CIRCULAR
February 17, 2004

REQUEST FOR COMMENTS

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

AMENDMENTS TO ARTICLES 7202, 7204A

ABROGATION OF ARTICLES 15511, 15611, 15711-12, 15761-62, 15851-52-53-54-55, 15875-76-77-78, 15911

ABROGATION OF SECTIONS 11201-11250; 11251-11265; 11280-11400; 11501-11600; 11601-11700; 11701-11800 OF RULE ELEVEN

ADDITION OF RULE NINE

Summary

The Rules and Policies Committee of Bourse de Montréal Inc. (the "Bourse") has approved amendments to articles 7202, 7204A, the abrogation of articles 15511, 15611, 15711-12, 15761-62, 15851-52-53-54-55, 15875-76-77-78, 15911, the abrogation of sections 11201-11250; 11251-11265; 11280-11400; 11501-11600; 11601-11700; 11701-11800 of Rule Eleven, and the addition of Rule Nine to the Rules and Policies Manual of the Bourse, which deal with margin and capital requirements for options, futures contracts and other derivative instruments. The objective of the proposed amendments is to simplify the current rules relating to margin and capital requirements for equity and index-related derivatives, to broaden their application and to correct errors contained therein. Another purpose of the proposed amendments is to make current rules that are available for certain derivatives offset strategies held in approved participant accounts available to client accounts as well.

Process for Changes to the Rules

Bourse de Montréal Inc. is recognized as a self-regulatory organization (SRO) by the Autorité des marchés financiers ("the Autorité"). In accordance with this recognition, the Bourse carries on activities as an exchange and as a SRO in Québec. In its SRO capacity, the Bourse assumes market regulation and broker-dealers regulation responsibilities. The broker-dealers regulated by the Bourse

Circular no.: 022-2004

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are its approved participants. The responsibility for regulating the market and the approved participants of the Bourse comes under the Regulatory Division of the Bourse ("the Division"). The Division carries on its activities as a distinct business unit separate from the other activities of the Bourse.

The Division is under the authority of a Special Committee appointed by the Board of Directors of the Bourse. The Special Committee is empowered to recommend to the Board of Directors the approval or amendment of some aspects of the Rules and Policies of the Bourse governing approved participants, among which, the Rules and Policies relating to margin and capital requirements. The Board of Directors has delegated to the Rules and Policies Committee of the Bourse its powers to approve or amend these Rules and Policies with recommendation from the Special Committee. These changes are submitted to the Autorité for approval.

Comments on the proposed amendments to articles 7202, 7204A, the abrogation of articles 15511, 15611, 15711-12, 15761-62, 15851-52-53-54-55, 15875-76-77-78, 15911, the abrogation of sections 11201-11250; 11251-11265; 11280-11400; 11501-11600; 11601-11700; 11701-11800 of Rule Eleven, and the addition of Rule Nine to the Rules and Policies Manual of the Bourse must be submitted within 30 days following the date of publication of the present notice in the bulletin of the Autorité. Please submit your comments to:

Ms. Joëlle Saint-Arnault
Vice-President, Legal Affairs and Secretary
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A copy of these comments shall also be forwarded to the Autorité to:

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Appendices

For your information, you will find in appendices an analysis document of the proposed rule amendments as well as the proposed regulatory text. The implementation date of the proposed amendments will be determined, if applicable, with the other Canadian self-regulatory organizations following approval by the "Autorité des marchés financiers".

Bourse de Montréal Inc.

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

- AMENDMENTS TO ARTICLES 7202, 7204A
- ABROGATION OF ARTICLES 15511, 15611, 15711-12, 15761-62, 15851-52-53-54-55, 15875-76-77-78, 15911
- ABROGATION OF SECTIONS 11201-11250; 11251-11265; 11280-11400; 11501-11600; 11601-11700; 11701-11800 OF RULE ELEVEN
- ADDITION OF RULE NINE

I OVERVIEW

A) Introduction

As part of a general review of Rule Eleven and Rule Fifteen of Bourse de Montréal Inc. (the "Bourse"), improvements to the capital and margin rules for positions in and offsets involving exchange traded derivatives have been identified. These improvements include simplifying, broadening the application of and correcting known errors in the existing rules as well as expanding the number of permissible reduced margin offset strategies. These revised margin and capital rules would be grouped together under the new Rule Nine[1].

B) Current Rules

The current rules for positions in and offsets involving exchange traded derivatives set out capital and margin requirements for individual derivative positions and offset strategies involving multiple derivatives positions. As a result, these margin and capital requirements are referred to as strategy-based rules i.e., they are based on the calculated worst-case scenario loss[2]. The current strategy-based rules have been developed over the last couple of decades, largely by staff at the Toronto Stock Exchange ("TSX") and at the Bourse, as new exchange traded derivative products have been introduced. The last major revision to the Bourse rules relating to derivatives, as set out in Rule Eleven and Rule Fifteen, took place in September 1999, when index derivative products were introduced. However, these margin and capital requirements were based on the rules for stock

[1] The proposed Rule Nine is divided in three main sections: (1) margin and capital requirements on equity-related (and index) derivatives, (2) margin and capital requirements on interest rate related derivatives and (3) Over-the-counter options (see Attachment 1 for the list of all articles forming the proposed Rule Nine). The proposed amendments are dealing exclusively with the first section, i.e., equity-related derivatives. The rules of the other sections have not been modified, but only rewritten to facilitate comprehension and to use a consistent drafting language throughout Rule Nine. Therefore, the references to derivative products made in this analysis document are only for equity-related derivatives. Also, because of the extent of this current project, it has been deemed more convenient to present a future project dealing with a revision of the rules regarding the margin and capital requirements on interest rate related derivatives. Moreover, a revision of the margin requirements on interest rate cash products should begin soon; a revision of the rules regarding margin and capital requirements on interest rate related derivatives will then be performed concurrently.

[2] Although the Commission des valeurs mobilières du Québec approved (decision no. 2003-C-0021) the use of SPAN and TIMS systems to determine capital requirements on derivative products held by approved participants, the Bourse must revise and improve continuously the margin and capital strategy-based rules so that approved participants and their clients not using SPAN or TIMS are subject to fair margin and capital requirements.

options, which mostly have not been revised since the mid-80's.

C) The Issue

The issues identified with the current rules are as follows:

- there are current rules that are only available for certain derivative offset strategies held in approved participant accounts that should also be available to client accounts;
- the current rules are too product specific, resulting in some instances, in rule duplication and, in other instances, in rules not being consistently available for similar products;
- the drafting language used throughout the rules is inconsistent;
- the rules for specific offset strategies are hard to find; and
- excess conservatism has been found in the current rules for certain existing offset strategies.

Each of these issues is discussed in more detail in Section II of this analysis document.

D) Objective

The objectives of these amendments are to simplify, broaden the application of and correct known errors in the existing rules as well as expand the number of permissible reduced margin offset strategies.

E) Effect of Proposed Rules

The effect of these proposed amendments is anticipated to be immaterial in terms of impact on market structure, competitiveness of approved participants versus other firms and costs of compliance. The addition of Rule Nine consists mostly of regulatory streamlining and rule wording clarification[3]. Some of the proposed amendments would make current rules that are only available for certain derivative offset strategies held in approved participant accounts available to client accounts as well. The cost of any systems change associated with these proposed new client account offset requirements is considered to be immaterial.

II DETAILED ANALYSIS

A) Current Rules

As mentioned previously, the current strategy-based rules have been developed over the last couple of decades. At the time these rules were first introduced, strategy-based rules were adopted as the preferred approach, largely to address the most common trading strategies employed by derivative traders. These strategy-based rules set out the capital and margin requirements for particular derivative positions or offset strategies, based on their calculated worst-case scenario loss, taking into account the risk associated with the security underlying the derivative position. Subsequently as new products were introduced, additional strategy-based rules were developed.

The history of how the current rules were developed is also a great contributor to the issues with the current rules that have been identified. The remainder of this section details each of these issues.

- **Some current rules that are only available for certain derivative offset strategies held in approved participant accounts should also be available to client accounts**

There are many derivative offset strategies that are available for approved participant account use but not available for client account use. It is

[3] Articles of Rule Nine are mainly a clarification of former articles 11201 through 11703.

not known for sure why this is the case. It is possible that there may have been at some time a concern over the relative level of client knowledge of derivatives. However, when looking at the list of strategies where reduced margin for a client position is currently being denied, many of these strategies are the most effective risk reduction strategies that are available using derivatives. As a result, it was concluded that it does not make sense to prohibit client account use of offset strategies that are currently available for approved participant account use. For a complete list of existing offset strategies that are proposed to be made available in client accounts, see Attachment 2.

- **The current rules are too product specific resulting, in some instances, in rule duplication and, in other instances, in rules not being consistently available for similar products**

As stated above, as new derivative products were introduced, a new set of strategy-based offset requirements was normally added to the rules. Thus, each time a new derivative product was introduced, it led to significant duplication of the rules. As an example, in the current rules there are identical rules for margin and capital requirements on S&P/TSX 60 Stock Index options, S&P/TSX 60 Stock Index Participation Units options and S&P/TSX Sectorial Stock Index options[4]. The current drafting of the rules limits margin and capital requirements to specific S&P/TSX index products and are not applicable to other TSX index products or to other index products such as those based on the U.S. S&P 500 Index or the U.K. FTSE 100 Index. As a result, it was concluded that specific derivative product rules should be replaced with generic rules having a broader application in order to both remove rule redundancy and make a general rule available for similar products that currently exist or may be introduced in the future.

To complete these objectives, i.e., to eliminate the specific references to the S&P/TSX and remove the distinction between a stock index and a sectorial stock index, proposed definitions of "index" and "tracking error margin rate" are set out in article 9001.

<u>"*Index*" definition</u>

The proposed article 9001 defines the term "*index*" in the following manner:

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 percent 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 Policy C-3 of the Bourse.

The main objective of these criteria, in addition to limit the discretionary power of the Bourse regarding the selection of an underlying index for a derivative product, is to ascertain that an index will present some degree of diversification and liquidity. It is essential to specify a minimal number of securities that must underly an index because using only the published sectorial indices could lead to

[4] Moreover, a new request to amend the rules should be made regarding reduced margin and capital requirements for offset strategies because of the new S&P/TSX Sectorial Stock Index Participation Unit options launched in April 2003.

situations where, for example, the S&P/TSX Real Estate index would be considered an index even though it is comprised of only two securities. To avoid this situation, the proposed definition requires that an index must be comprised of at least eight securities. The other criteria also provide a level of diversification and liquidity for the index and can be easily obtained for a domestic index and for a foreign index as well.

"*tracking error margin rate*" definition

The proposed article 9001 defines the term "*tracking error margin rate*" in the following manner:

> *means the last calculated regulatory margin interval for the tracking error resulting from a particular offset strategy.*

The margin interval is calculated using the spread of the percentage changes between the two positions making up the offset strategy. Then, the maximum standard deviation of the spreads over the most recent 20, 90 and 260 trading days is multiplied by three (for a 99 percent confidence interval) and by the square root of two (for two days coverage).

Currently, the margin and capital rules use fixed and arbitrary rates of 1 percent for offsets between S&P/TSX 60 products, of 3 percent for offsets between sectorial index products and also of 3 percent for some offsets involving share futures contracts. These percentages were arbitrarily determined to represent the tracking errors. Since a methodology has now been defined to calculate more efficiently the tracking errors and also to represent the true risk of each offset, it is proposed to remove the fixed rates from the rules and to replace them by a tracking error margin rate to be periodically revised. Given that the offset rules are identical and that the tracking error margin rate is function of each specific offset, it will no longer be required to distinguish between a broad index and a sectorial index. The following table shows the tracking error margin rates that would have been effective in June and July 2003:

Product Offsets	**Tracking error margin rates** **(June / July)**
S&P/TSX 60 – IUnits XIU	1.25% / 1.25%
S&P/TSX 60 – futures contracts SXF	1.50% / 1.50%
IUnits XIU – futures contracts SXF	1.50% / 1.50%
S&P/TSX Gold – IUnits XGD	2.25% / 2.25%
S&P/TSX Gold – futures contracts SXA	4.50% / 4.75%
IUnits XGD – futures contracts SXA	4.75% / 4.75%
S&P/TSX Fin. – IUnits XFN	1.75% / 1.75%
S&P/TSX Fin. – futures contracts SXB	2.50% / 2.50%
IUnits XFN – futures contracts SXB	2.75% / 2.75%
S&P/TSX IT – IUnits XIT	5.00% / 4.75%
S&P/TSX IT – futures contracts SXH	6.00% / 6.00%
IUnits XIT – futures contracts SXH	7.25% / 7.25%
S&P/TSX Energy – IUnits XEG	2.25% / 2.25%
S&P/TSX Energy – futures contracts SXY	2.25% / 2.75%
IUnits XEG – futures contracts SXY	3.00% / 3.50%
Nortel securities – futures contracts FNT	3.25% / 3.25%

- **The drafting language used throughout the rules is inconsistent**

Since the current strategy-based offset requirements were developed over an extended period of time, their development necessarily involved a number of different rule drafters over the years, with different drafting styles. This has led to inconsistent rule wording and an increased likelihood of improper application of the current rules. As a result, it was concluded that the drafting language used throughout the strategy-based offset rules should be consistent, wherever possible.

- **The rules for specific offset strategies are hard to find**

As a result of the level of redundancy within the current strategy-based rules, it is very often difficult to find the rule that applies to a specific offset strategy. As a result, it was concluded that efforts should be made to organize the rules in a more logical fashion to allow for greater ease of use.

- **Excess conservatism has been found in the current rules for certain existing offset strategies**

While the main focus of the review performed on Rules Eleven and Fifteen was to identify regulatory streamlining opportunities, excess conservatism was found in the current margin and capital requirement calculations for the following position/offset strategies:

- the minimum client margin requirement for a short put option position;
- the margin and capital requirements for a short call option and a short put option spread;
- the margin and capital requirements for a short call option and a long underlying interest combination;
- the margin and capital requirements for a short put option and a short underlying interest combination; and
- the margin and capital requirements for a long put option and a long underlying interest combination.

See Attachment 3 for the detail and justification of the proposed amendments to margin and capital requirement calculations.

Also, the methodology used to calculate the floating margin rates and consequently the methodology used to calculate the tracking error margin rates were found too conservative. It is proposed to remove the 0.50 percent cushion which is currently added to the regulatory margin interval for the following reasons: (1) these rates represent a cushion, (2) the rounding up to the next quarter percent already provides a cushion, and (3) although this arbitrary rate is only of 0.50 percent, it nonetheless excessively increases the calculated rates (for example, using the table above representing the tracking error margin rates, if a cushion of 0.50 percent was added, this would represent an increase in the calculated rates of 10 percent to 40 percent).

Finally, as mentioned in footnote no. 2, the CVMQ has already approved (decision no. 2003-C-0021) the use of SPAN and TIMS systems[5] to determine capital requirements for positions in derivatives held by approved participants. To bring into effect these new rules, it was essential to seek the approval from the Investment Dealers Association of Canada. However, concerns were voiced that it was not clearly mentioned in the proposed rules that the Bourse must take on a supervision role regarding the assumptions used by the Canadian Derivatives Clearing Corporation (the “CDCC”) in the calculation of capital requirements under SPAN and TIMS systems. Amendments are therefore proposed (see Attachment 4) to allow the Bourse the right to discontinue the use of SPAN or TIMS systems by its approved participants in the case where the assumptions used by the CDCC would be modified and become no longer appropriate for regulatory purposes.

B) Proposed Rules

To address the above-noted issues, the proposed amendments and the addition of Rule Nine seek to:

- expand the number of offsets available in client accounts by permitting the use of offset strategies that are currently exclusive to approved participant accounts (see Attachment 2 for the list of offset strategies that are proposed to be made available in client accounts);

[5] It has been demonstrated that the current capital requirements rules were too conservative and using SPAN and TIMS systems provide a better risk assessment of a derivatives portfolio in the calculation of capital requirements. For more information on the subject, see the analysis document entitled (“*Capital Requirements: Strategy-Based Approach vs. Risk-Based Approach*”, dated April 2, 2002, and prepared by the staff of the Regulatory Division of the Bourse.

- broaden the application of the existing rules through:
  - the replacement of the current specific index product group rules with generic rules that apply to all qualifying indices;
  - establishing definitions for the terms "index" and "qualifying basket of index securities"[6] in order to limit the use of these generic rules (proposed article 9001);
  - establishing a definition for the term "tracking error margin rate" to ensure, where cross product offsets are being performed,[7] that the margin required is sufficient to cover any imperfect price correlation (proposed article 9001);
- standardize the drafting language used to improve consistency of rule wording;
- insert descriptive rule titles and re-order the rules so that they are easier to consult;
- revise the following rules to remove excess conservatism found in the current requirements:
  - the 0.50 percent cushion is removed from the calculation methodology for the floating margin rate and the tracking error margin rate [*paragraph e) of proposed article 9001*];
  - the minimum client margin requirement for a short put option position [*paragraph b) of proposed article 9103*];
  - the margin and capital requirements for a short call option and a short put option spread [*paragraph b) of proposed articles 9105, 9108, 9205 and 9208*];
  - the margin and capital requirements for a short call option and a long underlying interest combination [*paragraph a) of proposed articles 9106, 9109, 9206 and 9209*];
  - the margin and capital requirements for a short put option and a short underlying interest combination [*paragraph b) of proposed articles 9106, 9109, 9206 and 9209*];
  - the margin and capital requirements for a long put option and a long underlying interest combination [*paragraph d) of proposed articles 9106, 9109, 9206 and 9209*].

C) Issue and Alternatives Considered

Financial institutions are increasingly adopting more sophisticated methodologies that are less capital intensive for the purposes of measuring their principal trading inventory risk. These methodologies include the TIMS and SPAN systems that have been widely adopted by the major derivatives clearing houses and in-house value at risk ("VaR") models. As discussed previously, the introduction of the proposed Rule Nine will allow a limited use of SPAN and TIMS systems. However, the Bourse must still revise and improve the margin and capital strategy-based rules so that all approved participants and their clients are subject to fair margin and capital requirements.

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[6] The proposed definition of "qualifying basket of index securities" allows for varying cumulative weighting percentage requirements to be met for an index basket to be considered a qualifying basket for offset purposes, based on the number of issues included in the index. This addresses the operational issues associated with hedging larger index baskets while ensuring the price correlations relating to hedging with smaller index baskets are kept high.

[7] The tracking error requirement will apply where appropriate to the following index product pairings: (i) index participation units options and index basket, (ii) index options and index participation units, (iii) index participation unit options and index options, (iv) index options and index futures and (v) index participation unit options and index futures. The tracking error requirement will also apply where appropriate to the following equity-related product pairings: (i) share futures contracts and underlying shares, and (ii) share futures contracts and equity options.

