants should ensure to have the necessary back-up solutions in place.

Bourse de Montréal Inc.

PROCEDURES APPLICABLE TO THE OPENING OF THE EQUITY OPTIONS, INDEX OPTIONS, BOND OPTIONS AND SPONSORED OPTIONS MARKETS

1. APPLICABLE RULES

"6368 Trading Stages

The following is a list of trading stages:

- Pre-Opening/ Pre-Closing
- No-cancel stage – In the last 2 minutes of the Pre-opening/ Pre-closing, orders cannot be cancelled or CFO'ed (Modification of an order). Orders can only be entered.
- Opening/ Closing
- Market Session (Continuous Trading)

Depending on the product, trading stages may vary, as determined by the products specifications."

"6375 Allocation of tradable orders

a) Pre-opening/ Pre-closing

During the pre-opening and pre-closing stages of the trading day, orders are entered but no trades are generated until the end of the stage. The electronic trading system will calculate the opening/closing price.

The Calculated Theoretical Opening price (CTO) represents the overlapping bid/ask price range that results in the maximum possible trade volume.

When there is more than one possible CTO at which the maximum volume is reached, the price with the lowest residual is used. Furthermore, under the following conditions:

- If there is an imbalance on the buy side, the highest price is taken;
- If there is an imbalance on the sell side, the lowest price is taken;
- Where the residuals are the same, the price, which is closest to the previous settlement, is taken.

Stop orders during Pre-opening/ Pre-closing stages are treated as follows:

Stop limits can only participate in the CTO calculation once their trigger price has been reached. Each time a new CTO is determined, a stop order could get triggered and untriggered.

b) Market Session (Continuous Trading)

The electronic trading system allocates the tradable orders on a first in, first out basis (FIFO) except when part of the allocation is subject to an execution guarantee as defined by the Bourse."

« 6375 Opening

a) In the case where the underlying interest has not opened in a reasonable time, a Market Supervisor may postpone the opening of a derivative instrument.

b) Opening time for a spread, or strip should not be earlier than the underlying product."

2. SUMMARY

The Montreal Automated System (SAM) provides a pre-opening session where order entry is possible without execution.

The no-cancel stage does not apply to equity options, index options, bond options and sponsored options. Equity options, index options and bond options classes commence opening at 9:35 a.m. and sponsored options classes commence opening at 9:30 a.m.

The opening process for each options class is independent and will therefore be completed at different times.

3. OBJECTIVES

The objectives of the pre-opening and opening procedures are:

- To allow market participants to enter orders prior to the market opening while ensuring that limit orders will be executed at appropriate prices;
- To ensure that good until cancelled (GTD) orders from previous trading sessions are executed at prices coherent with current market conditions;
- To provide the opportunity for all participants to enter, modify and cancel orders after taking into account any changes to market conditions;
- To provide a pre-opening stage in order to maximize the number of options contracts that can be matched at a Calculated Theoretical Opening price (CTO).

4. DESCRIPTION

- The Bourse intends to initiate the opening process at 9:35 a.m. for equity options, index options and bond options classes and at 9:30 a.m. for sponsored options classes. Each individual class is available for regular trading once opened, regardless of the state of the other classes;

- Market makers are obliged to provide continuous two-way prices for all the options instruments within their class, commencing at 9:30 a.m. (or five minutes prior to the established opening time, whichever is earlier);
- Market makers are expected to furnish additional liquidity, beyond their basic obligations, when an opening could occur at an unreasonable price;
- For equity options, index options and bond options classes, a Market Supervisor of the Bourse will delay the opening of a class if the market of the underlying share on The Toronto Stock Exchange Inc. or on the underlying's primary market in the case of sponsored options has not opened two (2) minutes prior to the scheduled options market opening on the Bourse;
- Trades on the opening which are considered to have occurred at unreasonable prices may be cancelled (article 6303 of the Rules).

Bourse de Montréal Inc.

DAILY SETTLEMENT PRICES PROCEDURES

1 RULE

Article 6390 of the Rules of Bourse de Montréal Inc. (the Bourse) stipulates that:

"The daily settlement price or the closing quotation are determined according to the procedures established by the Bourse for each derivative instrument."

2 SUMMARY

2.1 Futures and Options on Futures settlement prices

These markets use an average price during the last minutes of trading to establish a single settlement price. These calculations are executed manually by Market Supervisors using pre-established guidelines for each product.

2.2 Equity Options and Index Options closing quotations

These procedures were forwarded to approved participants in the circular no. 007-2002 dated January 17, 2002.

3 OBJECTIVES

The objectives of establishing daily settlement prices are:

- Ensure a fair and orderly market close and pricing for approved participants so that they can properly mark-to-market their positions for margin calculations and back office processing;

- Ensure that the Canadian Derivatives Clearing Corporation (CDCC) and all market participants are informed of the settlement prices.

4 DESCRIPTION

4.1 THREE-MONTH CANADIAN BANKERS' ACCEPTANCE FUTURES (BAX)

4.1.1 Main Procedure

The settlement price shall be the weighted average of all trades during the closing range. The closing range is defined as the last three (3) minutes of the trading session for all contract months.

