



**TO: Approved Participants  
Registered Options Principals  
Options Traders  
Futures Contracts Principals  
Futures Traders  
Restricted Trading Permit Holders  
Holders of the Rules and Policies Manual**

**January 17, 2002**

**LAUNCH OF A NEW DERIVATIVE INSTRUMENT  
SPONSORED OPTIONS**

Bourse de Montréal Inc. («the Bourse») plans to launch sponsored options, a new derivative instrument, on Monday, **January 28, 2002**.

Sponsored options are a derivative instrument proposed for trading to approved participants and clients and for which an approved participant of the Bourse acts as the sole market maker either on its own initiative or by carrying out the instructions given out by the sponsor or a subsidiary of the sponsor. The approved participant – market maker is a subsidiary of the sponsor and is a member of the Canadian Derivatives Clearing Corporation (CDCC).

The sponsor is an approved institution as defined in Policy C-3 of the Bourse and is a client of the approved participant mentioned above. Currently, the sponsors approved by the Bourse are Citibank Aktiengesellschaft and Société Générale.

Overall, sponsored options will trade the same way as traditional options. The position limits and the margin and capital requirements applicable to each underlying will also be the same. We remind approved participants that they must give to their clients the «Risk Disclosure Statement for Options» as provided by the securities legislation of each province.

Nevertheless, in order to take into account specific particularities of sponsored options, Rules Six and Eleven of the Bourse have been amended. The new provisions, which become effective **January 28, 2002**, have for effect :

1. To define the eligibility criteria for products to qualify as underlying interests for sponsored options ;

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2. To define the characteristics of a sponsored option ;
3. To allow the Bourse, after consultation with the sponsor, to define the flexible characteristic of the option ;
4. To define sponsored options marketing guidelines ;
5. To adapt, given the conversion ratio, existing margin and capital requirements to make them applicable to sponsored options.

With the exception of the sponsor, note that contrary to traditional options, clients are prohibited to hold a short position in sponsored options.

You will find attached the operational procedures which have been amended in order to take into account the trading of sponsored options. You will also find enclosed the general characteristics of sponsored options. The instruments which will be available for trading on January 28, 2002 as well as their specific characteristics will be communicated to you a few days prior to the launch. Finally, the applicable trading fees for sponsored options will be the following:

clients and firms – value (premium amount)	0.20%
sponsors – value (premium amount)	0.03%

Finally, please find enclosed the new Policy T-3 entitled «Circuit Breaker» which has been modified to apply to all Canadian and American equity based derivatives instruments.

For more information, please contact Johanne Dupont, Legal Counsel, at (514) 871-3515 or Léon Bitton, Vice-President, Research and Development, at (514) 871-3583.

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