D) Comparison with Similar Provisions
United States

Similar to Canada, the United States regulators utilize strategy-based rules in determining the capital and margin requirements for positions in and offsets involving exchange traded derivatives. However, as a result of an amendment in 1997 to Rule 15c3-1 of the Securities Exchange Act of 1934, dealers are permitted to use theoretical option pricing models (i.e., either TIMS or SPAN) as an alternative in determining net capital requirements for principal trading positions in listed options and related securities.

United Kingdom

In the United Kingdom, the Financial Services Authority allows for the use of a more sophisticated methodology than strategy-based rules. This methodology is called Position Risk Requirement ("PRR") and there are a number of permitted alternatives in calculating the PRR for a particular portfolio of securities. The PRR model relevant to exchange traded derivatives is set out in Rule 10-91 of *The Investment Business Interim Prudential Sourcebook* and is entitled "*Treatment of Equity Derivatives Outside the Equity Method*".

E) Public Interest Objective

The proposed amendments are in the public interest as, even though the majority of the rule amendments being proposed are housekeeping in nature, there are amendments that seek to expand the number of offsets available in client accounts and revise existing rules to remove excess conservatism.

III COMMENTARIES

A) Effectiveness

As stated previously, the amendments to existing rules being proposed include simplifying, broadening the application of and correcting known errors in the existing rules as well as expanding the number of permissible reduced margin offset strategies.

B) Process

The first step of the approval process for the regulatory amendments proposed in the present document consists in having the proposed amendments approved by the Margin and Capital Subcommittee – Regulatory Division of the Bourse. The second step consists in submitting the proposed amendments to the approval of the Special Committee – Regulatory Division of the Bourse. The amendments are then submitted to the Rules and Policies Committee of the Bourse. Once the approval of the Rules and Policies Committee obtained, the project is simultaneously published by the Bourse for a 30-day comment period and submitted to the Commission des valeurs mobilières du Québec for approval.

IV REFERENCES

- Rule Seven of Bourse de Montréal Inc.;
- Rule Nine of Bourse de Montréal Inc.;
- Rule Eleven of Bourse de Montréal Inc.;
- Rule Fifteen of Bourse de Montréal Inc.;
- U.S. Securities and Exchange Act of 1934, Net Capital Rule 15c3-1(c)(2)(x);
- United Kingdom Financial Services Authority, The Investment Business Interim Prudential Sourcebook, June 2000, Rule 10-91, Treatment of Equity Derivatives Outside the Equity Method;

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

		Section 9001 – 9100	**General Provisions**
		9001	Definitions
		9002	Risk margining systems
		9003	Inter-commodity combinations
Section 9101 – 9200	**Margin Requirements on Equity-Related Derivatives**	**Section 9201 – 9300**	**Capital Requirements on Equity-Related Derivatives**
9101	Exchange traded options – General	9201	Exchange traded options – General
9102	Long option positions	9202	Long option positions
9103	Short option positions	9203	Short option positions
9104	Covered option positions	9204	Covered option positions
9105	Options spreads and combinations	9205	Options spreads and combinations
9106	Option and security combinations	9206	Option and security combinations
9107	Option spreads involving index products	9207	Option spreads involving index products
9108	Index option and index participation unit option spread combinations	9208	Index option and index participation unit option spread combinations
9109	Index option combinations with index baskets and index participation units	9209	Index option combinations with index baskets and index participation units
-	-	9210	Index option combinations with index baskets and commitment to purchase index participation units
9110 – 9120	Reserved	9211 – 9220	Reserved
9121	Exchange traded futures contracts – General	9221	Exchange traded futures contracts – General
9122	Simple or spread positions in futures contracts	9222	Simple or spread positions in futures contracts
9123	Share futures contracts and security combinations	9223	Share futures contracts and security combinations
9124	Share futures contracts combinations with equity options	9224	Share futures contracts combinations with equity options
9125	Index futures contract combinations with index baskets and index participation units	9225	Index futures contract combinations with index baskets and index participation units
9126	Index futures contract combinations with index options	9226	Index futures contract combinations with index options
9127 – 9150	Reserved	9227 – 9250	Reserved
9151	Margin requirements for positions in and offsets involving OCC options	9251	Capital requirements for positions in and offsets involving OCC options
9152	Margin requirements for positions in and offsets involving sponsored options	9252	Capital requirements for positions in and offsets involving sponsored options

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

Section 9301 – 9400	**Margin Requirements on Interest Rate Related Derivatives**	**Section 9401 – 9500**	**Capital Requirements on Interest Rate Related Derivatives**
9301	Exchange traded options – General	9401	Exchange traded options – General
9302	Long option positions	9402	Long option positions
9303	Short option positions	9403	Short option positions
9304	Covered option positions	9404	Covered option positions
9305	Options spreads and combinations	9405	Options spreads and combinations
9306	Option and security combinations	9406	Option and security combinations
9307 – 9310	Reserved	9407 – 9410	Reserved
9311	Long option on futures contracts positions	9411	Long option on futures contracts positions
9312	Short option on futures contracts positions	9412	Short option on futures contracts positions
9313	Options on futures contracts spreads and combinations	9413	Options on futures contracts spreads and combinations
9314 – 9320	Reserved	9414 – 9420	Reserved
9321	Exchange traded futures contracts – General	9421	Exchange traded futures contracts – General
9322	Simple or spread positions in futures contracts	9422	Simple or spread positions in futures contracts
9323	Futures contracts and security combinations	9423	Futures contracts and security combinations
9324	Bond futures contracts combinations with bond options	9424	Bond futures contracts combinations with bond options
9325	Futures contracts combinations with options on futures contracts	9425	Futures contracts combinations with options on futures contracts
9326 – 9350	Reserved	9426 – 9450	Reserved
	Section 9501 – 9600	**Over-the-counter options**	

APPENDIX A

ATTACHMENT 2

PROPOSED EXISTING OFFSET STRATEGIES TO BE MADE AVAILABLE IN CLIENT ACCOUNTS

Offset Strategies	Approved Participant Accounts		Client Accounts
	Current Article	Proposed Article	Proposed Article
Equity Derivative Products			
Long call – long put spreads	11228 c)	9205 c)	9105 c)
Long call – short call – long put	11228 d)	9205 d)	9105 d)
Short call – long warrant	11229 c)	9205 e)	9105 e)
Conversion or long tripo combination (long underlying interest – long put – short call)	11232	9206 e)	9106 e)
Reconversion or short tripo combination (short underlying interest – short put – long call)	11231	9206 f)	9106 f)
Conversion or long tripo combination (long futures contract – long put – short call)	15877 c)	9224 e)	9124 e)
Reconversion or short tripo combination (short futures contract – short put – long call)	15877 d)	9224 f)	9124 f)
Index Derivative Products			
Long call – long put spreads	11228 c)	9205 c) [9207]	9105 c) [9107]
Long call – short call – long put	11228 d)	9205 d) [9207]	9105 d) [9107]
Long call option combinations with short qualifying index baskets	11503 a)	9209 c)	9109 c)
Long put option combinations with long qualifying index baskets	11503 c)	9209 d)	9109 d)
Conversion or long tripo combination (long qualifying basket of index securities – long index put – short index call)	11503 f)	9209 e)	9109 e)
Conversion or long tripo combination (long qualifying basket of index securities – long index participation unit put – short index participation unit call)	11504 f)	9209 e)	9109 e)
Reconversion or short tripo combination (short qualifying basket of index securities – short index put – long index call)	11503 e)	9209 f)	9109 f)
Reconversion or short tripo combination (short qualifying basket of index securities – short index participation unit put – long index participation unit call)	11504 e)	9209 f)	9109 f)
Short index call options or short index participation unit call options – long index futures contracts	11509 a) 11510 b)	9226 a)	9126 a)
Short index put options or short index participation unit put options – short index futures contracts	11509 d) 11510 d)	9226 b)	9126 b)
Long index call options or long index participation unit call options – short index futures contracts	11509 c) 11510 a)	9226 c)	9126 c)
Long index put options or long index participation unit put options – long index futures contracts	11509 b) 11510 c)	9226 d)	9126 d)
Conversion or long tripo combination (long index futures contracts – long index put or long index participation unit put – short index call or short index participation unit call)	11509 e) 11510 f)	9226 e)	9126 e)
Reconversion or short tripo combination (short index futures contracts – short index put or short index participation unit put – long index call or long index participation unit call)	11509 f) 11510 e)	9226 f)	9126 f)

PROPOSED AMENDMENTS TO MARGIN AND CAPITAL REQUIREMENT CALCULATIONS

Position/Offset	Current Rule	Proposed Rule	Justification
Short option positions held by clients	The minimum of margin required is the market value of the option plus, an amount in relation to **the market value** of the underlying value, as follow: Stock options 5.00% Index participation Unit options 5.00% Index options **5.00%** **[article 11203 paragraph b)]**	The minimum margin requirement must be not 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, 5.00%; or D) **for index options or index participation unit options, 2.00%**. **[proposed article 9103 paragraph b)]**	This proposed amended rule changes the minimum margin requirement for a short put option to include a minimum percentage amount based on the aggregate exercise value of the option rather than the market value of the underlying security. This minimum requirement only comes into effect when the short put option is "deep out-of-the-money". The change corrects the anomaly in the current rule where, as the market price of a security increases, the minimum margin requirement also increases. The minimum 5.00% for index options was deemed too high in comparison to stock options. Also, this amendment allows to be similar to the rate required by the IDA.
Short call – short put spreads*†	The margin required is that required on the put or call, whichever is greater, **plus the loss on the option having the lesser margin requirement**. **[article 11205 paragraph b)]** **[article 11228 paragraph b)]**	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.** **[proposed article 9105 paragraph b)]** **[proposed article 9205 paragraph b)]** **[proposed article 9108 paragraph b)]** **[proposed article 9208 paragraph b)]**	There is an anomaly in the current rule for spreads where both options are in-the-money and the calculated margin requirement for each individual short option is the same. The proposed amended rule assumes both options will be exercised if they are in-the-money and determines a margin requirement in this instance based on the difference between the exercise values of both options.

* The same calculation applies to positions held by approved participants.
† The same calculation applies to positions in index-related derivatives.

PROPOSED AMENDMENTS TO MARGIN AND CAPITAL REQUIREMENT CALCULATIONS

Position/Offset	Current Rule	Proposed Rule	Justification
Short call – long underlying combination*†	Client: the margin required shall be the margin on the long position required, based either on the market price of the underlying stock **or on the exercise price** of the short call, whichever is lower. **[article 11206 paragraph a)]** **[article 11283 paragraph a)]** **[article 11284 paragraph a)]** **[article 11287 paragraph b)]** Approved participant: the capital required is 25% of the market value of the underlying stock. [*equivalent to the capital required on the underlying interest*] **[article 11229 paragraph a)]** **[article 11503 paragraph b)]** **[article 11504 paragraph b)]** **[article 11507 paragraph b)]**	The normal margin required on the underlying interest **minus, if any, the in-the-money value associated with the call option.** **[proposed article 9106 paragraph a)]** **[proposed article 9206 paragraph a)]** **[proposed article 9109 paragraph a)]** **[proposed article 9209 paragraph a)]**	Under the current approach, where the options are either at-the-money or in-the-money, the margin required is fixed since it is always based on the exercise price, no matter how in-the-money the call options may be. This leads to significantly higher than necessary margin requirements for offsets involving options that are deep in-the-money (i.e., where the security market value is at least its margin rate percentage above the exercise value of the call options). The proposed requirement would limit the margin requirement for an offset involving a deep in-the-money call options to the maximum loss that would be experienced with a price drop equivalent to the margin rate percentage.
Short put – short underlying combination*†	Client: the margin required on the short security position, using the greater of the market price **or the exercise price**. **[article 11206 paragraph d)]** **[article 11283 paragraph b)]** **[article 11284 paragraph d)]** **[article 11284 paragraph d)]** Approved participant: the capital required is 25% of the market value of the underlying stock. [*equivalent to the capital required on the underlying interest*] **[article 11229 paragraph a)]** **[article 11503 paragraph d)]** **[article 11504 paragraph d)]** **[article 11507 paragraph d)]**	The normal margin required on the underlying interest **minus, if any, the in-the-money value associated with the put option.** **[proposed article 9106 paragraph b)]** **[proposed article 9206 paragraph b)]** **[proposed article 9109 paragraph b)]** **[proposed article 9209 paragraph b)]**	Under the current approach, where the options are either at-the-money or in-the-money, the margin required is fixed since it is always based on the exercise price, no matter how in-the-money the put options may be. This leads to significantly higher than necessary margin requirements for offsets involving options that are deep in-the-money (i.e., where the security market value is at least its margin rate percentage below the exercise value of the put options). The proposed requirement would limit the margin requirement for an offset involving a deep in-the-money put options to the maximum loss that would be experienced with a price increase equivalent to the margin rate percentage.

* The same calculation applies to positions held by approved participants.
† The same calculation applies to positions in index-related derivatives.

PROPOSED AMENDMENTS TO MARGIN AND CAPITAL REQUIREMENT CALCULATIONS

Position/Offset	Current Rule	Proposed Rule	Justification
Long put – long underlying combination*†	Client: the margin required is: i) the market value of the long put; plus ii) 25% of the market value of the stocks [*equivalent to the capital required on the underlying interest*]; plus iii) **the out-of-the-money amount up to an additional 5% of the market value of the stock.** **[article 11207 paragraph b)]** **[article 11284 paragraph b)]** **[article 11287 paragraph c)]** Approved participant: the capital required is the market value of the option, plus the lesser of the following amounts: i) **the amount by which the option is out-of-the-money**; or ii) 25% of the market value of the underlying value [*equivalent to the capital required on the underlying interest*]. **[article 11230]** **[article 11503 paragraph c)]** **[article 11504 paragraph c)]** **[article 11507 paragraph c)]**	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.** **[proposed article 9106 paragraph d)]** **[proposed article 9206 paragraph d)]** **[proposed article 9109 paragraph d)]** **[proposed article 9209 paragraph d)]**	The current approach gives no loan value to the intrinsic value of the put option. As a result, in situations where the put option is in-the-money, the net loan value granted to the combined long stock/long put options positions may be significantly less than the exercise value of the put option. The proposed approach would effectively only require margin on an offset involving an in-the-money put option to the extent of any time value.
* The same calculation applies to positions held by approved participants. † The same calculation applies to positions in index-related derivatives.			

PROPOSED AMENDMENTS TO FORMERLY APPROVED ARTICLES ALLOWING THE USE OF SPAN AND TIMS MARGINING SYSTEMS TO ESTABLISH CAPITAL REQUIREMENTS

New proposed article 9002 entitled "*Risk margining systems*" based on the wording of articles 11226, 14201 and 15004 formerly approved by the CVMQ on January 17, 2003 (decision no. 2003-C-0021):

> With respect to an approved participant account constituted exclusively of positions in derivatives listed at the Bourse, the capital required may be the one calculated, as the case may be, by the Standard Portfolio Analysis (SPAN) methodology or by the Theoretical Intermarket Margin System (TIMS) methodology, using the margin interval calculated and the assumptions used by the Canadian Derivatives Clearing Corporation. All changes to the assumptions used by the Canadian Derivatives Clearing Corporation must be approved by the Bourse prior to implementation for regulatory purposes to ensure that the continued use of the SPAN and TIMS methodologies is appropriate ~~by the clearing corporation~~.
>
> The selected methodology (either SPAN or TIMS) must be used consistently and cannot be changed without the prior consent of the Bourse. If the approved participant selects the SPAN methodology or the TIMS methodology, the capital requirements calculated under those methodologies will supersede the provisions stipulated in the Rules.
>
> For the purpose of the present article, "margin interval ~~calculated by the clearing corporation~~" means the product of the three following elements ~~calculated by the Canadian Derivatives Clearing Corporation~~:
>
> i) the maximum standard deviation of percentage fluctuations in daily settlement values over the most recent 20, 90 and 260 business days; multiplied by
>
> ii) 3 (for a 99% confidence interval); and multiplied by
>
> iii) the square root of 2 (for two days coverage).

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, 00.00.04)

1) The margins required on securities including rights and warrants (other than bonds and debentures) listed on any of the recognized exchanges in Canada and in the United States, on the stock list of The London Stock Exchange and on the first section of the Tokyo Stock Exchange are as follows:

	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, securities of companies designated as Capital Pool Companies on the TSX Venture Exchange and securities of companies classified as Tier 3 or inactive Tier 2 issuers on the TSX Venture Exchange 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

Note: On securities approved by the Canadian Derivatives Clearing Corporation or by Options Clearing Corporation, as underlying securities including securities that are convertible or exchangeable into underlying securities, the margin rate is 30% on long securities and the credit required is 130% on short positions.

2) Index products

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

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

~~On Index Participation Units (IPU), t~~The minimum margin required, ~~in the case of a long position, is~~ must be the sum of:

i) the floating margin rate of the qualifying basket of index securities (or index participation units); and~~percentage (calculated for the S&P/TSE 60 IPU by the Bourse)~~

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

multiplied by the market value of the qualifying basket of index securities (or index participation units). ~~S&P/TSE 60 IPU.~~

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

The minimum margin required must be the sum of~~:, in the case of a short position, is~~

i) 100%; and ~~plus~~

ii) the floating margin rate of the qualifying basket of index securities (or index participation units); and ~~percentage (calculated for the S&P/TSE 60 IPU by the Bourse) multiplied by the market value of the S&P/TSE 60 IPU.~~

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

multiplied by the market value of the ~~S&P/TSE 60 IPU.~~ 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.

~~On a basket of S&P/TSE 60 Index securities (complying with article 11280) the margin, in the case of a long position, is the floating margin rate percentage (calculated for a basket of S&P/TSE 60 Index securities by the Bourse) plus the calculated incremental basket margin rate for the qualifying basket of S&P/TSE 60 Index securities multiplied by the market value of the basket of S&P/TSE 60 Index securities. The margin, in the case of a short position, is 100% plus the floating margin rate percentage (calculated for a basket of S&P/TSE 60 Index securities by the Bourse) plus the calculated incremental basket margin rate for the qualifying basket of S&P/TSE 60 Index securities, multiplied by the market value of the basket of S&P/TSE 60 Index securities.~~

~~On Index Participation Units, the margin, in the case of a long position, is the floating margin rate percentage (calculated for the S&P/TSE sectorial Index Participation Units by the Bourse) multiplied by the market value of the S&P/TSE sectorial Index Participation Units. The margin, in the case of a short position, is 100% plus the floating margin rate percentage (calculated for the S&P/TSE sectorial Index Participation Unit by the Bourse) multiplied by the market value of the S&P/TSE sectorial Index Participation Units.~~

~~On a basket of S&P/TSE sectorial Index securities (complying with article 11601 of the Rules) the margin, in the case of a long position, is the floating margin rate percentage (calculated for a basket of S&P/TSE sectorial Index securities by the Bourse), multiplied by the market value of the basket of S&P/TSE sectorial Index securities. The margin, in the case of a short position, is 100% plus the floating margin rate percentage (calculated for a basket of S&P/TSE sectorial Index securities by the Bourse), multiplied by the market value of the basket of S&P/TSE sectorial Index securities.~~

~~For the purpose of the present article, the floating margin rate percentage is determined by the Bourse, in accordance with the following methodology:~~

~~The sum of:~~

~~a) the product of the three following elements:~~

~~i) the maximum standard deviation of percentage fluctuations in daily settlement values over the most recent 20, 90 and 260 business days;~~

~~ii) three (for a 99% confidence interval); and~~

~~iii) the square root of 2 (for two days coverage);~~

~~plus~~

~~b) 0.50% (representing a cushion);~~

~~rounded up to the next quarter percent.~~

3) On non-convertible preferred shares of companies with securities which are eligible to a reduce d margin rate as provided in paragraph 1 of the present article, the margin rate is 30% on long positions and 130% of the market value of the short positions provided that if the eligible shares fail to continue to meet the requirements for a reduced margin rate eligibility, the margin rate and the credit required will be increase to 50% and 150% respectively.

