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

CIRCULAR
January 23, 2006

ADDITION OF GENERAL PROVISIONS TO MARGIN AND CAPITAL REQUIREMENTS FOR FUTURES CONTRACTS AND ADDITION OF NEW POSITION OFFSETS – RULE NINE OF BOURSE DE MONTRÉAL INC.

AMENDMENTS TO ARTICLES 9121, 9221, 9321 AND 9421 AND ADDITION OF ARTICLES 9326 AND 9426

The Rules and Policies Committee of Bourse de Montréal Inc. (the Bourse) has approved amendments to articles 9121, 9221, 9321 and 9421 as well as the addition of articles 9326 and 9426 to Rule Nine of the Bourse, which deal with margin and capital requirements applicable to options, futures contracts and other derivative instruments. These amendments are effective immediately.

The purpose of the amendments is to harmonize the text of some provisions of Rule Nine of the Bourse relating to margin and capital requirements applicable to futures contracts with the text of Regulation 100.8 of the Investment Dealers Association of Canada. This harmonization allows the elimination of difficulties in regards to interpretation and application that can result from regulatory texts which, although having the same meaning and scope, are worded differently. Furthermore, the addition of articles 9326 and 9426 expands the number of pairings possible for margin and capital purposes by allowing the pairing of positions in futures contracts on Government of Canada Bonds with positions in futures contracts on U.S. Treasury Bonds.

For further information, please contact Mr. Vito Racanelli, Financial Analyst, Regulatory Division at (514) 871-4949, extension 339 or by e-mail at vracanelli@m-x.ca.

Joëlle Saint-Arnault
Vice-President, Legal Affairs and Secretary

Circular no.: 014-2006
Amendment no.: 001-2006

9121 Exchange Traded Futures Contracts – General
(01.01.05, 23.01.06)

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, 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 a 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.

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.

9321 Exchange Traded Futures Contracts – General
(01.01.05, 23.01.06)

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 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 a 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.

9421 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 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.

9326 Pairing of Government of Canada Bond Futures Contracts with U. S. Treasury Bond Futures Contracts
(23.01.06)

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*.

9426 Pairing of Government of Canada Bond Futures Contracts with U. S. Treasury Bond Futures Contracts
(23.01.06)

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*.