4.1.1.1 Weighted Average of closing range trades

The weighted average will be derived from trades that occurred in the outright months in the closing range. The total volume traded in each outright month must be for 50 or more contracts in each of the front two (2) standardized months and 25 or more contracts in all other expiry months.

4.1.1.2 Booked Orders

If there is an unfilled order with a higher bid or lower offer in an outright month, this bid or offer will override the settlement price obtained from the weighted average. It has to have been posted for 15 seconds for the front two (2) standardized months and 30 seconds or longer for all other expiry months prior to the close. The size must be a total of 50 or more contracts in the front two (2) standardized months and a total of 25 or more in all other expiry months.

4.1.1.3 Remaining Balances of Booked Orders

In the case of a booked order as stipulated in paragraph 4.1.1.2 above which would only be partially executed during the closing period and if no other trade has occurred during the closing period, the remaining balance will be considered to establish the closing price.

For example, if there is a booked order of 50 BAX contracts at 97.92 and in those 35 contracts are executed during the closing period, the 15 remaining contracts, if they are still present on the market at the same price, will be considered to establish the required minimum of 50 contracts.

4.1.1.4 Strips and Spreads

All trades and unfilled booked orders for strips and spreads related to the four closest expiry months will be ignored.

4.1.2 FIRST ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.1.1, the ancillary procedure in 4.1.2 will apply.

4.1.2.1 Weighted Average of trades on strategies

The settlement price shall be the weighted average of the trades on the strategies traded during the last five (5) minutes provided the volume for the strategy taken into account was of 25 or more contracts. The following priority is given to each strategy:

i) 2 month calendar spreads
ii) 1, 2 and 3 year strips
iii) red and green strips
iv) 3 month calendar spreads

4.1.2.2 Booked Orders

If there is an unfilled order with a higher bid or lower offer, this bid or offer will override the settlement obtained from the weighted average described in 4.1.2.1. It has to have been posted for three (3) minutes or longer prior to the close and the size must be for a total of 25 or more contracts.

4.1.3 SECOND ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.1.1 and the ancillary procedure in 4.1.2, the ancillary procedure in 4.1.3 will apply.

4.1.3.1 Differential with the previous contract month's settlement price

The settlement price will be defined by a price that reflects an appropriate differential with the settlement price of the previous contract month always starting with the contract month closest to expiry. In determining the appropriate differential, Market Supervisors shall take into account prices of booked orders with the following priority given to each:

(i) red and green strips

(ii) individual contracts

(iii) 2 month calendar spreads

(iv) 1, 2 and 3 year strips

(v) spreads for each calendar month

4.1.3.2 Conflicts between spreads

If two spreads are in conflict, the calendar spread closest to expiry will have priority.

4.1.4 THIRD ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.1.1, the ancillary procedure in 4.1.2 and the ancillary procedure in 4.1.3, the following ancillary procedure in 4.1.4 will apply.

In this situation Market Supervisors establish the settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.

Market Supervisors will register in the "daily settlement price record" the criteria considered for determining the settlement price.

4.2 S&P CANADA 60 INDEX FUTURES (SXF)

The settlement price shall be the weighted average of all trades during the closing range. The closing range is defined as the last one (1) minute of the trading session for all contract months.

4.2.1 MAIN PROCEDURE

- **Booked Orders**

  If there is an unfilled order with a higher bid or lower offer in an outright month, this bid or offer will override the settlement price obtained from the weighted average. It has to have been posted for 20 seconds or longer prior to the close. The size must be a total of 10 contracts or more.

- **Last Trade**

  If there are no trades in the last one (1) minute of trading, then the last trade will be taken into account while still respecting posted bids and offers in the market.

4.2.2 FIRST ANCILLARY PROCEDURE

When two contract months and the spread are trading (quarterly calendar roll), the ancillary procedure in 4.2.2 will apply.

- The front month must be settled first (the establishment of the front month is based on the month with the greatest open interest).
- The spread between the two contract months must be settled next by reviewing the last one (1) minute average, and by referring to the trades in the previous ten (10) minutes.
- The settlement for the back month or far month is obtained by the difference between the front month and the value of the spread.

4.2.3 SECOND ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.2.1 and the ancillary procedure in 4.2.2 , the ancillary procedure in 4.2.3 will apply.

Market Supervisors will post a settlement price that will respect the same differential that was applied on the previous business day. The settlement price will be adjusted accordingly to respect that contract's previous settlement price.

Market supervisors will register in the “daily settlement price record” the criteria considered for determining the settlement price.

4.2.4 THIRD ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.2.1, the ancillary procedure in 4.2.2 and the ancillary procedure in 4.2.3, the following ancillary procedure in 4.2.4 will apply.

In this situation Market supervisors establish the settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.

Market Supervisors will register in the “daily settlement price record” the criteria considered for determining the settlement price.