~~2~~4) The margin required in respect of positions in warrants issued by a Canadian chartered bank and which are listed on any recognized stock exchange or other listing organization referred to above and which entitle the holder to purchase securities issued by the Government of Canada or any province thereof must be the greater of:

a) The margin otherwise required by paragraph 1) of the present 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.

~~3~~5) For the purpose of the present article, “inactive Tier 2” securities are securities of companies classified as Tier 2 issuers that are considered to be inactive by CDNX. Such securities are identifiable through the use of unique trading symbols.

7204A Margin offsets
(09.10.91, 27.05.97, 18.02.98, 19.08.98, 17.12.02, 00.00.04)

1) Where an approved participant

   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; and

      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 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);

   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

   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, 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 has a short and long position in the following groups of securities of article 7204:

	Short (Long)		Long (Short)
a)	Group I (Canada and U.S. Government only)	and	Group II (Province of Canada)
b)	Group I (as above)	and	Group III (Municipality of Canada only)
c)	Group I (Canada Government only)	and	Group I (U.S. Government only)
d)	Group I (Canada and U.S. Government only)	and	Group V (corporate)
e)	Group II (Province of Canada)	and	Group III (Municipality of Canada only)
f)	Group II (as above)	and	Group V (corporate)
g)	Group V (corporate)	and	Group V (corporate of the same issuer)

The margin required in respect of both positions must be the greater of the margin required on the long or short position.

For the purposes of the present paragraph, securities described in article 7205 are eligible for an offset identical to the one applicable to securities described in Group V of article 7204.

(The text of point B hereunder becomes articles 9323 and 9423 of new Rule Nine)

~~B) Where an approved participant, a market maker or a restricted trading permit holder holds:~~

~~a) a long/short position in a 5 year (CGF) or 10 year (CGB) notional Government of Canada Bond futures contract listed on the Bourse against a short/long position in securities of the Government of Canada (including future purchase and sale commitments), as described in Group I of article 7204 of the Rules of the Bourse, maturing within 3 to 11 years, the two positions may be offset and the required margin is the margin calculated on the net long or short position;~~

~~b) a long/short position in a 5 year (CGF) or 10 year (CGB) notional Government of Canada Bond futures contract listed on the Bourse against a short/long position in securities by a Province of Canada, as described in Group II, of a municipality of Canada, as described in Group III or a corporation, as described in Group V of article 7204 of the Rules of the Bourse (including future purchase and sale commitments), maturing within 3 to 11 years, the margin required in respect of both positions must be the greater of the margin required on the long or short position;~~

~~c) a long/short position in a 3-month Canadian bankers' acceptance (BAX) futures contract listed on the Bourse against a short/long position in a bankers' acceptance issued by a Canadian chartered bank, the margin required in respect of both positions must be the greater of the margin required on the long or short position.~~

(The text of point B) hereunder is reproduced in articles 9323 and 9423 of new Rule Nine)

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

i) 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 & Poors Bond Record;

ii) securities in offsetting positions must be denominated in the same currency;

iii) securities in offsetting positions must mature within the same periods referred to in article 7204 for the purpose of determining margin rates;

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; and

v) securities in offsetting positions used in the calculation must represent an equivalent maturity value.

APPENDIX B

RULE ~~ELEVEN~~ NINE
~~EXCHANGE-TRADED~~
~~OPTION CONTRACTS~~MARGIN AND CAPITAL REQUIREMENTS
FOR OPTIONS, FUTURES CONTRACTS AND
OTHER DERIVATIVE~~S~~ INSTRUMENTS

Section ~~11201 – 11250~~9001 – 9100
~~Margin/Capital Requirements~~General Provisions

9001 Definitions
(00.00.04)

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, 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, where a reset results in a lower margin rate; 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", when calculated, means the product of:

i) the maximum standard deviation of percentage changes in daily closing prices over the most recent 20, 90 and 260 trading days; and

ii) 3 (for a 99% confidence interval); and

iii) the square root of 2 (for two days coverage);

rounded up to the next quarter percent.

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) ~~15712~~ "**incremental basket margin rate**" means for a qualifying basket of index securities:

i) 100%, less the cumulative relative weight percentage (determined by calculating ~~the cumulative sum of the weighting~~ for each security ~~which is determined based on the lesser of: 1) the most recently published weighting for each security in the S&P/TSE 60 Stock Index or 2) the actual weighting for this 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 ~~S&P/TSE 60 Stock I~~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 ~~S&P/TSX 60 Stock I~~index (weighted by the percentage weighting deficiency for each security (i.e., the published relative weighting minus the actual weighting, if applicable));

g) "**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 to Policy C-3 of the Bourse;

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

i) “**non-client account**” means an account established with an approved participant by another member of a self-regulatory organization, or related firm, approved person or employee of an approved participant, member or 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) ~~article 11280 A "basket" of securities or equity securities which is covered by a position in S&P/TSE 60 Stock Index Options, S&P/TSE 60 Stock Index Participation Unit options, or S&P/TSE 60 Stock Index Futures contracts, or S&P/TSE 60 Stock Index Participation Units~~ "**qualifying basket of index securities**" means a basket of equity securities:

i) ~~A) a group of equity securities~~ all of which are included in the composition of the ~~S&P/TSE 60 Stock~~ same ~~I~~index;

ii) which comprises a portfolio with a market value equal to the market value of the securities underlying the index ~~S&P/TSE 60 Stock Index Options contract(s), the S&P/TSE 60 Stock Index Participation Unit options contract(s), the S&P/TSE 60 Stock Index Futures contracts(s), or the S&P/TSE 60 Stock Index Participation Units~~;

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~~S&P/TSE 60 Stock Index Options, Futures or Participation Units~~, based on the latest published relative weights of securities comprising the index~~S&P/TSE 60 Stock Index~~;

iv) where the required cumulative relative weight~~s~~ing percentage of all equity securities comprising the portfolio: ~~equals or exceeds 90% of the cumulative weight of the S&P/TSE 60 Stock Index based on the latest published relative weights of equity securities comprising the S&P/TSE 60 Stock Index; and~~

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;

l) "**tracking error margin rate**" means the last calculated regulatory margin interval for the tracking error resulting from a particular offset strategy. The method of calculation and the margin rate policy is the same as that used for the floating margin rate.

(New articles 11226, 14201, 15004)

9002 Risk ~~m~~Margining ~~s~~Systems
(00.00.04)

a) With respect to an approved participant account constituted exclusively of positions in derivative~~s~~ instruments listed ~~at~~ on the Bourse, the capital required may be the one calculated, as the case may be, by the Standard Portfolio Analysis (SPAN) methodology or by the Theoretical Intermarket Margin System (TIMS) methodology, using the margin interval calculated ~~by the clearing corporation~~and the assumptions used by the Canadian Derivatives Clearing Corporation. All changes to the assumptions used by the Canadian Derivatives Clearing Corporation must be approved by the Bourse prior to implementation to ensure that the continued use of SPAN and TIMS methodologies for regulatory purposes is appropriate.

The selected methodology (either SPAN or TIMS) must be used consistently and cannot be changed without the prior consent of the Bourse. If the approved participant selects the SPAN methodology or the TIMS methodology, the capital requirements calculated under those methodologies will supersede the provisions stipulated in the Rules.

For the purpose of the present article, “margin interval ~~calculated by the clearing corporation~~” means the product of the three following elements ~~calculated by Canadian Derivatives Clearing Corporation~~:

i) the maximum standard deviation of percentage fluctuations in daily settlement values over the most recent 20, 90 and 260 business days; multiplied by

ii) ~~three~~ 3 (for a 99% confidence interval); and multiplied by

iii) the square root of 2 (for two days coverage).

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

9003 Inter-Commodity Combinations
(00.00.04)

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

APPENDIX B

Section 9101 – 9200
Margin Requirements on Equity-Related Derivatives

~~11201~~9101Exchange ~~t~~Traded ~~o~~Options – General Provisions
(00.00.04)

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

b) ~~For other than inventory positions,~~ all opening ~~writing~~ selling transactions and resulting short positions ~~shall~~ 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) ~~**11209 When in an account there are:**~~

~~i) long Exchange-traded options and short OCC option, or~~

~~ii) short Exchange-traded options and a long OCC option;~~

~~and the Exchange-traded~~where a client account holds both CDCC options and ~~the~~ OCC options that have the same underlying ~~value~~interest, ~~than for margin calculation purposes,~~ the OCC options may be considered ~~as Exchange-traded~~to be options for the purposes of the calculation of the margin requirements for the account under the provisions of this section~~.~~;

e) ~~Paragraph d) notwithstanding, the Exchange may impose~~ from time to time the Bourse may impose special margin requirements with respect to particular ~~Exchange traded~~ options or ~~to~~ particular positions in ~~Exchange traded~~ options.

~~11202~~9102 Long Option Positions ~~in Options~~
(00.00.04)

a) Subject to paragraph b), all purchases of options ~~shall~~ must be for cash and long positions shall have no loan value for margin purposes~~.~~;

b) ~~W~~where, in the case of ~~stock~~ 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 margin required on such call option ~~shall~~ 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 ~~cash~~ a take-over bid is made for less than 100% of the issued and outstanding securities, the ~~reduced~~ margin requirement ~~shall~~ must be applied pro-rata in the same proportion as the offer and paragraph a) ~~shall~~ must apply to the balance.

~~112039~~9103~~Margin Required for Simple~~ Short Option Positions
(00.00.04)

a) The ~~amount of~~ minimum margin requirement which must be maintained in respect of ~~each unpaired put or call~~ an option carried short in a client account ~~shall~~ must be~~, the market value of such options plus an amount in relation to the market value (marking price) of the underlying value, as follows~~:

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, 25%;

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) ~~P~~paragraph a) notwithstanding, the minimum of margin require~~d~~ment which must be maintained and carried in a client account trading in options must not be less than ~~is the market value of the option plus, an amount in relation to the market value (marking price) of the underlying value, as follows~~:

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
(00.00.04)

a) No margin is required for a call option carried short in a client's account which is covered~~Covered, in the case of short calls on underlying stocks, bonds, treasury bills or indices,~~ 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 ~~issued by a depository approved for that purpose~~.

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 ~~C~~covered~~, in the case of short puts on underlying stocks, bonds, treasury bills or indices, by a letter of guarantee or~~ by ~~a~~ the deposit~~ory~~ of an escrow receipt ~~for puts issued by a depository approved for that purpose. A depository receipt for puts must certify~~which certifies that acceptable ~~G~~government securities are being held by the ~~depository to serve as margin for put positions of a named~~ issuer of the escrow receipt for the account of the client. ~~For purposes of the present paragraph, the allowable~~The acceptable ~~G~~government securities held on deposit: ~~shall mature within one year of their deposit and the aggregate exercise value of the short put covered by them will not be greater than 90% of the par value of such securities held on deposit. All Government securities which are acceptable forms of margin for the Canadian Derivatives Clearing Corporation are acceptable.~~

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.

~~11205~~9105~~Margin Required for Paired Option Positions (Spreads, etc.)~~ Options Spreads and Combinations
(00.00.04)

a) Call spreads and put spreads

~~Except in the case of Treasury bill options, where the short option expires on or before the expiration date of the long option, in a pairing of~~Where a client account contains one of the following spread pairings:

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

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

i) the margin required on the short option; or

ii) the spread loss amount, if any, ~~which~~ that would result ~~from the difference between the exercise prices of the short and long option of~~ if both options were exercised.

b) Short call – short put spreads

~~Except in the case of Treasury bill options, w~~Where a ~~short~~ call option is carried short for a client's account and the account is also~~and~~ short a put option on the same number of units of trading on the same underlying interest~~are paired~~, the minimum margin required ~~is that required on the put or the call, whichever is greater, under article 11203 a) or b), plus the loss on the option having the lesser margin requirement.~~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:

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) 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 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
(00.00.04)

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) A) the normal margin required on the underlying interest; minus

B) if any, the in-the-money amount associated with the call option;

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:

i) the normal margin required on the underlying interest; minus

ii) if any, the in-the-money value associated with 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.

~~11281~~9107~~Multiple Option Combinations involving S&P/TSE 60 Stock Index~~ Option~~s~~ Spreads Involving Index Products
(00.00.04)

In addition to the option spreads permitted in article 9105, the following additional option spread strategies are available for positions in index options and index participation unit options:

a) Box spread ~~involving S&P/TSE 60 Stock Index Options~~

Where a client account contains one of the following box spread combinations:

- box spread involving index options; or
- box spread involving index participation unit options;

such that a client holds a long and short ~~S&P/TSE 60 Stock Index~~ call option and a long and short ~~S&P/TSE 60 Stock Index~~ put option with the same expiry month 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 ~~the following two amounts~~:

i) the greater of the margin requirements calculated for the component call and put ~~on the put or call~~ spreads (paragraph a) of article ~~11205~~ 9105~~of the Rules~~); ~~or~~ and

ii) the greater of the out-of-money amounts calculated for the component call and put spreads.

~~a) the amount by which the exercise price of the long call exceeds the exercise price of the short call, multiplied by the unit of trading; or~~

~~b) the amount by which the exercise price of the short put exceeds the exercise price of the long put, multiplied by the unit of trading.~~

b) Long ~~B~~butterfly ~~S~~spread ~~involving S&P/TSE 60 Stock Index Options~~

Where a client account contains one of the following butterfly spread combinations:

- long butterfly spread involving index options; or
- long butterfly spread involving index participation unit options;

such that a client~~customer~~ holds a short position in two ~~S&P/TSE 60 Stock Index~~ call options (or put options) and the short call~~s~~ options (or short put~~s~~ options) are at a middle strike price and are flanked on either side by a long ~~S&P/TSE 60 Stock Index~~ call option (or long put option) having respectively a lower and higher strike price ~~respectively~~, the minimum margin required must be the net market value of the short and long call~~s~~ options (or put~~s~~ options).

c) Short ~~B~~butterfly ~~S~~spread ~~Involving S&P/TSE 60 Stock Index Options~~

Where a client account contains one of the following butterfly spread combinations:

- short butterfly spread involving index options; or
- short butterfly spread involving index participation unit options;

such that a client~~customer~~ holds a long position in two ~~S&P/TSE 60 Stock Index~~ call options (or put options) and the long call~~s~~ options (or long put~~s~~ options) are at a middle strike price and are flanked on either side by a short ~~S&P/TSE 60 Stock Index~~ call option (or short put option) having respectively a lower and higher strike price ~~respectively~~, the minimum margin required must be the amount, if any, by which the exercise ~~price~~ value of the long call~~s~~ options (or long put~~s~~ options) exceeds the exercise ~~price~~ value of the ~~written~~ short call~~s~~ options (or ~~written~~ short put~~s~~ options)~~, multiplied by the unit of trading~~.

9108 Index Option and Index Participation Unit Option Spread Combinations (00.00.04)

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; 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

(00.00.04)

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) A) the normal margin required on the qualifying basket of index securities (or index participation units); minus

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

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) A) the normal margin required on the qualifying basket of index securities (or participation units); minus

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

~~15851~~9121Exchange ~~t~~Traded ~~f~~Futures ~~c~~Contracts – General ~~Provisions~~
(00.00.04)

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

~~[article 15711] Margin Requirements~~

b) ~~M~~margin requirements established by the ~~Exchange~~ Bourse may be made applicable to one or more rather than all ~~members~~ approved participants or clients if deemed necessary by the ~~Exchange~~Bourse~~.~~;

c) ~~F~~for clients, the margin requirements ~~set out in this article~~ 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~~ of the Rules~~, equals or exceeds the margin required~~ by this article~~. In the case of a margin receipt, the receipt must certify that ~~G~~government securities are held for futures contracts 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 ~~G~~government securities which are an acceptable form of margin for the ~~Canadian Derivatives C~~clearing ~~C~~corporation are ~~allowable~~acceptable~~.~~;

~~c~~d) from time to time, ~~T~~the ~~Exchange~~ Bourse may impose ~~from time to time~~ special margin requirements with respect to particular ~~Exchange traded shares~~ futures contracts or ~~to~~ particular positions in ~~Exchange traded share~~ futures contracts.

~~15852~~9122~~Margin Required for~~ Simple or Spread Positions in ~~f~~Futures ~~c~~Contracts
(00.00.04)

a) Shares futures contracts positions

i) ~~The margin requirements which must be effective on all~~For simple ~~or spread~~ positions in share futures contracts held ~~on behalf of~~in a client's account, ~~are determined by the Bourse, in accordance with the following methodology~~the margin required must be the sum of:

~~The sum of:~~

A) ~~the product of the three following elements:~~the floating margin rate of the underlying interest;

~~(i) the maximum standard deviation of percentage fluctuations in daily settlement values over the most recent 20, 90 and 260 business days;~~

~~(ii) three (for a 99% confidence interval); and~~

~~(iii) the square root of 2 (for two days coverage),~~

~~plus~~

~~b) 0.50% (representing a cushion)~~

~~rounded up to the next quarter percent;~~

~~c) for all clients, except acceptable institutions, acceptable counterparties, regulated entities and *bona fide* hedgers, as defined in the Rules and Policies of the Bourse, a cushion being the greater of:~~

and

B) the greater of:

I) 10% of the floating margin rate of the underlying interest~~determined in a) and b) above~~; and

II) where the floating margin rate of the underlying interest ~~sum of a) and b)~~ 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%~~,~~;

~~shall be added~~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) ~~15711 Margin requirements~~ Index futures contracts positions

The margin requirements which must be ~~effective~~ applied on all positions in index ~~F~~futures contracts ~~on the S&P/TSE 60 Stock Index listed on the Exchange and~~ held ~~by a member or on behalf of its clients~~in a client's account are determined by the ~~Exchange~~Bourse, in collaboration with the ~~C~~clearing ~~C~~corporation, from time to time.

~~15854~~9123~~Margin Requirements for Paired Positions in Underlying Securities and Long~~ Share Futures Contracts and Security Combinations
(00.00.04)

a) Share futures contracts – underlying share combinations

Where a client account contains one of the following combinations:

- ~~short position in an underlying share is paired with a~~ long share futures contract and short an equivalent position in the ~~on a same~~ underlying ~~security~~share~~,~~; or
- short share futures contract and long an equivalent position in the underlying share;

the minimum margin required must be ~~3%~~ the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by ~~of~~ the market value of the ~~short position~~underlying share.

b) ~~15878 e)~~ Short share futures contracts – long warrants, rights, instalment receipts combination

~~Pairings for margin purposes in respect of the accounts of customers with positions as described in either subparagraph a) or b) above are permitted in the circumstances provided in such subparagraphs.~~ 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, ~~T~~the margin required~~, in respect of the accounts of customers with such positions,~~ 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, instal~~l~~ment receipt or other security.

c) ~~15878 f)~~ Short share futures contracts – long capital shares

Where ~~an Approved Participant, market-maker of an Approved Participant or restricted permit holder for which a clearing Approved Participant has issued a Letter of Guarantee, or~~ a ~~customer~~ client holds a long position in capital shares ~~paired with~~and a short share futures contract, the margin required is the~~ following~~ margin as prescribed in article 7202 A) 2) a)~~ of the Rules of theExchange~~.

~~For the purpose of the present article, i~~In no case~~,~~ the margin required may be less than 3% of the settlement value of the share futures contract.

~~NOTE:~~The market value of the underlying security to be used for the calculation of the required margin pursuant to article 7202 A 2) a) ~~of the Rules of the Exchange~~ is the settlement value of the share futures contract.

9124 Share Futures Contracts Combinations with Equity Options
(00.00.04)

With respect to equity options and share futures contracts held in clients 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, the option contracts and the futures contracts may be offset as follows:

a) Short equity call options – long share futures contracts

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

i) A) the margin required on the futures contract; less

B) the aggregate market value of the call option;

and

ii) 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 equity put options – short share futures contracts

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

i) A) the margin required on the futures contract; less

B) the aggregate market value of the put option;

and

ii) 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.

c) Long equity call options – short share futures contracts

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

i) 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;

and

ii) A) *Out-of-the-money position*

The aggregate market value of the call option; plus the lesser of:

I) the aggregate exercise value of the call option less the daily settlement value of the futures contract; or

II) the margin required on the futures contract;

B) *In-the-money or at-the-money position*

I) the aggregate market value of the call option; less

II) the aggregate in-the-money amount of the call option.

d) Long equity put options – long share futures contracts

Where a put option is carried long for a client's account and the account is also long a share futures contract on the same number of units of trading on the same underlying share, the minimum margin required must be the greater of:

i) 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;

and

ii) A) *Out-of-the-money position*

The aggregate market value of the put option; plus the lesser of:

I) the daily settlement value of the futures contract less the aggregate exercise value of the put option; or

II) the margin required on the futures contract;

B) *In-the-money or at-the-money position*

I) the aggregate market value of the put option; less

II) the aggregate in-the-money amount of the put option.

e) Conversion or long tripo combination involving equity options and share 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 a share futures contract on the same number of units of trading on the same underlying share 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 contract and the aggregate exercise value of the long put option or the short call option; 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 underlying share, multiplied by the market value of the underlying share.

f) Reconversion or short tripo combination involving equity options and share 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 a share futures contract on the same number of units of trading on the same underlying share 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 option or short put option and the daily settlement value of the short futures contract; 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 underlying share, multiplied by the market value of the underlying share.

~~15712~~9125 ~~Margin offsets~~Index Futures Contract Combinations with Qualifying Baskets of Index Securities and Index Participation Units
(00.00.04)

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;

~~If a long or short position in a basket of equity securities as defined in article 11280 of the Rules is offset by an equivalent number of short or long futures contracts on the S&P/TSE 60 Stock Index,~~ the minimum margin required must be:

i) ~~1.00%,~~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 ~~the S&P/TSE 60 Stock I~~index securities~~,~~;

multiplied by the market value of the qualifying basket of index securities (or index participation units)~~of S&P/TSE 60 Stock Index securities~~.

9126 Index Futures Contract Combinations with Index Options
(00.00.04)

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 (00.00.04)

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 (00.00.04)

~~11202 c)~~ The margin requirements for sponsored options ~~apply to sponsored~~ are the same as the margin requirements for options set out in articles 9101 through 9150, with the following exceptions:

a) ~~11205 a) I~~in the case of pairings involving ~~e~~European-style or cash settlement sponsored options, the required margin must not be less than ~~five percent (~~5%~~)~~ of the underlying security market value~~.~~;

b) ~~11207 e) Furthermore~~for pairings, the units of trading for call ~~and~~ or put sponsored options must represent equivalent units of trading of any other options or an equivalent quantity of the underlying interest~~.~~; and

c) ~~11202 d) I~~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 ~~which~~ whom the capital rules applicable are those defined in articles ~~11226 and following~~9201 through 9300.

Section 9201 - 9300
Capital Requirements on Equity-Related Derivatives

~~11226~~9201 ~~Charges Against Capital~~Exchange Traded Options – General
(00.00.04)

a) With respect to an approved participant account, ~~or to a specialist or~~ a market maker account, ~~of an approved participant or of~~ a restricted trading permit holder account for which ~~an~~ a clearing 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 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) ~~Paragraph b) notwithstanding, the Bourse may impose~~ from time to time the Bourse may impose special capital ~~charges~~ requirements with respect to particular ~~exchange traded~~ options or ~~to~~ particular positions in ~~exchange traded~~ options.

~~11227~~9202~~Capital required - Unpaired l~~Long ~~or short~~ Option ~~p~~Positions ~~in options~~
(00.00.04)

a) For approved participant accounts, ~~S~~subject to paragraph b), the capital required ~~to carry~~for a long ~~call or long put~~option is the market value of the option~~,~~. Where ~~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~~ $1 or more, the capital required for the option may be reduced by 50% of any in-the-money amount associated with the option~~or in the case of T-bill options 20 basis points.~~;

b) ~~W~~where, in the case of ~~stock~~ 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 ~~shall~~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 ~~cash~~ a take-over bid is made for less than 100% of the issued and outstanding securities, the ~~reduced~~ capital requirement ~~shall~~ must be applied pro-rata in the same proportion as the offer, and paragraph a) ~~shall~~ must apply to the balance.

~~11227 c)~~9203 Short Option Positions
(00.00.04)

The minimum capital required which must be maintained in respect of ~~each unpaired put or call~~ an option carried short in an approved participant account ~~shall~~ must be~~, the market value of such option plus an amount in relation to the market value (marking price) of the underlying securities, as follows~~:

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

A) for equity options or equity participation unit options, 15%;

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

minus

ii) any out-of-the-money amount associated with the option.

9204 Covered Option Positions
(00.00.04)

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.

~~11228~~9205~~Capital Required for Paired~~ Option ~~Positions (~~Spreads~~)~~ and Combinations
(00.00.04)

a) Call spreads and put spreads

Where an approved participant account contains one of the following spread ~~a position involved the~~ pairings ~~of~~:

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

the minimum capital required must be the lesser of: ~~is the market value of the long option, 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), if both options were exercised.~~

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) Short call – short put spreads

Where a ~~short~~ call option is carried short for an approved participant's account and the account is also ~~and~~ short a put option on the same number of units of trading on the same underlying interest, ~~are paired~~the minimum capital required must be the greater of: ~~is that required on the put or the call, whichever is greater, under article 11227, plus the loss, if any, on the option having the lesser capital requirement.~~

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 ~~long~~ call option is carried long for an approved participant's account and the account is also ~~and a~~ long a put option on the same number of units of trading on the same underlying interest~~are paired~~, the minimum capital required must be:

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

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

iii) the ~~higher~~ greater of: ~~the following amounts:~~

~~i~~A) ~~either~~ the amount by which ~~excess of~~ the aggregate exercise ~~price~~ value of the put option exceeds ~~over~~ the aggregate exercise ~~price~~ value of the call option; -or

~~ii~~B) ~~either~~ 50% of the total of the amount by which each option is in-the-money.

d) Long call – short call – long put

Where a ~~long~~ call option is carried long for an approved participant's account and the account is also ~~is paired with a~~ short a call option and ~~with a~~ long a put option on the same number of units of trading on the same underlying interest, the minimum capital required ~~is~~must be:

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

ii) 100% of the market value of the long put option; minus ~~less the gain or plus the loss if both call options where exercised.~~

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) ~~11229 c)~~ Short call – long warrant

Where a ~~short~~ call option is ~~paired with~~carried short for an approved participant's account and the account is also long ~~position in~~ a ~~marginable~~ warrant on the same number of units of trading on the same underlying interest~~which is exchangeable into the underlying stock~~, the minimum capital required ~~shall~~ 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) ~~25% of the intrinsic value of the warrant, being~~ the excess of the market value of the ~~underlying security~~warrant over the ~~subscription price~~in-the-money value of the warrant multiplied by 25%;

and

iii) the in-the-money value of the warrant, multiplied by:

A) ~~plus~~ 50%~~ of the excess of the market value of the warrant over its intrinsic value~~, where ~~its~~ the expiration date of the warrant is ~~nine~~ 9 months or more away~~,~~; or

B) ~~but~~ 100%, where ~~its~~ the expiration date of the warrant is less than ~~nine~~ 9 months away~~; plus the excess, if any, of the subscription price over the amount required to exercise the option~~.

~~However, t~~The ~~excess of the~~ market value of the short~~ed~~ call option may be used to reduce ~~over~~ the capital required on the long warrant, ~~subject position may not be used to~~but cannot reduce the capital required ~~on another position~~to less than zero.

~~112299~~206~~Capital Required for Paired Positions in Underlying Securities and Short~~ Options and Security Combinations
(00.00.04)

a) Short call – long underlying (or convertible) combination

Where, in the case of equity or equity participation unit options, a ~~short~~ call option is carried short in an approved participant's account and the account is also ~~paired with a~~ long an equivalent position in the underlying ~~security~~ interest or ~~a short put is paired with a short underlying security,~~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 ~~is~~must be the sum of:

i) A) the normal capital required on the underlying interest; minus

B) if any, the in-the-money value associated with the call option;

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:

i) the normal capital required on the underlying interest; minus

ii) if any, the in-the-money value associated with 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) ~~11230Capital Required for Paired Positions in Underlying Securities and Long Options~~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 ~~a~~ short an equivalent position in ~~an~~ the underlying interest~~stock, bond or stock basket is paired with a long call for the appropriate~~

~~underlying security, or where a long position in an underlying stock, bond or stock basket is paired with a long put on the same underlying security~~, the minimum capital required must be the sum of:

i) ~~is~~ 100% of the market value of the call option~~, plus~~; and

ii) the lesser of~~ the following amounts~~:

A) ~~the amount by which the option is~~any out-of-the-money value associated with the call option; or

B) the normal capital required on the underlying interest.

~~Note: The amount by which~~Where the call option is in-the-money, ~~if any,~~this in-the-money value may be ~~used to reduce~~applied against the capital required, but cannot reduce the capital required to less than zero~~up to the market value of the long option~~.

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) ~~11232Capital Required on "~~Conversion~~s"~~ 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 ~~a~~ long an equivalent position in put options and ~~is paired with a~~ short an equivalent position in call options~~and a long position in the underlying security~~, the minimum capital required ~~is~~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 ~~loss~~ or minus, between the market value of the underlying interest and the aggregate ~~the profit which may result from the~~ 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) ~~11231Capital Required on "~~Reconversion~~s"~~ 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 ~~is paired with a~~ short an equivalent position in put options~~and a short position in the underlying security~~, the minimum capital required ~~is~~must be:

i) 100% of the market value of the call option~~s,~~; minus

ii) 100% of the market value of the short put options; plus

iii) the difference, plus ~~the loss~~ or minus ~~the profit~~, between the aggregate ~~which may result from the~~ 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.

~~115019~~9207~~Multiple~~ Option Spreads ~~Combinations i~~Involving ~~S&P/TSE 60 Stock~~ Index ~~Options~~Products
(00.00.04)

In addition to the option spreads permitted in article 9205, the following additional option spread strategies are available for positions in index options and index participation unit options:

a) Box ~~S~~spread ~~involving S&P/TSE 60 Stock Index Options~~

Where an approved participant account contains one of the following box spread combinations:

- box spread involving index options; or
- box spread involving index participation unit options;

such that a~~n~~ ~~member~~ approved participant holds a long and short ~~S&P/TSE 60 Stock Index~~ call option and a long and short ~~S&P/TSE 60 Stock Index~~ put option with the same expiry month 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 ~~charge~~ required must be the lesser of:

i) the difference, plus or minus, between the aggregate exercise ~~price~~ value of the long call options and the aggregate exercise ~~price~~ value of the long put options~~,~~; and ~~multiplied by the unit of trading, plus~~

ii) the net market value of the options.

b) Long ~~B~~butterfly ~~S~~spread ~~involving S&P/TSE 60 Stock Index Options~~

Where an approved participant account contains one of the following butterfly spread combinations:

- long butterfly spread involving index options; or

- long butterfly spread involving index participation unit options;

such that ~~member~~ an approved participant holds a short position in two ~~S&P/TSE 60 Stock Index~~ call options (or put options) and the short call~~s~~ options (or short put~~s~~ options) are at a middle strike price and are flanked on either side by a long ~~S&P/TSE 60 Stock Index~~ call option (or long put option) having respectively a lower and higher strike price ~~respectively~~, the minimum capital required must be the net market value of the short and long call~~s~~ options (or put~~s~~ options).

c) Short ~~B~~butterfly ~~S~~spread ~~involving S&P/TSE 60 Stock Index Options~~

Where an approved participant account contains one of the following butterfly spread combinations:

- short butterfly spread involving index options; or

- short butterfly spread involving index participation unit options;

such that an ~~member~~ approved participant holds a long position in two ~~S&P/TSE 60 Stock Index~~ call~~s~~ options (or put options) and the long call~~s~~ options (or long put~~s~~ options) are at a middle strike price and are flanked on either side by a short ~~S&P/TSE 60 Stock Index~~ call option (or short put option) having respectively a lower and higher strike price ~~respectively~~, the minimum capital required must be the amount, if any, by which the exercise ~~price~~ value of the long call~~s~~ options (or long put~~s~~ options) exceeds the exercise ~~price~~ value of the ~~written~~ short call~~s~~ options (or ~~written~~ short put~~s~~ options)~~, multiplied by the unit of trading~~.

~~115069~~9208~~S&P/TSE 60 Stock IPU options offset with S&P/TSE 60 Stock~~ Index ~~o~~Options and Index Participation Unit Option Spread Combinations
(00.00.04)

a) ~~Long S&P/TSE 60 Stock IPU calls – Short S&P/TSE 60 Stock Index calls~~Call spread combinations and put spread combinations

Where an ~~member~~ 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;

~~holds a long position in S&P/TSE 60 Stock IPU call options offset by an equivalent number of short S&P/TSE 60 Stock Index call options~~ the minimum capital required must be the lesser of ~~paragraphs i) or ii), as follows~~:

i) ~~a)~~ the capital ~~otherwise~~ required on the short ~~calls, plus~~option; and

~~b) the capital otherwise required on the long calls, or~~

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.

~~but in no case may the capital required be less than 1% of the market value of the underlying S&P/TSE 60 Stock IPUs.~~

b) ~~Short S&P/TSE 60 Stock IPU puts – Short S&P/TSE 60 Stock Index calls~~Short call – short put spread combinations

Where an ~~member~~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;

~~holds a short position in S&P/TSE 60 Stock IPU put options offset by an equivalent number of short S&P/TSE 60 Stock Index call options,~~ 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
(00.00.04)

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) A) the normal capital required on the qualifying basket of index securities (or index participation units); minus

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

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) A) the normal capital required on the qualifying basket of index securities (or index participation units); minus

B) if any, the in-the-money value associated with 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
(00.00.04)

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)

~~158759~~9221~~Capital Requirements~~Exchange Traded Futures Contracts – General ~~Provisions~~
(00.00.04)

a) With respect to an account of an ~~A~~approved ~~P~~participant, ~~account or to a~~ market-maker ~~account of an Approved Participant~~, or ~~of a~~ restricted trading permit holder for which a clearing ~~A~~approved ~~P~~participant has issued a letter of guarantee, the ~~Exchange has~~ Bourse may establish~~ed~~ certain charges against the capital ~~requirements~~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) 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;

c) ~~The Exchange may impose~~ from time to time the Bourse may impose special capital requirements with respect to particular ~~Exchange traded share~~ futures contracts or ~~to~~ particular positions in ~~Exchange traded share~~ futures contracts.

9222 Simple or Spread Positions in Futures Contracts
(00.00.04)

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.

~~15878~~9223~~Capital Requirements for Paired Positions in Underlying Securities and~~ Share Futures Contracts and Security Combinations
(00.00.04)

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 ~~position in a~~ share futures contract ~~is paired with~~ and long an equivalent position in the underlying share~~,~~;

~~no capital charge will be required~~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 ~~A~~approved ~~P~~participant~~, market-maker of an Approved Participant or restricted permit holder for which a clearing Approved Participant has issued a Letter of Guarantee,(i)~~holds a short share futures contract on the shares of an issuer~~;~~ and~~(ii)holds~~ a long position in securities which are currently convertible or exchangeable into the same class and at least the same number of shares ~~referred to in clause (i)~~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 ~~A~~approved ~~P~~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 ~~A~~approved ~~P~~participant~~, market-maker of an Approved Participant or restricted permit holder for which a clearing Approved Participant has issued a Letter of Guarantee,(i)~~ holds a short share futures contract on the shares of an issuer~~;~~ and~~(ii)holds~~ 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 ~~referred to in clause (i)~~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

Where an ~~A~~approved ~~P~~participant~~, market-maker of an Approved Participant or restricted permit holder for which a clearing Approved Participant has issued a Letter of Guarantee, or a customer~~ holds a long position in capital shares ~~paired with~~and a short share futures contract, the ~~margin~~ capital required is ~~the following:(i)~~the ~~margin~~ capital as prescribed in ~~A~~article 7202A 2) a)~~ of the Rules of the Exchange~~.

~~For the purpose of the present article, i~~In no case, the ~~margin~~ capital required ~~may~~ shall be less than 3% of the settlement value of the share futures contract.

~~NOTE:~~The market value of the underlying security to be used for the calculation of the required ~~margin~~ capital pursuant to article 7202A 2) a) ~~of the Rules of the Exchange~~ is the settlement value of the share futures contract.