4.3 TEN – YEAR GOVERNMENT OF CANADA BONDS FUTURES (CGB)

4.3.1 MAIN PROCEDURE

The settlement price shall be the weighted average of all trades during the closing range. The closing range is defined as the last one (1) minute of the trading session for all contract months.

- **Booked Orders**

  If there is an unfilled order with a higher bid or lower offer in an outright month, this bid or offer will override the settlement price obtained from the weighted average. It has to have been posted for 20 seconds or longer prior to the close. The size must be a total of 10 contracts or more.

- **Last Trade**

  If there are no trades in the last one (1) minute of trading, then the last trade will be taken into account while still respecting posted bids and offers in the market.

4.3.2 FIRST ANCILLARY PROCEDURE

When two contracts months and the spread are trading (quarterly calendar roll), the ancillary procedure in 4.3.2 will apply.

- The front month must be settled first (the establishment of the front month is based on the month with the greatest open interest).
- The spread between the two contract months must be settled next by reviewing the last one (1) minute average and by referring to the trades in the previous ten minutes.
- The settlement for the back month or far month is obtained by the difference between the front month and the value of the spread.

4.3.3 SECOND ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.3.1 and the ancillary procedure in 4.3.2, the ancillary procedure in 4.3.3 will apply.

Market Supervisors will post a settlement price that will respect the same differential that was applied on the previous business day. The settlement price will be adjusted accordingly to respect that contract's previous settlement price.

4.3.4 THIRD ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.3.1, the ancillary procedure in 4.3.2 and the ancillary procedure in 4.3.3, the following ancillary procedure in 4.3.4 will apply.

In this situation Market Supervisors establish the settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.

Market supervisors will register in the “daily settlement price record” the criteria considered for determining the settlement price.

4.4 OPTIONS ON TEN-YEAR GOVERNMENT OF CANADA BONDS FUTURES (OGB)

4.4.1 MAIN PROCEDURE

4.4.1.1 Weighted Average

The closing price shall be the weighted average of the prices traded in the closing range (last minute of trading). If there is at the close, a higher bid or lower offer than the closing price so obtained, that bid or offer shall be the closing price.

4.4.1.2 Last Trades

If no trades occur during the closing range, Market Supervisors consider transactions executed during the last 30 minutes of trading. Also, the bids and offers should be for a minimum of 25 contracts and should be posted at least one (1) minute before the close, to be considered.

If no trades occur in the closing range (or in the last 30 minutes of trading), the closing price shall be the theoretical price generated by the Bourse (as described in section 4.2.2)). If there is at the close a higher bid or lower offer than the closing price so obtained, that bid or offer shall be the closing price.

4.4.2 ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.4.1, the ancillary procedure in 4.4.2 will apply.

The closing price shall be determined by inserting the following parameters into a standard option pricing model (Black & Scholes):

Price of the underlying:

- The Bourse will capture the settlement price of the underlying CGB futures contract. This will be the price of the underlying.

Interest rate:

- The interest rate used will be the rate implied by the settlement price of the CGB futures contract nearest to expiration.

Volatility:

- The Bourse will use the implied volatility (per contract month, put and call) obtained from the acting Market Ma ker. The same volatility is applied for the calls and the puts.

The strike price of the options' series and the time to expiration are the other parameters that will be inserted into the model.

4.5 OPTIONS ON THREE – MONTH CANADIAN BANKERS' ACCEPTANCE FUTURES (OBX)

4.5.1 MAIN PROCEDURE

4.5.1.1 Weighted Average

The closing price shall be the weighted average of the prices traded in the closing range (last minute of trading). If there is at the close, a higher bid or lower offer than the closing price so obtained, that bid or offer shall be the closing price.

4.5.1.2 Last Trades

If no trade occurs during the closing range, the Market Supervisors will consider transactions executed during the last 30 minutes of trading. Also, the bids and offers should be for a minimum of 25 contracts and should be posted at least one (1) minute before the close to be considered.

If no trade occurs in the closing range (or in the last 30 minutes of trading), the closing price shall be the theoretical price generated by the Bourse (as described in section 4.5.2). If there is at the close a higher bid or lower offer than the closing price so obtained, that bid or offer shall be the closing price.

4.5.2 ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.5.1, the following ancillary procedure in 4.5.2 will apply.

The closing price shall be determined by inserting the following parameters into a standard option pricing model (Black & Scholes):

Price of the underlying:

- o The Bourse will capture the settlement price of the underlying BAX futures contract. This will be the price of the underlying.

Interest rate:

- o The interest rate used will be the rate implied by the settlement price of the BAX futures contract nearest to expiration.

Volatility:

- o The Bourse will use the implied volatility (per contract month, put and call) obtained from the acting Market Maker. The same volatility is applied for the calls and for the puts.

The strike price of the options' series and the time to expiration are the other parameters that will be inserted into the model.

In determining the closing price, Bourse de Montréal Inc. shall take into account the information provided by the spread market, for example; if the SEP 9200 straddle is 98 bid, the total of the closing prices of these two series should not be inferior to 98.