~~158779~~9224~~Capital Requirements for Paired~~ Share Futures Contracts ~~Positions~~ Combinations with ~~Stocks~~ Equity Options
(00.00.04)

With respect to equity options and share futures contracts held in approved participants 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, the option contracts and the futures contracts may be offset as follows:

a) Short equity call options – long share futures contracts

Where a call option is carried short for an approved participant's account and the account is also long a share futures contract on the same number of units of trading on the same underlying share, the minimum capital required must be the greater of:

i) A) the capital required on the futures contract; less

B) the aggregate market value of the call option;

and

ii) the published tracking error margin rate for a spread between the futures contract and the related share, multiplied by the market value of the underlying share.

b) Short equity put options – short share futures contracts

Where a put option is carried short for an approved participant's account and the account is also short a share futures contract on the same number of units of trading on the same underlying share, the minimum capital required must be the greater of:

i) A) the capital required on the futures contract; less

B) the aggregate market value of the put option;

and

ii) 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.

c) Long equity call options – short share futures contracts

Where a call option is carried long for an approved participant account and the account is also short a share futures contract on the same number of units of trading on the same underlying share, the minimum capital required must be the greater of:

i) 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;

and

ii) A) *Out-of-the-money position*

The aggregate market value of the call option; plus the lesser of:

I) the aggregate exercise value of the call option less the daily settlement value of the futures contract; or

II) the capital required on the futures contract;

B) *In-the-money or at-the-money position*

I) the aggregate market value of the call option; less

II) the aggregate in-the-money amount of the call option.

d) Long equity put options – long share futures contracts

Where a put option is carried long for an approved participant's account and the account is also long a share futures contract on the same number of units of trading on the same underlying share, the minimum capital required must be the greater of:

i) 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;

and

ii) A) *Out-of-the-money position*

The aggregate market value of the put option; plus the lesser of:

I) the daily settlement value of the futures contract less the aggregate exercise value of the put option; or

II) the capital required on the futures contract;

B) *In-the-money or at-the-money position*

I) the aggregate market value of the put option; less

II) the aggregate in-the-money amount of the put option.

e) Conversion or long tripo combination involving equity options and share 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 a share futures contract on the same number of units of trading on the same underlying share 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 contract and the aggregate exercise value of the long put option or the short call option; 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 underlying share, multiplied by the market value of the underlying share.

f) Reconversion or short tripo combination involving equity options and share 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 a share futures contract on the same number of units of trading on the same underlying share 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 option or short put option and the daily settlement value of the short futures contract; 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 underlying share, multiplied by the market value of the underlying share.

~~115119~~9225~~S&P/TSE 60 Stock~~ Index Futures ~~c~~Contracts Combinations with Qualifying ~~offset with a b~~Baskets of ~~S&P/TSE 60 Stock~~Index Securities and Index Participation Units (00.00.04)

Where an ~~member~~ approved participant account contains one of the following futures contracts related combinations: ~~holds a long or short position in a basket of equity securities as defined in article 11280 of the Rules of the Exchange offset by an equivalent number of short or long S&P/TSE 60 Stock Index Futures contracts listed on the Exchange,~~

- 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) ~~1.00%~~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 ~~S&P/TSE 60 Stock I~~index securities~~,~~;

multiplied by the market value of the qualifying basket of index securities (or index participation units)~~of S&P/TSE 60 Stock Index securities~~.

~~11509~~9226~~S&P/TSE 60 Stock Index options offset with S&P/TSE 60 Stock~~ Index Futures ~~c~~Contract~~s~~ Combinations with Index Options
(00.00.04)

With respect to offsets between ~~S&P/TSE 60 Stock I~~index ~~O~~options, index participation unit options and ~~S&P/TSE 60 Stock I~~index ~~F~~futures contracts ~~traded on the Exchange~~ held in ~~member and market maker~~approved participant accounts, ~~where~~ the ~~S&P/TSE 60 Stock Index O~~options contracts and the ~~S&P/TSE 60 Stock Index F~~futures contracts must have the same settlement date, or ~~S&P/TSE 60 Stock Index Options contracts and the S&P/TSE 60 Stock Index Futures contracts~~ can be settled in either of the two nearest contract months, and no partial offsets are permitted. ~~the S&P/TSE 60 Stock Index Options and the S&P/TSE 60 Stock Index Futures contracts may be offset as follows:~~

a) **~~11509 A)~~ Short index call options or short index participation unit call options – ~~L~~long ~~S&P/TSE 60 Stock I~~index ~~F~~futures contracts ~~Short S&P/TSE 60 Stock Index calls~~**

Where an ~~member~~ approved participant account contains one of the following futures contracts and options related combinations: ~~holds a long position in S&P/TSE 60 Stock Index Futures contracts offset by an equivalent number of short S&P/TSE 60 Stock Index call options,~~

- 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 ~~otherwise~~ required on the ~~long S&P/TSE 60 Stock Index F~~futures contracts~~,~~; less

B) the aggregate market value of the ~~short S&P/TSE 60 Stock Index~~ 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) **~~11509 D) Short S&P/TSE 60 Stock Index Futures contracts –~~ Short ~~S&P/TSE 60 Stock I~~index put~~s~~ options or short index participation unit put options – short index futures contracts**

Where an ~~member~~ approved participant account contains one of the following futures contracts and options related combinations: ~~holds a short position in S&P/TSE 60 Stock Index Futures contracts offset by an equivalent number of short S&P/TSE 60 Stock Index put options,~~

- 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 ~~otherwise~~ required on the ~~short S&P/TSE 60 Stock Index F~~futures contracts~~,~~; less

B) ~~ii)~~the aggregate market value of the ~~short S&P/TSE 60 Stock Index~~ 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) ~~11509 C) Short S&P/TSE 60 Stock Index Futures contracts –~~ Long ~~S&P/TSE 60 Stock I~~index call~~s~~ options or long index participation unit call options – short index futures contracts

Where an ~~member~~ approved participant account contains one of the following futures contracts and options related combinations: ~~holds a short position in S&P/TSE 60 Stock Index Futures contracts offset by an equivalent number of long S&P/TSE 60 Stock Index call options,~~

- 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) ~~T~~the aggregate exercise value of the ~~long S&P/TSE 60 Stock Index~~ call options, less the daily settlement value of the ~~short S&P/TSE 60 Stock Index F~~futures contracts~~,~~; or

II) ~~to a maximum of~~ the capital required on ~~unhedged S&P/TSE 60 Stock Index~~the ~~F~~futures contracts~~,~~; ~~plus the market value of the S&P/TSE 60 Stock Index call options.~~

B) *In-the-money or at-the-money position*

I) ~~T~~the ~~amount by which the~~ aggregate market value of the ~~S&P/TSE 60 Stock Index~~ call options; less

II) ~~exceeds~~ the aggregate in-the-money amount of the ~~S&P/TSE 60 Stock Index~~ call options.

d) ~~11509 B) Long S&P/TSE 60 Stock Index Futures contracts –~~ Long ~~S&P/TSE 60 Stock I~~index puts options or long index participation unit put options – long index futures contracts

Where an ~~member~~ approved participant account contains one of the following futures contracts and options related combinations: ~~holds a long position in S&P/TSE 60 Stock Index Futures contracts offset by an equivalent number of long S&P/TSE 60 Stock Index put options,~~

- 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) ~~T~~the daily settlement value of the ~~long S&P/TSE 60 Stock Index F~~futures contracts, less the aggregate exercise value of the ~~long S&P/TSE 60 Stock Index~~ put options~~,~~; or

II) ~~to a maximum of~~ the capital required on the ~~S&P/TSE 60 Stock Index F~~futures contracts~~,~~; ~~plus the market value of the S&P/TSE 60 Stock Index put options.~~

B) *In-the-money or at-the-money position*

I) ~~T~~the ~~amount by which the~~ aggregate market value of the ~~S&P/TSE 60 Stock Index~~ put options; less

II) ~~exceeds~~ the aggregate in-the-money amount of the ~~S&P/TSE 60 Stock Index~~ put options.

e) ~~11509 E)~~ Conversion or ~~L~~long ~~T~~tripo combination involving index options or index participation unit options and index futures contracts

Where an ~~member~~ approved participant account contains one of the following tripo combinations: ~~holds a long position in S&P/TSE 60 Stock Index Futures contracts offset by an equivalent number of long S&P/TSE 60 Stock Index put options and short S&P/TSE 60 Stock Index call options with the same expiry,~~

- 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 ~~S&P/TSE 60 Stock Index F~~futures contracts and the aggregate exercise value of the long put~~s~~ options or the short call~~s~~ 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) ~~11509 F)~~ Reconversion or ~~S~~short ~~T~~tripo combinations involving index options or index participation unit options and index futures contracts

Where an ~~member~~approved participant account contains one of the following tripo combinations: ~~holds a short position in S&P/TSE 60 Stock Index Futures contracts offset by an equivalent number of long S&P/TSE 60 Stock Index call options and short S&P/TSE 60 Stock Index put options with the same expiry,~~

- 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 ~~S&P/TSE 60 Stock Index~~ call options or short ~~S&P/TSE 60 Stock Index~~ put options and the daily settlement value of the short ~~S&P/TSE 60 Stock Index F~~futures contracts~~,~~; plus

B) the aggregate net market value of the ~~long S&P/TSE 60 Stock Index call options and the short S&P/TSE 60 Stock Index~~ 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 (00.00.04)

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 (00.00.04)

~~11226 h)~~ The capital requirements for sponsored options ~~apply to sponsored~~are the same as the capital requirements for options set out in articles 9201 through 9250, with the following exceptions~~.~~:

a) ~~11228 d)~~ In the case of pairings involving European-style or cash settlement sponsored options, the required capital must not be less than ~~five percent (~~5%~~)~~ of the underlying security market value~~.~~;

b) ~~11228 d) In the case of sponsored options~~For pairings, the units of trading for call ~~and~~ 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 on Interest Rate Related Derivatives

[Article 9301 is copied from articles 11201 to 11209]

9301 Exchange Traded Options - General
(00.00.04)

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

b) ~~For other than inventory positions,~~ all opening ~~writing~~ selling transactions and resulting short positions ~~shall~~ must be carried in a margin account;

c) each 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) ~~When in an account there are:~~

~~i) long Exchange-traded options and short OCC option, or~~

~~ii) short Exchange-traded options and a long OCC option;~~

~~and the Exchange-traded~~where a client account holds both options and ~~the~~ OCC options that have the same underlying ~~value~~interest, ~~than for margin calculation purposes,~~ the OCC options may be considered ~~as Exchange-traded~~to be options for the purposes of the calculation of the margin requirements for the account under the provisions of this section~~.~~;

e) ~~Paragraph d) notwithstanding, the Exchange may impose~~ from time to time the Bourse may impose special margin requirements with respect to particular ~~Exchange traded~~ options or ~~to~~ particular positions in ~~Exchange traded~~ options.

~~11202~~9302 Long Option Positions ~~in Options~~
(00.00.04)

~~a) Subject to b), a~~All purchases of options ~~shall~~ must be for cash and long positions shall have no value for margin purposes.

~~11203~~9303~~Margin Required for Simple~~ Short Option Positions
(00.00.04)

a) The ~~amount of~~minimum margin requirement which must be maintained in respect of ~~each unpaired put or call~~an option carried short~~, shall~~ in a client account must be~~, the market value of such options plus an amount in relation to the market value (marking price) of the underlying value, as follows~~:

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) underlying interest maturing over 10 years, 3%;
B) underlying interest maturing over 3 years to 10 years, 1.75%; or
C) underlying interest maturing in 3 years or less, 1%;

minus

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

b) Paragraph ~~A~~a) notwithstanding, the minimum ~~of~~ margin require~~d~~ment which must be maintained and carried in a client account trading in options must not be less than ~~is the market value of the option plus, an amount in relation to the market value (marking price) of the underlying value, as follows~~:

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 interest.

~~112039~~9304 Covered Option Positions
(00.00.04)

a) ~~1.~~No margin is required for a call option carried short in a client's account which is ~~C~~covered, ~~in the case of short calls on underlying stocks, bonds, treasury bills or indices,~~ by the deposit of an escrow receipt ~~issued by a depository approved for that purpose~~. The underlying interest 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 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) ~~2.~~no margin is required for a put option carried short in a client's account which is ~~C~~covered, ~~in the case of short puts on underlying stocks, bonds, treasury bills or indices, by a letter of guarantee or~~ by ~~a~~ the deposit~~ory~~ of an escrow receipt ~~for puts issued by a depository approved for that purpose. A depository receipt for puts must certify~~which certifies that acceptable ~~G~~government securities are being held by the ~~depository to serve as margin for put positions of a named~~issuer of the escrow receipt for the account of the client. ~~For purposes of the present paragraph, the allowable~~The acceptable ~~G~~government securities held on deposit: ~~shall mature within one year of their deposit and the aggregate exercise value of the short put covered by them will not be greater than 90% of the par value of such securities held on deposit. All Government securities which are acceptable forms of margin for the Canadian Derivatives Clearing Corporation are acceptable.~~

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.

~~112059~~9305~~Margin Required for Paired Option Positions (Spreads, etc.)~~Options Spreads and Combinations
(00.00.04)

a) Call spreads and put spreads

~~Except in the case of Treasury bill options, where the short option expires on or before the expiration date of the long option, in a pairing of~~Where a client account contains one of the following spread pairings:

- ~~a short~~long call option and ~~a long~~short call option; or ~~of,~~

- ~~a short~~long put option and ~~a long~~short put option;

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

i) the margin required on the short option; or

ii) the spread loss amount, if any, ~~which~~ that would result ~~from the difference between the exercise prices of the short and long option~~ if both options were exercised.

b) Short call – short put spreads

~~Except in the case of Treasury bill options, w~~Where a ~~short~~ call option is carried short for a client's account and the account is also ~~and~~ short a put option on the same number of units of trading on the same underlying interest~~are paired~~, the minimum margin required ~~is that required on the put or the call, whichever is greater, under article 11203 a) or b), plus the loss on the option having the lesser margin requirement.~~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.

~~11206~~9306~~Margin Required for Paired Positions in Underlying Securities and Short~~ Option~~s~~ and Security Combinations
(00.00.04)

a) Short call – long underlying 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 ~~against~~ an equivalent ~~long~~ position in the underlying ~~stock or~~ bond, the minimum margin required must be the lesser of:

i) ~~for each short call shall be~~ the margin required on the ~~long position required (pursuant to articles 7202 or 7204),~~underlying bond; or

ii) the margin required on the underlying bond based ~~either~~ on the ~~market price of such underlying stock or bond or on the~~ exercise price of the ~~short~~ call option~~whichever is lower~~.

~~NOTE:~~ For purposes of this Rule, ~~1)«~~" 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 combination

~~w~~Where, in the case of bond options, a put option is carried short in a client's account and the account is also ~~against an equivalent~~ short an equivalent position in the underlying ~~stock, or~~ 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 ~~short put shall be considered fully margined, provided that the short securityposition is fully margined (pursuant to articles 7202 and 7204), using the greater of market price or~~ exercise price of the put option.

c) ~~11207Margin Required for Paired Positions in Underlying Securities and~~ Long ~~Options~~call – short underlying combination

Where, in the case of bond options, a ~~short position in an option underlying stock, bond, metal or treasury bill is offset by a long~~ call option is carried long in a client's account and the account is also short an equivalent position in the ~~on a same~~ underlying ~~security~~bond, the minimum margin required ~~is~~must be the sum of:

i) 100% of the market value ~~the acquisition cost~~ of the call option; ~~plus~~and

ii) the lesser of:

   A) the aggregate exerci~~c~~se ~~price~~ value of the ~~long~~ call option~~multiplied by the unit of trading~~; or

   B) the normal margin required on the ~~short position~~underlying bond.

d) Long put – long underlying combination

Where, in the case of bond options, a ~~long position in an underlying bond or metal is offset by a long~~ put option is carried long in a client's account and the account is also long an equivalent position in the ~~on the same~~ underlying bond ~~or metal~~, the minimum margin required ~~is~~must be the sum of:

i) 100% of the market value ~~the acquisition cost~~ of the put option; ~~plus~~and

ii) ~~one half~~50% of the margin required on the ~~long position in the~~ underlying bond ~~or metal pursuant to articles 7204 or 7208~~; ~~plus~~and

iii) ~~the amount by which the put is~~any out-of-the-money value associated with the put option, up to the amount determined in ~~sub-paragraph 11207 b)~~ ii) above.

9307 – 9310 (reserved)

~~11213~~9311Long ~~Positions on~~ Option~~s~~ on Futures Contracts Positions
(00.00.04)

All purchases of options ~~shall~~ must be for cash and long positions shall have no loan value for margin purposes.

~~11214~~9312~~Margin Required for Simple~~ Short ~~Positions on~~ Option on Futures Contracts Positions
(00.00.04)

The ~~amount of~~minimum margin requirement which must be maintained in respect of ~~each unpaired put or call~~an option carried short ~~shall~~ in a client account must be:

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

ii) the greater of:

A) 50% of the normal margin required on the underlying futures contract ~~(futures speculator or hedger rate, as the case may be)~~; ~~and~~or

B) the normal margin required on the underlying futures contract less ~~half~~ 50% of the amount by which the option is out-of-the-money.

~~11215~~9313~~Margin Required for Paired~~ Option~~s~~ ~~Positions~~ on Futures Contracts Spreads and Combinations
(00.00.04)

a) Call spreads and put spreads

i) Where a client account contains one of the following spread pairings: ~~short option expires on the same expiration date as a long option in a pairing of~~

- ~~a~~ long call ~~with a lower exercise price than a~~option and short call option with the same or higher exercise price; or

- ~~a~~ long put ~~with a higher exercise price than a~~option and short put option with the same or lower exercise price;

the minimum margin required ~~is the net amount of the premiums.~~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: ~~short option expires on the same expiration date as a long option in a pairing of~~

- ~~a~~ long call option and ~~with a higher exercise price than a~~ short call option with a lower exercise price; or
- ~~a~~ long put option and ~~with a lower exercise price than a~~ short put option with a higher exercise price;

the minimum margin required for the spread pairing must be the sum of:

A) ~~is~~ the ~~lower~~ lesser of:

I) the loss ~~which~~ amount that would result ~~from the difference between the exercise price of the short and long option~~ 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 ~~short~~ call option is carried short for a client's account and the account is also ~~and a~~ short a put option~~are paired~~, the minimum margin required must be the sum of:

i) the greater of:

A) the margin ~~is that~~ required on ~~the put or~~ the call option~~,~~ ~~whichever is greater under article 11214,~~; or

B) the margin required on the put option;

and

ii) ~~plus~~ the loss amount that would result if ~~on~~ the option having the lesser margin ~~requirement~~required was exercised.

9314 – 9320 (reserved)

(Article 9121 is reproduced in article 9321)
~~15851~~9321Exchange traded futures contracts – General ~~Provisions~~
(00.00.04)

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

~~[article 15711] Margin Requirements~~

b) ~~M~~margin requirements established by the ~~Exchange~~ Bourse may be made applicable to one or more rather than all ~~members~~ approved participants or clients if deemed necessary by the ~~Exchange~~Bourse~~.~~;

c) ~~F~~for clients, the margin requirements ~~set out in this article~~ 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 ~~of the Rules~~, equals or exceeds the margin required ~~by this article~~. In the case of a margin receipt, the receipt must certify that ~~G~~government securities are held for futures contracts 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 ~~G~~government securities which are an acceptable form of margin for the ~~Canadian Derivatives~~ ~~C~~clearing ~~C~~corporation are ~~allowable~~acceptable~~.~~;

d) from time to time, ~~T~~the ~~Exchange~~ Bourse may impose ~~from time to time~~ special margin requirements with respect to particular ~~Exchange traded shares~~ futures contracts or ~~to~~ particular positions in ~~Exchange traded share~~ futures contracts.

[First paragraph of article 15511]
9322 ~~Margin Requirements~~Simple or Spread Positions in Futures Contracts
(00.00.04)

The margin requirements which must be ~~effective~~ applied on all positions in ~~Canadian bankers' acceptance~~ futures contracts held ~~by a member or on behalf of its clients~~in a client's account are determined by the ~~Exchange~~Bourse, in collaboration with the ~~C~~clearing ~~House~~corporation, from time to time.

[Par. B) of art. 7204A is reproduced and par. C) is transferred in art. 9323]

9323 Futures Contracts and Security Combinations
(00.00.04)

~~C)Furthermore~~With respect to futures contracts and securities held in a client's account, the ~~offsets~~ combinations described ~~above~~ in paragraphs ~~A~~a) ~~and~~to ~~B~~c) may only apply if the following requirements are complied with:

i) 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;

ii) securities in offsetting positions must be denominated in the same currency;

iii) securities in offsetting positions must mature within the same periods referred to in article 7204 for the purpose of determining margin rates;

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; and

v) securities in offsetting positions used in the calculation must represent an equivalent maturity value.

a) ~~B)~~Bond futures contracts combinations with Group I securities

Where a client ~~an approved participant, a market maker or a restricted trading permit holder holds~~account contains one of the following combinations:

- ~~a~~ long~~/short position in a~~ 5 year (CGF) or 10 year (CGB) notional Government of Canada ~~B~~bond futures contracts ~~listed on the Bourse against a~~and short~~/long~~ a position ~~in securities~~ of ~~the~~ Government of Canada securities (including future purchase and sale commitments), as described in Group I of article 7204 ~~of the Rules of the Bourse,~~; or

- short 5 year (CGF) or 10 year (CGB) notional Government of Canada bond futures contracts and long a position of Government of Canada securities (including future purchase and sale commitments) as described in Group I of article 7204;

and where the securities of the Government of Canada are maturing within 3 to 11 years, the two positions may be offset and the minimum margin required ~~margin is the margin calculated~~ must be the margin required on the net long or short position~~;~~.

b) Bond futures contracts combinations with Group II, Group III or Group V securities

Where a client account contains one of the following combinations:

- ~~b) a~~ long~~/short~~ ~~position in a~~ 5 year (CGF) or 10 year (CGB) notional Government of Canada ~~B~~bond futures contracts ~~listed on the Bourse against a~~and short~~/long~~ a position ~~in securities by~~

of a Province of Canada securities~~,~~ as described in Group II, or of a municipality of Canada securities~~,~~ as described in Group III, or of a corporation securities~~,~~ as described in Group V of article 7204 ~~of the Rules of the Bourse~~ (including future purchase and sale commitments)~~,~~; or

- short 5 year (CGF) or 10 year (CGB) notional Government of Canada bond futures contracts and long a position of a Province of Canada securities as described in Group II, or of a municipality of Canada securities as described in Group III, or of a corporation securities as described in Group V of article 7204 (including futures purchase and sale commitments);

and where the securities of the Province of Canada or the municipality of Canada or the corporation are maturing within 3 to 11 years, the minimum margin required in respect of both positions must be the greater of the margin required on the long or short position~~;~~.

c) Canadian bankers' acceptance futures contracts combinations with bankers' acceptance

Where a client account contains one of the following combinations:

- ~~c) a~~ long~~/short position in a~~ 3-month Canadian bankers' acceptance (BAX) futures contracts ~~listed on the Bourse against~~ and short~~/long~~ a position in a bankers' acceptance issued by a Canadian chartered bank~~,~~; or

- short 3-month Canadian bankers' acceptance (BAX) futures contracts and long a position in a bankers' acceptance issued by a Canadian chartered bank;

the minimum margin required in respect of both positions must be the greater of the margin required on the long or short position.

~~11212~~9324~~Margin required Bond Options paired with~~ Bond Futures Contracts Combinations with Bond Options
(00.00.04)

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 ~~To be acceptable for pairing the Canada bond futures should be~~ in either ~~one~~ 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~~.~~:

~~C~~a) Long bond options combinations with bond futures contracts

Where a client account contains one of the following combinations:

- ~~short future is paired with a~~ long call options and short an equivalent face value at maturity of futures contracts; or

- ~~where a long future is paired with a~~ long put options and long an equivalent face value at maturity of futures contracts~~,~~;

the minimum margin required ~~is~~must be:

i) ~~Where the option is 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 ~~by which~~ of the option ~~is in the money~~.

ii) ~~Where the option is o~~Out-of-the-money position:

A) the market value of the option; plus

B) the margin required on the futures ~~minus the lesser of:~~contract; less

C) ~~a)$500; and b)~~the ~~result~~ excess of $500 over the out-of-the-money ~~minus the~~ amount ~~by which~~of the option ~~is out of the money~~.

~~B~~b) Short bond options combinations with bond futures contracts

Where a client account contains one of the following combinations:

- short call ~~is paired with a~~options and long an equivalent face value at maturity of futures contracts; or
- ~~where a~~ short put ~~is paired with a~~options and short an equivalent face value at maturity of futures contracts~~,~~;

the minimum margin required ~~is~~ must be the margin required on the futures contracts.

~~E~~c) Conversion or long tripo combination involving bond options and bond futures contracts

Where a ~~long~~ put ~~is paired with a~~option is carried long for a client's account and the account is also short a call ~~on the same underlying bond and with a~~option and long an equivalent face value at maturity of futures contracts, the minimum margin required ~~is~~must be the greater of:

i) A) ~~the market value of the long put plus the loss or minus the profit which may result from the exercise of the put option.~~ 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) ~~The margin required cannot be lower than~~ $500.

~~D~~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 ~~is paired with a short put on the same underlying bond and with a~~option and short an equivalent face value at maturity of futures contracts, the minimum margin required ~~is~~must be the greater of:

i) A) ~~the market value of the long call plus the loss or minus the profit, which may result from the exercise of the call option.~~ 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) ~~The margin required cannot be lower than~~ $500.

~~112179~~325~~Margin Required for Paired Positions on~~ Futures Contracts ~~and Long~~Combinations with Options on Futures Contracts
(00.00.04)

a) ~~11217~~Long options on futures contracts combinations with futures contracts

Where a client account contains one of the following combinations:

- long call ~~is offset by~~options and short an equivalent ~~short~~ position in futures contracts; or
- ~~where a~~ long put ~~is offset by~~options and long an equivalent ~~long~~ position in ~~a~~ futures contracts;

the minimum margin required ~~is~~ must be the greater of:

i) the aggregate market value of the long options; or

ii) the margin required on the futures contracts.

b) ~~11216~~Short options on futures contracts combinations with futures contracts

Where a client account contains one of the following combinations:

- short call ~~is carried short against~~options and long an equivalent ~~long~~ position in ~~a~~ futures contracts; or
- ~~where a~~short put ~~is carried short against~~options and short an equivalent ~~short~~ position in ~~a~~ futures contracts;

the minimum margin required ~~is equal to~~must be:

i) the aggregate market value of the short options; plus

ii) the greater of:

A) 50% of the margin required on the ~~underlying~~ futures contracts~~ (futures speculator or hedger rate, as the case may be)~~; ~~and~~or

B) the excess of the margin required on the ~~underlying~~ futures contracts ~~less half~~over 50% of the ~~amount by which~~in-the-money amount of the option~~ is in the money~~.

9326 – 9350 (reserved)

Section 9401 - 9500
Capital Requirements on Interest Rate Related Derivatives

~~11226~~9401~~Charges Against Capital~~Exchange Traded Options – General
(00.00.04)

a) With respect to an approved participant account ~~or to a specialist~~ or market maker account ~~of an approved participant~~, 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 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;

~~c~~e) ~~Paragraph b) notwithstanding, the Bourse may impose~~ from time to time the Bourse may impose special capital ~~charges~~ requirements with respect to particular ~~exchange traded~~ options or ~~to~~ particular positions in ~~exchange traded~~ options~~.~~;

f) ~~I~~in the pairing described in articles ~~11228 to 11233~~9405, 9406 and 9424, 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 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 ~~11228 to 11233 of Rule Eleven~~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 options were exercised.

~~11227~~9402~~Capital required - Unpaired l~~Long ~~or short~~Option ~~p~~Positions ~~in options~~
(00.00.04)

~~A)Subject to B)~~For approved participant accounts, the capital required ~~to carry~~for a long ~~call or long put~~option is the market value of the option~~,~~. ~~but this amount may be reduced by 50% of the amount by which~~Where the option ~~is in the money when the~~ premium is ~~equal to or greater than~~ $1 or more, ~~or in the case of T-bill options 20 basis points~~the capital required for the option may be reduced by 50% of any in-the-money amount associated with the option.

9403 Short Option Positions
(00.00.04)

~~11227 C)~~The capital required which must be maintained in respect of ~~each unpaired put or call~~an option carried short in an approved participant account~~,~~ ~~shall~~ must be~~, the market value of such option plus an amount in relation to the market value (marking price) of the underlying securities, as follows~~:

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

A) underlying interest maturing over 10 years, 3%;
B) underlying interest maturing over 3 years to 10 years, 1.75%;
C) underlying interest maturing in 3 years or less, 0.50%;

minus

ii) ~~the amount by which the option is~~any out-of-the-money amount associated with the option.

(Article 9204 is reproduced hereunder)
9404 Covered Option Positions
(00.00.04)

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.

~~112289~~405~~Capital Required for Paired~~ Options ~~Positions (~~Spreads~~)~~ and Combinations
(00.00.04)

a) Call spreads and put spreads

Where an ~~position involved the~~approved participant account contains one of the following spread pairings ~~of~~:

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

the minimum capital required ~~is~~ 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 ~~short~~ call option is carried short for an approved participant's account and the account is also short a ~~and short~~ put ~~are paired~~option on the same number of units of trading on the same underlying interest, the minimum capital required ~~is~~ must be:

i) the greater of:

A) ~~that~~ the capital required on the ~~put or the~~ call option~~, whichever is greater, under article 11227,~~; or

B) the capital required on the put option;

plus

ii) the loss~~, if any, on~~ amount that would result if the option having the lesser capital ~~requirement~~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 ~~long~~ call ~~and a~~option is carried long for an approved participant's account and the account is also long a put ~~are paired~~option on the same number of units of trading on the same underlying interest, the minimum capital required ~~is~~ must be:

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

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

iii) the ~~higher~~ greater of ~~the following amounts~~:

~~i~~A) the amount by which ~~either the excess of~~ the aggregate exercise ~~price~~ value of the put option ~~over~~ exceeds the aggregate exercise ~~price~~ value of the call option; or

~~ii~~B) ~~either~~ where the premium is equal or greater than $1, 50% of the total ~~of the~~ amount by which each option is in-the-money.

d) Long call – short call – long put

Where a ~~long~~ call option is carried long for an approved participant's account and the account is also ~~is paired with a~~ short a call option and ~~with a~~ long a put option on the same number of units of trading on the same underlying 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 ~~is~~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

~~i~~iv) less the gain or plus the loss if both call options ~~where~~ 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).

~~11229~~9406~~Capital Required for Paired Positions in Underlying Securities and Short~~ Options and Security Combinations
(00.00.04)

a) Short bond options combinations with underlying interest

Where an approved participant account contains one of the following combinations:

- short call ~~is paired with a~~options and long an equivalent position in the underlying ~~security~~ bond; or
- ~~a~~ short put ~~is paired with a~~options and short an equivalent position in the underlying ~~security~~bond~~,~~;

the minimum capital required ~~is~~must be:

i) the ~~market value of~~normal capital required on the underlying bond~~s time the margin rate prescribed pursuant to article 7204~~; minus

ii) 100% of the market value of the short option.

b) ~~11230 Capital Required for Paired Positions in Underlying Securities and Long Options~~Long bond options combinations with underlying interest

Where an approved participant account contains one of the following combinations:

- ~~a short position in an underlying stock, bond or stock basket is paired with a~~ long call options and short an equivalent position in the ~~for the appropriate~~ underlying ~~security,~~bond; or
- ~~where a long position in an underlying stock, bond or stock basket is paired with a~~ long put options and long an equivalent position in the ~~on the same~~ underlying ~~security~~bond~~,~~;

the minimum capital required ~~is~~ must be the sum of:

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

ii) the lesser of~~ the following amounts~~:

A) ~~the amount by which the option is~~any out-of-the-money value associated with the option; or

B) ~~in the case of bond options, ½~~50% of the normal capital required ~~according to article 7204; or in the case of stock and index options, 25% of the market value of the underlying value~~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) ~~11232 Capital Required on "~~Conversion~~s"~~ or long tripo combination

Where, ~~a ~~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 ~~is paired with a~~options and short an equivalent position in call options~~and a long position in the underlying security~~, the minimum capital required ~~is~~must be:

i) 100% of the market value of the long put option~~s,~~; minus

ii) 100% of the market value of the short call options; plus

iii) the ~~loss ~~difference, plus or minus, ~~the profit which may result from the exercise of the put option~~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) ~~11231 Capital Required on "~~Reconversion~~s"~~ 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 ~~a ~~long an equivalent position in call ~~is paired with a~~options and short an equivalent position in put ~~and a short position in the underlying security~~options, the minimum capital required ~~is~~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)

~~112439~~411~~Capital Required - Unpaired~~ Long ~~or Short Positions in~~ Options on Futures Contract~~s~~ Positions
(00.00.04)

~~a)~~ 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 ~~B~~bankers' ~~A~~acceptance ~~F~~futures contracts and 10 basis points in the case of options on ~~Government of Canada B~~bond ~~F~~futures contracts.

~~112439~~412Short Option on Futures Contracts Positions
(00.00.04)

~~b)~~ The minimum capital required which must be maintained in respect of ~~each unpaired put or call~~an option carried short ~~shall~~ in an approved participant account must be ~~the market value of such option plus~~ the greater of:

i) 50% of the ~~margin~~ capital required on the underlying futures contract ~~(futures speculator or hedger rate, as the case may be)~~; or

ii) the ~~margin~~ capital required on the futures contract less the amount by which the option is out-of-the-money.

~~112449~~413~~Capital Required - Paired~~ Options ~~Positions~~ on Futures Contracts Spreads and Combinations
(00.00.04)

a) Call spreads and put spreads

Where ~~a position involved the~~an approved participant account contains one of the following spread pairing~~s of~~:

- ~~a short call and a~~ long call option and short call option~~,~~; or ~~of~~
- ~~a short put and a~~ long put option and short put option~~,~~;

the minimum capital required ~~is~~ 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 bond futures contracts).

b) **Short call – short put spreads**

Where a ~~short~~ call ~~and~~ option is carried short for an approved participant account and the account is also short a put ~~are paired~~option, the minimum capital required ~~is that required on the put or on the call whichever is the greater, under article 11243, plus~~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~~, if any on~~that would result if the option having the lesser capital required was exercised.

c) **Long call – long put spreads**

Where a ~~long~~ call ~~and a~~option is carried long for an approved participant account and the account is also long a put ~~are paired~~option, the minimum capital required ~~is~~ must be:

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

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

iii) the ~~higher~~ greater of ~~the following amounts~~:

~~i~~A) ~~either the excess of~~ the amount by which the aggregate exercise ~~price~~ value of the put option ~~over~~ exceeds the exercise ~~price~~ value of the call option~~,~~; or

~~ii~~B) ~~either~~ 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 bond futures contracts.

9414 – 9420 (reserved)

(Article 9221 is reproduced hereunder)

9421 Exchange Traded Futures Contracts – General
(00.00.04)

a) With respect to an account of an ~~A~~approved ~~P~~participant, ~~account or to a~~ market-maker ~~account of an Approved Participant~~, or ~~of a~~ restricted trading permit holder account for which a clearing ~~A~~approved ~~P~~participant has issued a letter of guarantee, the ~~Exchange~~ Bourse has established certain charges against the capital ~~requirements~~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) 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;

c) ~~The Exchange may impose~~ from time to time the Bourse may impose special capital requirements with respect to particular ~~Exchange traded share~~ futures contracts or ~~to~~ particular positions in ~~Exchange traded share~~ futures contracts.

9422 Simple or Spread Positions in Futures Contracts
(00.00.04)

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.

(Article 9323 is reproduced hereunder – the word "margin" is replaced by "capital" (except for iii) and "client" is replaced by "approved participant")

9423 Futures Contracts and Security Combinations
(00.00.04)

~~7204A C) Furthermore,~~With respect to futures contracts and securities held in an approved participant's account, the ~~offsets~~ combinations described ~~above~~ in paragraphs a) to c) may only apply if the following requirements are complied with:

i) 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;

ii) securities in offsetting positions must be denominated in the same currency;

iii) securities in offsetting positions must mature within the same periods referred to in article 7204 for the purpose of determining margin rates;

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; and

v) securities in offsetting positions used in the calculation must represent an equivalent maturity value.

a) ~~7204A B)~~ Bond futures contracts combinations with Group I securities

Where an approved participant~~, a market maker or a restricted trading permit holder holds~~ account contains one of the following combinations:

- ~~a) a~~ long~~/short position in a~~ 5 year (CGF) or 10 year (CGB) notional Government of Canada ~~B~~bond futures contracts ~~listed on the Bourse against~~ and short~~/long~~ a position ~~in securities~~ of ~~the~~ Government of Canada securities (including future purchase and sale commitments), as described in Group I of article 7204 ~~of the Rules of the Bourse,~~; or

- short 5 year (CGF) or 10 year (CGB) notional Government of Canada bond futures contracts and long a position of Government of Canada securities (including future purchase and sale commitments) as described in Group I of article 7204;

and where the securities of the Government of Canada are maturing within 3 to 11 years, the two positions may be offset and the minimum capital required ~~margin is the margin calculated~~must be the capital required on the net long or short position~~;~~.

b) Bond futures contracts combinations with Group II, Group III or Group V securities

Where an approved participant account contains one of the following combinations:

- ~~b) a~~ long~~/short position in a~~ 5 year (CGF) or 10 year (CGB) notional Government of Canada ~~B~~bond futures contracts ~~listed on the Bourse against~~ and short~~/long~~ a position ~~in securities by~~ of a Province of Canada securities~~,~~ as described in Group II, or of a municipality of Canada securities~~,~~ as described in Group III, or of a corporation securities~~,~~ as described in Group V of article 7204 ~~of the Rules of the Bourse~~ (including future purchase and sale commitments)~~,~~; or

- short 5 year (CGF) or 10 year (CGB) notional Government of Canada bond futures contracts and long a position of a Province of Canada securities as described in Group II, or of a municipality of Canada securities as described in Group III, or of a corporation securities as described in Group V of article 7204 (including future purchase and sale commitments);

and where the securities of the Province of Canada or the municipality of Canada or the corporation are maturing within 3 to 11 years, the ~~margin~~ minimum capital required in respect of both positions must be the greater of the ~~margin~~ capital required on the long or short position~~;~~.

c) Canadian bankers' acceptance futures contracts combinations with bankers' acceptance

Where an approved participant account contains one of the following combinations:

- ~~c) a~~ long~~/short position in a~~ 3-month Canadian bankers' acceptance (BAX) futures contracts ~~listed on the Bourse against~~ and short~~/long~~ a position in a bankers' acceptance issued by a Canadian chartered bank~~,~~; or

- short 3-month Canadian bankers' acceptance (BAX) futures contracts and long a position in a bankers' acceptance issued by a Canadian chartered bank;

the ~~margin~~ minimum capital required in respect of both positions must be the greater of the ~~margin~~ capital required on the long or short position.

~~11233~~9424~~Capital required – Bond Options paired with~~ Bond Futures Contract Combinations with Bond Options
(00.00.04)

~~2. To be acceptable for pairing the Canada bond futures should~~ 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 ~~one~~ 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 ~~is~~ in a period between 3 years 9 months and 10½ years~~.~~, the option contracts and the futures contracts may be offset as follows:

a) ~~C)~~Long bond options – position in bond futures contracts

Where an approved participant account contains one of the following combinations:

- ~~short future is paired with a~~ long call options and short an equivalent face value at maturity of futures contracts; or
- ~~where a long future is paired with a~~ long put options and long an equivalent face value at maturity of futures contracts~~,~~;

the minimum capital required ~~is~~must be:

~~1.~~i) ~~Where the option is 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 ~~is in the money~~.

~~2.~~ii) ~~Where the option is o~~*Out of the money position*:

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

B) the capital required on the futures contract; ~~minus the lesser of~~less

C) ~~a) $500; and b)~~the ~~result~~ excess of $500 ~~minus the amount the option is~~over the out-of-the-money amount of the option.

b) ~~B)~~ Short bond options – position in bond futures contracts

Where an approved participant account contains one of the following combinations:

- short call ~~is paired with a~~ options and long an equivalent face value at maturity of futures contracts; or
- ~~where a~~ short put ~~is paired with a~~options and short an equivalent face value at maturity of futures contracts~~,~~;

the minimum capital required ~~is~~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) ~~The capital actually required cannot be lower than~~ $500.

c) ~~E)~~ Conversion or long tripo combination involving bond options and bond futures contracts

Where a ~~long~~ put ~~is paired with a~~option is carried long for an approved participant's account and the account is also short a call ~~on the same underlying bond~~option and ~~with a~~ long an equivalent face value at maturity of futures contracts, the minimum capital required ~~is~~must be the greater of:

i) A) the ~~market value of the long put plus the loss or minus the profit which may result from the exercise of the put option.~~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) ~~The capital actually required cannot be lower than~~ $500.

d) ~~D)~~ Reconversion or short tripo combination involving bond options and bond futures contracts

Where a ~~long call is paired with a short~~ put option is carried short for an approved participant's account and the account is also long a call option ~~on the same underlying bond~~ and ~~with a~~ short an equivalent face value at maturity of futures contracts, the minimum capital required ~~is~~must be the greater of:

i) A) the ~~market value of the long call plus the loss or minus the profit, which may result from the exercise of the call option.~~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) ~~The capital actually required cannot be lower than~~ $500.

9425 Futures Contracts Combinations with Options on Futures Contracts (00.00.04)

For the following combinations, the delivery months of the options and of the futures contracts have no importance.

a) ~~11246 Capital Required for - Paired Positions in Futures Contract and~~ Long ~~O~~options on futures ~~C~~contracts – position in futures contracts

Where an approved participant account contains one of the following combinations:

- ~~short futures contract is paired with a~~ long call options and short an equivalent position in futures contracts; or
- ~~where a long futures contract is paired with a~~ long put options and long an equivalent position in futures contracts~~,~~;

the minimum capital required ~~is~~ must be the greater of:

i) the capital required on the long option~~, or~~;

and

ii) A) the ~~margin~~ capital required on the futures contract; less

B) the amount by which the option is in-the-money.

b) ~~11245 Capital Required for - Paired Positions in Futures Contracts and~~ Short ~~O~~options on ~~F~~futures ~~C~~contracts – position in futures contracts

Where an approved participant account contains one of the following combinations:

- short call ~~is paired with~~options and long an equivalent position in futures contracts; or
- ~~a~~ short put ~~is paired with~~options and short an equivalent position in futures contracts~~,~~;

the minimum capital required ~~is the market value of the short option plus~~must be the ~~higher~~ greater of:

i) 50% of the ~~margin~~ capital required on the ~~underlying~~ futures contract ~~(futures speculator or hedger rate, as the case may be)~~; ~~or~~

and

ii) A) the ~~margin~~ capital required on the futures contract; less

B) the amount by which the option is in-the-money.

c) ~~11248 Capital Required on "c~~Conversion~~"~~ or long tripo combination involving options on futures contracts and futures contracts

Where a ~~long put option on~~position in a futures contract is ~~paired with~~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 option~~s on a futures contract and a long futures contract~~, the minimum capital required ~~is~~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) ~~The net capital required cannot be less than~~ 50% of the ~~margin~~ capital required on the ~~underlying~~ futures contracts~~ (futures speculator or hedger rate, as the case may be)~~.

d) ~~11247 Capital Required on "r~~Reconversion~~"~~ or short tripo combination involving options on futures contracts and futures contracts

Where a ~~long call on~~position in a futures contract is ~~paired with a~~carried short in an approved participant's account and the account is also short an equivalent position in put ~~on a futures contract~~options and ~~a short futures contract~~long an equivalent position in call options, the minimum capital required ~~is~~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) ~~The net capital required cannot be less than~~ 50% of the ~~margin~~ capital required on the ~~underlying~~ futures contracts~~ (futures speculator or hedger rate, as the case may be)~~.

9426 – 9450 (reserved)

Section ~~11251 – 11265~~9501 – 9600
Over-the-counter (OTC) options

~~11251~~9501 Margin ~~r~~Requirements - ~~g~~General ~~p~~Provisions
(00.00.04)

a) Basis of valuation

Over-the-counter option positions in a ~~C~~client ~~A~~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) ~~Members~~ 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 ~~in writing~~ 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 ~~member~~ approved participant is a party to an over-the-counter option, the counterparty to the option must be considered a client of the ~~member~~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 ~~the~~ Policy C-3 of the Bourse ("Joint Regulatory Financial Questionnaire and Report"), as amended from time to time~~.~~;

ii) ~~W~~where the client is an acceptable counterparty or a regulated entity, as such terms are defined in ~~the Joint Regulatory Financial Questionnaire and Report~~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~~.~~;

~~F~~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 ~~member~~ 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.

Furthermore, put and call options written, issued or guaranteed by an ~~member~~ approved participant must be in the form prescribed by the ~~Exchange~~Bourse.

f) Procedure

Put and call options must not be settled through a clearing ~~house~~corporation.

A put or call option, when exercised, becomes a contract for the sale or purchase of the securities covered by the put or call at the contract price for settlement within the time provided by the ~~Exchange~~Bourse, provided, however, that settlement and delivery be over-the-counter and not through a clearing ~~house~~corporation.

The contract arising from the exercise of a put or call ~~must~~ shall be deemed to be an ~~E~~exchange contract.

g) Confirmation, ~~D~~delivery and ~~E~~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) ~~P~~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.

h) Semi-monthly returns

~~Members~~ 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.

~~11252~~9502 Margin requirements - Simple ~~l~~Long ~~p~~Positions
(00.00.04)

All purchases of over-the-counter options for clients accounts must be for cash.

~~11253~~9503Margin ~~r~~Requirements - Simple ~~s~~Short ~~p~~Positions
(00.00.04)

Subject to articles ~~11251~~ 9501 e) and ~~11255~~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.

~~11254~~9504Margin ~~r~~Requirements - Paired ~~o~~Option ~~p~~Positions
(00.00.04)

a) Except as otherwise provided in ~~this~~ the present section, clients, as defined at article ~~11251~~ 9501 c), are permitted margin offsets for the purpose of hedging over-the-counter options in the same manner as set out in section ~~11201-11225~~9101-9150 and in section 9301-9350, provided that the underlying interest is the same~~.~~;

b) ~~I~~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~~a margin offset is not permitted where the spread consists of a long European exercise option and a short American exercise option.

~~112559~~9505 Acceptable ~~f~~F orms of ~~m~~M argin
(00.00.04)

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 ~~member~~approved participant;

ii) a deposit with the ~~member~~ 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 ~~will~~ 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 ~~C~~clearing ~~C~~corporation pursuant to an escrow agreement, acceptable to the ~~Exchange~~Bourse, between the ~~member~~ 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 ~~Exchange~~ Bourse has not established a margin rate less than 100% for the underlying interest.

~~11256 - 11260~~9506 – 9510 (Reserved for future use)

~~11261~~9511 Capital ~~r~~Requirements - ~~g~~General ~~p~~Provisions
(00.00.04)

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

A~~n~~ ~~member~~ 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.

Furthermore, put and call options written, issued or guaranteed by an ~~member~~ approved participant must be in the form prescribed by the ~~Exchange~~Bourse.

c) Procedure

Put and call options must not be settled through a clearing ~~house~~corporation.

A put or call option, when exercised, becomes a contract for the sale or purchase of the securities covered by the put or call at the contract price for settlement within the time provided by the ~~Exchange~~Bourse, provided, however, that settlement and delivery be over-the-counter and not through a clearing ~~house~~corporation.

The contract arising from the exercise of a put or call must be deemed to be an ~~E~~exchange contract.

d) Confirmation, ~~D~~delivery and ~~E~~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.

e) Semi-monthly returns

~~Members~~ 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.

~~11262~~9512Capital ~~r~~Requirements - Simple ~~l~~Long ~~p~~Positions (00.00.04)

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~~.00~~, 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~~.00~~ 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~~.00~~ 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.

~~11263~~9513Capital ~~r~~Requirements - Simple ~~s~~Short ~~p~~Positions (00.00.04)

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.

~~11264~~9514Capital ~~r~~Requirements - Paired ~~o~~Option ~~p~~Positions (00.00.04)

a) Except as otherwise provided in this section, ~~members~~ approved participants are permitted capital offsets for the purpose of hedging over-the-counter options in the same manner as set out in section ~~11226-11248~~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.

~~112659~~9515Capital ~~r~~Reduction ~~a~~Allowed for ~~p~~Positions ~~h~~Held by ~~members~~Approved Participants (00.00.04)

Consistent with listed options, ~~members~~ 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.

RULE ELEVEN
EXCHANGE-TRADED
OPTION CONTRACTS

~~Section 11201 – 11250~~
~~Margin/Capital Requirements~~
Section 11201 – 11250 is transferred to
New Rule Nine under the title:
Section 9001 – 9100 – General Provisions
(abr. 00.00.04)

(Article 11201 becomes article 9101 and article 9301)

11201 Options Margin – General
(abr. 00.00.04)

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

~~b) For other than inventory positions, all opening writing transactions and resulting short positions shall be carried in a margin account;~~

~~c) With respect to a specialist, marketmaker or firm account, the Exchange shall establish certain charges against the capital of the member firm carrying the account, which charges may be less onerous than client margin requirements but for which the member firm must maintain adequate capital resources at all times;~~

~~d) Reduced margin requirements may be permitted in certain circumstances where pairings of options of the same class, or of options and short or long positions in the underlying value of that class, limit the overall riskiness of the position;~~

~~e) Paragraph d) notwithstanding, the Exchange may impose from time to time special margin requirements with respect to particular Exchange traded options or to particular positions in Exchange traded options.~~

(Article 11202 becomes article 9102 and article 9302 – par. c) is transfered to article 9152)

11202 Long Positions in Options
(28.01.02, abr. 00.00.04)

~~a) Subject to b), all purchases of options shall be for cash and long positions shall have no value for margin purposes.~~

~~b) Where, in the case of stock options, the underlying security in respect of a long call is the subject of a legal and binding cash take-over bid for which all the conditions have been met, the margin required on such call shall be the market value of the call, less the amount by which the amount offered exceeds the exercise price of the call. Where such cash take-over bid is made for less than~~

~~100% of the issued and outstanding securities, the reduced margin requirement shall be applied in the same proportion as the offer and paragraph a) shall apply to the balance.~~

~~c) The margin requirements for options apply to sponsored options.~~

~~d) 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 which the capital rules applicable are those defined in articles 11226 and following.~~

(Article 11203 becomes article 9103 and article 9303)

11203 Margin Required for Simple Short Position

(08.08.86, 15.08.86, 01.01.87, 19.05.87, 30.09.87, 31.05.88, 24.11.92, 07.09.99, 11.02.00, abr. 00.00.04)

~~A) The amount of margin which must be maintained in respect of each unpaired put or call option carried short, shall be, the market value of such options plus an amount in relation to the market value (marking price) of the underlying value, as follows:~~

~~1.~~	~~Stock options~~	~~25%~~
~~2.~~	~~Options on Index participation unit~~	~~25%~~
~~3.~~	~~Bond options~~	
	~~. maturing over 10 years~~	~~3%~~
	~~. maturing over 3 years to 10 years~~	~~1.75%~~
~~4.~~	~~Treasury bill options~~	~~1%~~
~~5.~~	~~Index options~~	~~7%~~
~~6.~~	~~Gold options~~	~~10%~~
~~7.~~	~~Platinum options~~	~~15%~~
~~8.~~	~~Silver options~~	~~15%~~
~~9.~~	~~Currency options~~	~~2%~~

~~minus the amount by which this option is out-of-the-money.~~

~~B) Paragraph A) notwithstanding, the minimum of margin required is the market value of the option plus, an amount in relation to the market value (marking price) of the underlying value, as follows:~~

~~1.~~	~~Stock options~~	~~5.00%~~
~~2.~~	~~Index participation unit options~~	~~5.00%~~
~~3.~~	~~Bond options~~	~~0.50%~~
~~4.~~	~~Treasury bills options~~	~~0.50%~~
~~5.~~	~~Index options~~	~~5.00%~~
~~6.~~	~~Gold options~~	~~3.00%~~
~~7.~~	~~Platinum options~~	~~3.00%~~
~~8.~~	~~Silver options~~	~~3.00%~~
~~9.~~	~~Currency options~~	~~0.75%~~

~~C) Paragraphs A) and B) notwithstanding, no margin is required where the short position is:~~

~~1. Covered, in the case of short calls on underlying stocks, bonds, treasury bills or indices, by an escrow receipt issued by a depository approved for that purpose.~~

~~2. Covered, in the case of short puts on underlying stocks, bonds, treasury bills or indices, by a letter of guarantee or by a depository receipt for puts issued by a depository approved for that purpose. A depository receipt for puts must certify that Government securities are held by the depository to serve as margin for put positions of a named client. For purposes of the present paragraph, the allowable Government securities shall mature within one year of their deposit and the aggregate exercise value of the short put covered by them will not be greater than 90% of the par value of such securities held on deposit. All Government securities which are acceptable forms of margin for the Canadian Derivatives Clearing Corporation are acceptable.~~

~~3. Covered, in the case of short calls on underlying metal by a safe custody receipt for cover issued by a depository approved for that purpose.~~

~~4. Covered, in the case of short calls on underlying currency and short puts on underlying metal or currency, by a letter of guarantee issued by a depository approved for that purpose.~~

(Article 11204 is abrogated)

11204 Cover for a Short Index Call

(abr. 00.00.04)

~~To be effective in covering a short call on an underlying index, the terms of an escrow receipt shall provide as follows:~~

~~a) the depository is holding in safe custody securities of not fewer than 10 different issuers drawn from the component stocks of the underlying index or in the case of an index within fewer than 10 component stocks, all such stocks, and having a total market value, at the time the escrow receipt is written, equalling or exceeding the Aggregate Market Value of the index underlying the short call options;~~

~~b) none of the securities deposited under the escrow receipt (the "deposited securities") may represent more than 20% of the value of the total deposit;~~

~~c) each deposited security is options eligible;~~

~~d) the depository undertakes to deliver such deposited securities to the Clearing House upon exercise;~~

~~e) substitution of deposited securities is permitted provided such substitution does not decrease the Aggregate Market Value of the deposit and the conditions above are not impaired as a result.~~

(Article 11205 becomes articles 9105 and 9305– part of par. A) is transferred to article 9152)

11205 Margin Required for Paired Option Positions (Spreads, etc.)
(15.08.86, 28.01.02, abr. 00.00.04)

~~a) Except in the case of Treasury bill options, where the short option expires on or before the expiration date of the long option, in a pairing of:~~

~~- a short call and a long call; or of,~~

~~- a short put and a long put;~~

~~the margin required for each short option shall be the lesser of:~~

~~i) the margin required on the short option; or~~

~~ii) the loss which would result from the difference between the exercise prices of the short and long option if both options were exercised.~~

~~In the case of pairings involving european style or cash settlement sponsored options, the required margin must not be less than five percent (5%) of the underlying security market value.~~

~~In the case of Treasury bill options, the above margin requirements shall apply only when the short and long option both have the same expiration date (vertical spread).~~

~~b) Except in the case of Treasury bill options, where a short call and short put are paired, the margin required is that required on the put or the call, whichever is greater, under article 11203 a) or b), plus the loss on the option having the lesser margin requirement.~~

~~In the case of Treasury bill options, the above margin requirements shall apply only when the short call and short put both have the same expiration date.~~

(Paragraphs a) and d) of article 11206 become article 9306. Paragraphs b) and c) are abrogated)

11206 Margin Required for Paired Positions in Underlying Securities and Short Options
(08.08.86, 15.08.86, 01.01.92, abr. 00.00.04)

~~a) Where a call is carried short against an equivalent long position in the underlying stock or bond, the margin required for each short call shall be the margin on the long position required (pursuant to articles 7202 or 7204), based either on the market price of such underlying stock or bond or on the exercise price of the short call, whichever is lower.~~

~~Where a call is carried short against an equivalent long position in an underlying Treasury bill, the margin required for each short call shall be the greater of the margin on the long position required (pursuant to article 7204) or the margin required on the short call.~~

~~NOTE: For purposes of this Rule,~~

~~1) « 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.~~

~~2) "underlying Treasury Bill" includes any Treasury Bill issue of the Government of Canada which on the short call option expiration date has a term to maturity of 82 to 100 days;~~

~~b) Where a call is carried short against a long position in a security which is readily convertible into or exchangeable for the underlying security, the margin required for each short call shall be:~~

~~i) the margin on the convertible or exchangeable security pursuant to articles 7201 et seq. (except that the calculation is to be made by using the lesser of the convertible or exchangeable security or the exercise price of the option multiplied by the conversion rate of the convertible or exchangeable security); plus~~

~~ii) the amount, if any, by which the subscription or conversion price of that security exceeds the exercise price of the short call multiplied by the number of units in the option, provided that:~~

~~A. the right to exchange or convert the security shall not expire prior to the expiration date of the short call; and~~

~~B. if the expiration of the right to exchange or convert is accelerated (whether by reason of redemption or otherwise), then such short call shall be considered uncovered after the date on which such right to exchange or convert expires.~~

~~c) Where a call is carried short against a long position in capital shares which is exchangeable into the underlying security, the margin required shall be the greater of the individual margins, being:~~

~~i) the margin on the long position in capital shares pursuant to articles 7201 and following, or;~~

~~ii) the margin on the short call as prescribed in article 11203.~~

~~d) where a put is carried short against an equivalent short position in the underlying stock, or bond, the short put shall be considered fully margined, provided that the short securityposition is fully margined (pursuant to articles 7202 and 7204), using the greater of market price or exercise price.~~

(Par. a) of art. 11207 becomes art. 9106 c) and 9306 c); par. b) of art. 11207 becomes art. 9106 d) and 9306 d); par. d) and e) of art. 11207 are transferred to article 9152; par. c) and f) of art. 11207 are abrogated)

11207 Margin Required for Paired Positions in Underlying Securities and Long Options
(08.08.86, 15.08.86, 30.09.87, 08.12.94, 28.01.02, 00.00.04)

~~a) Where a short position in an option underlying stock, bond, metal or treasury bill is offset by a long call on a same underlying security, the margin required is:~~

~~i) the acquisition cost of the call option; plus~~

~~ii) the lesser of:~~

~~a) the exercice price of the long call multiplied by the unit of trading; or~~

~~b) the margin required on the short position.~~

~~Where a short position in an underlying Treasury bill is offset by a long call for underlying Treasury bills, the margin required is the greater of the margin on the long option or the margin on the acceptable Treasury bills sold short as per article 7204.~~

~~b) Where a long position in an underlying bond or metal is offset by a long put on the same underlying bond or metal, the margin required is:~~

~~i) the acquisition cost of the put option; plus~~

~~ii) one half of the margin required on the long position in the underlying bond or metal pursuant to articles 7204 or 7208; plus~~

~~iii) the amount by which the put is out-of-the-money up to the amount determined in sub-paragraph 11207 b) ii) above.~~

~~Where a long position in an underlying stock is offset by a long put on the same underlying stock, the margin required is:~~

~~i) the acquisition cost of the long put; plus~~

~~ii) 25% of the market value of the stocks; plus~~

~~iii) the out-of-the-money amount up to an additional 5% of the market value of the stock.~~

~~c) The margin requirements for options apply to sponsored options.~~

~~d) 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 which the capital rules applicable are those defined in articles 11226 and following.~~

~~e) Furthermore, the units of trading for call and put sponsored options must represent equivalent units of trading of any other options or an equivalent quantity of the underlying interest.~~

~~f) In the case of pairings involving European style or cash settlement sponsored options, the required margin must not be less than five percent (5%) of the underlying security market value.~~

(Article 11208 is abrogated)

11208 Combination of Bond Options and Bond Futures or Treasury Bill Options and Treasury Bill Futures
(08.08.86, 19.01.95, abr. 00.00.04)

~~a) The number of options and futures contracts used in the calculation must represent an equivalent face value to maturity.~~

~~b) The margin required to carry a paired position in long calls and short futures shall be the greater of the margin required on the call options or the margin required on the futures.~~

~~c) The margin required to carry a paired position in long calls, short puts and short futures shall be the difference, plus or minus, between the market value of the future and the exercise price of the short put or long call, whichever is higher.~~

~~d) The reduced margin requirements due to pairing as provided in paragraphs b) and c) apply only if the long option expires at the same time or after the final delivery date of the short futures contract.~~

~~e) For purposes of this article, the Exchange recognizes any bond or Treasury Bill futures contract of the clearing house, Canadian Derivatives Clearing Corporation.~~

(Article 11209 becomes article 9101 d))

11209 Margin Offsets – OCC Options
(abr. 00.00.04)

~~a) When in an account there are:~~

~~i) long Exchange-traded options and short OCC option, or~~

~~ii) short Exchange-traded options and a long OCC option;~~

~~and the Exchange-traded options and the OCC options have the same underlying value, than for margin calculation purposes, the OCC options may be considered as Exchange-traded options.~~

~~b) For the purpose of the calculation of the margin requirements, both the premium and the exercise price of any OCC options shall be converted into Canadian dollars. Also pairing shall be made for the same quantity of the underlying value (same number of shares, face value at maturity, number of ounces, etc.).~~

(Article 11210 is abrogated)

11210 Marking Price for Underlying Bonds and Treasury Bills
(28.09.82, 06.08.86, 15.08.86, 00.00.04)

~~The Exchange will determine an official daily marking price for each underlying bond issue. The Exchange will also determine an official daily marking price of the Treasury bill index for each group of Treasury bill options series bearing the same expiration month except that these prices shall not apply to expiring series on their last trading day. The source used in the determination of such marking price will be a survey of at least three Exchange members trading desks conducted right after the close of options~~

~~trading. The Exchange will communicate these marking prices to the Clearing House at the end of every trading day.~~

~~The final settlement price for expiring Treasury Bill options is based on the average yield of the Government of Canada Treasury Bills auctioned on the last trading day.~~

~~The above defined marking prices are used for calculation of margin and capital requirements, including determination of the in-the-money, at-the-money or out-of-the-money status of a given options series.~~

(Article 11211 is abrogated)

11211 Marking Price for Underlying Indexes
(24.04.84, abr. 00.00.04)

~~The Exchange will calculate prices for each of the underlying indexes on a regular basis. The index computed at the end of the trading day based on the last trade price on the CDCC participating exchanges of each of the component stocks comprising an index will be utilized to determine its marking price. In the case of simultaneous last trades on two or more exchanges, the Montreal price shall have priority.~~

(Article 11212 becomes article 9324 however, the paragraphs are in a different order)

11212 Margin required Bond Options paired with Bond Futures
(15.09.89, 19.01.95, abr. 00.00.04)

~~A) Conditions of pairing:~~

~~1. The number of options and futures contracts used in the calculation must represent an equivalent face value at maturity;~~

~~2. To be acceptable for pairing the Canada bond futures should be in either one of the two nearest contract months and 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.~~

~~B) Where a short call is paired with a long future or where a short put is paired with a short future, the margin required is:~~

~~- the margin required on the future.~~

~~C) Where a short future is paired with a long call or where a long future is paired with a long put, the margin required is:~~

~~1. Where the option is in or at the money:~~

~~- $500 plus the market value of the option less the amount by which the option is in the money.~~

~~2. Where the option is out of the money:~~

~~- the market value of the option plus the margin required on the future minus the lesser of:~~

~~a) $500; and~~

~~b) the result of $500 minus the amount by which the option is out of the money.~~

~~D) Where a long call is paired with a short put on the same underlying bond and with a short future, the margin required is:~~

~~- the market value of the long call plus the loss or minus the profit, which may result from the exercise of the call option.~~

~~- The margin required cannot be lower than $500.~~

~~- The exercise price of the call option to be used in determining the loss or the profit is the higher of the exercise price of the call or put option.~~

~~E) Where a long put is paired with a short call on the same underlying bond and with a long future, the margin required is:~~

~~- the market value of the long put plus the loss or minus the profit which may result from the exercise of the put option.~~

~~- The margin required cannot be lower than $500.~~

~~- The exercise price of the put option to be used in determining the loss or the profit is the lesser of the exercise price of the call or the put option.~~

(Article 11213 becomes article 9311)
11213 Long Positions on Options on Futures Contracts
(20.03.91, abr. 00.00.04)

~~All purchases of options shall be for cash and long positions shall have no value for margin purposes.~~

(Article 11214 becomes article 9312)
11214 Margin Required for Simple Short Positions on Option on Futures Contracts
(20.03.91, 07.04.94, abr. 00.00.04)

~~The amount of margin which must be maintained in respect of each unpaired put or call option carried short shall be the market value of such options plus the greater of:~~

~~- 50% of the margin required on the underlying futures contract (futures speculator or hedger rate, as the case may be); and~~

~~- the margin required on the underlying futures contract less half of the amount by which the option is out-of-the-money.~~

(Article 11215 becomes article 9313)

11215 Margin Required for Paired Option Positions on Futures Contracts
(20.03.91, 07.04.94, abr. 00.00.04)

~~a) Where a short option expires on the same expiration date as a long option in a pairing of~~

~~- a long call with a lower exercise price than a short call;~~

~~or~~

~~- a long put with a higher exercise price than a short put;~~

~~the margin required is the net amount of the premiums.~~

~~b) Where a short option expires on the same expiration date as a long option in a pairing of~~

~~- a long call with a higher exercise price than a short call;~~

~~or~~

~~- a long put with a lower exercise price than a short put;~~

~~the margin required is the lower of:~~

~~i) the margin on the short option; and~~

~~ii) the loss which would result from the difference between the exercise price of the short and long option if both options were exercised.~~

~~c) Where a long option and a short option expire at different expiration dates in a pairing of~~

~~- a long call with the same or with a lower exercise price of a short call;~~

~~or~~

~~- a long put with the same or with a higher exercise price of a short put,~~

~~the margin required is the difference in the market value of the premiums.~~

~~Note : If the long option expires before the short option, add 50% of the margin required on the underlying futures contract (futures speculator or hedger rate, as the case may be).~~

~~d) Where a long option and a short option expire at different expiration dates in a pairing of~~

~~- a long call with a higher exercise price than a short call;~~

~~or~~

~~- a long put with a lower exercise price than a short put;~~

~~- the margin required is the excess of the market value of the short position over the market value of the long position plus the lower of:~~

~~i) the margin required on the underlying futures contract; or~~

~~ii) the loss which would result from the difference between the exercise price of the short and long option if both options were exercised.~~

~~e) Where a short call and a short put are paired, the margin required is that required on the put or the call, whichever is greater under article 11214, plus the loss on the option having the lesser margin requirement.~~

(Article 11216 becomes article 9325, paragraph b))

11216 Margin Required for Paired Positions in Futures Contracts and Short Options on Futures Contracts
(20.03.91, 07.04.94, abr. 00.00.04)

~~Where a call is carried short against an equivalent long position in a futures contract or where a put is carried short against an equivalent short position in a futures contract, the margin required is equal to the market value of the option plus the greater of:~~

~~- 50% of the margin required on the underlying futures contract (futures speculator or hedger rate, as the case may be); and~~

~~- the margin required on the underlying futures contract less half the amount by which the option is in-the-money.~~

(Article 11217 becomes article 9325, paragraph a))

11217 Margin Required for Paired Positions on Futures Contracts and Long Options on Futures Contracts
(20.03.91, abr. 00.00.04)

~~Where a long call is offset by an equivalent short position in futures contracts or where a long put is offset by an equivalent long position in a futures contract, the margin required is the greater of:~~

~~- the market value of the long option; or~~

~~- the margin required on the futures contract.~~

~~**11218 – 11225 (reserved)**~~
(abr. 00.00.04)

(Article 11226 becomes article 9201 – art. 9201 is also reproduced in article 9401 + par. f))

11226 Charges Against Capital
General
(20.03.91, 28.01.02, abr. 00.00.04)

~~a) With respect to an approved participant account or to a specialist or market maker account of an approved participant, or of a permit holder 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) Reduced capital charges may be permitted in certain circumstances where pairings of options of the same class of options and short or long positions in the underlying value of that class limit the overall riskiness of the position.~~

~~c) Paragraph b) notwithstanding, the Bourse may impose from time to time special capital charges with respect to particular exchange traded options or to particular positions in exchange traded options.~~

~~d) Capital required for positions in stock, bond, Treasury Bill and index options is as provided in articles 11227 to 11234 of Rule Eleven; that for positions in metal and currency options is as provided in article 11240 of Rule Eleven. The capital required on options on futures contracts is provided in articles 11243 to 11248 of Rule Eleven.~~

~~e) The capital actually required to carry the positions described in articles 11227 to 11234 and 11243 to 11248 is the amount calculated less, in each case, the market value of the options, if any, carried short.~~

~~f) In the pairing described in articles 11228 to 11233, 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 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 11228 to 11233 of Rule Eleven must be added an amount equal to the margin that would be required on the net bond position which would result if both options were exercised.~~

~~g) The capital requirements for options apply also to sponsors of sponsored options.~~

~~h) The capital requirements for options apply to sponsored options.~~

~~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 which the capital rules applicable are those defined in the present article and in the following articles.~~

(Article 11227 is transferred to art. 9202, 9203, 9204 – par. A) and B) are reproduced in art. 9402 and par. C) is partly reproduced in article 9403)

11227 Capital required - Unpaired long or short positions in options
(08.08.86, 01.01.87, 30.09.87, 11.02.00, abr. 00.00.04)

~~A) Subject to B), the capital required to carry a long call or long put 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 $1, or in the case of T-bill options 20 basis points.~~

~~B) Where, in the case of stock options, the underlying security in respect of a long call 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 shall be the market value of the call, less the amount by which the amount offered exceeds the exercise price of the call. Where such cash take-over bid is made for less than 100% of the issued and outstanding securities, the reduced capital requirement shall be applied in the same proportion as the offer, and paragraph A) shall apply to the balance.~~

~~C) The capital required in respect of each unpaired put or call option carried short, shall be, the market value of such option plus an amount in relation to the market value (marking price) of the underlying securities, as follows:~~

~~a)~~	~~stock options,~~	~~15%~~
~~b)~~	~~index participation unit options~~	~~15%~~
~~c)~~	~~bond options~~	
	~~. maturing over 10 years~~	~~3%~~
	~~. maturing over 3 years to 10 years~~	~~1.75%~~
~~d)~~	~~Treasury bills options,~~	~~0.50%~~
~~e)~~	~~index options,~~	~~5%~~

~~minus the amount by which the option is out-of-the-money.~~

~~D) The capital required for each option shall be calculated separately and the out-of-the-money amount, if any, shall be considered to be of value only in providing the amount of margin required for that particular option.~~

(Article 11228 becomes articles 9205 and 9405)

11228 Capital Required for Paired Option Positions (Spreads)
(15.08.86, 30.09.87, 01.01.89, 28.01.02, abr. 00.00.04)

~~a) Where a position involved the pairing of:~~

~~- a short call and a long call; or of~~

~~- a short put and a long put;~~

~~the capital required is the market value of the long option, 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), if both options were exercised.~~

~~In the case of Treasury bill options, the above capital requirements shall apply only when the short and long option both have the same expiration date (vertical spread).~~

~~b) Where a short call and short put are paired, the capital required is that required on the put or the call, whichever is greater, under article 11227, plus the loss, if any, on the option having the lesser capital requirement.~~

~~In the case of Treasury bill options, the above capital requirements shall apply only when the call option and put option both have the same expiration date.~~

~~c) Where a long call and a long put are paired, the capital required is the market value of the call plus the market value of the put less the higher of the following amounts:~~

~~i) either the excess of the exercise price of the put option over the exercise price of the call option; or~~

~~ii) either 50% of the total of the amount by which each option is in-the-money.~~

~~Note: To recognize an in-the-money amount, the premium should be equal or greater than $1 or 20 basis points in the case of options on T-Bills.~~

~~d) Where a long call is paired with a short call and with a long put, the capital required is:~~

~~i) the market value of the long call plus the market of the long put;~~

~~ii) less the gain or plus the loss if both call options where exercised.~~

~~Note: The exercise price of the short call option to be used in determining the loss or the gain is the lower of the exercise price of the short call or long put option.~~

~~The pairing could be done only when the exercise price of the put option is higher than the exercise price of the long call option.~~

~~In the case of sponsored options, the units of trading for call and put sponsored options must represent equivalent units of trading of any other options or an equivalent quantity of the underlying interest.~~

~~In the case of pairings involving European style or cash settlement sponsored options, the required capital must not be less than five percent (5%) of the underlying security market value.~~

(Article 11229 becomes articles 9206 and 9406 – par. c) is transferred to article 9205 e)))

11229 Capital Required for Paired Positions in Underlying Securities and Short Options
(08.08.86, 15.08.86, 30.09.87, 01.01.92, 03.11.93, 28.01.02, abr. 00.00.04)

~~a) Where a short call is paired with a long underlying security or a short put is paired with a short underlying security, the capital required is:~~

- ~~25% of the market value of the underlying stock;~~
- ~~the market value of the underlying bonds time the margin rate prescribed pursuant to article 7204;~~
- ~~the greater of the capital required on the Treasury bill option or the capital required on the cash Treasury bill position according to article 7204, provided that the Treasury bill fall under the acceptable definition outlined in the note in article 11206;~~
- ~~25% of the market value of the underlying stock basket.~~

~~However, the excess of the market value of the shorted option over the capital required on the subject position may not be used to reduce the capital required on another position.~~

~~Note: "Stock basket" as used herein designates a group of stocks accepted by the Bourse as a substitute for the underlying index; a stock basket will be accepted under the following conditions:~~

~~i) if it always includes the lesser of the securities of 5 different issuers or one half the component stocks relative to the underlying index;~~

~~ii) the total market value of the stock basket should always be equal to or greater than the aggregate market value of the underlying index;~~

~~iii) none of the securities shall at any time account for more than 40% of the total market value of the basket;~~

~~iv) each stock comprising the basket shall be an options eligible security.~~

~~b) Where a short call is paired with a long position in a security which is readily convertible into or exchangeable for the underlying stock, the capital required shall be the margin on the convertible or exchangeable security pursuant to article 7201 et seq., (except that the calculation is to be made by using the lesser of either the market value of the convertible or exchangeable security, or the exercise price of the option multiplied by the conversion rate of the convertible or exchangeable security), plus the excess, if any, of the amount of subscription over the amount required to exercise the option.~~

~~However, the excess of the market value of the shorted option over the capital required on the subject position may not be used to reduce the capital required on another position.~~

~~Note: This paragraph applies in proportion to the coverage given by the convertible or exchangeable security. The capital required for the uncovered portion of the option is as provided in article 11227.~~

~~c) Where a short call is paired with a long position in a marginable warrant which is exchangeable into the underlying stock, the capital required shall be 25% of the intrinsic value of the warrant, being the excess of the market value of the underlying security over the subscription price of the warrant; plus 50% of the excess of the market value of the warrant over its intrinsic value, where its expiration date is nine months or more, but 100%, where its expiration date is less than nine months; plus the excess, if any, of the subscription price over the amount required to exercise the option.~~

~~However, the excess of the market value of the shorted option over the capital required on the subject position may not be used to reduce the capital required on another position.~~

~~d) Where a call is carried short against a long position in capital shares which is exchangeable into the underlying security, the capital required shall be the greater of the individual margins, being:~~

~~i) the margin on the long position in capital shares pursuant to articles 7201 and following, or;~~

~~ii) the margin on the short call as prescribed in article 11227.~~

~~In the case of sponsored options, the units of trading for call and put sponsored options must represent equivalent units of trading of any other options or an equivalent quantity of the underlying interest.~~

~~In the case of pairings involving European-style or cash settlement sponsored options, the required capital must not be less than five percent (5%) of the underlying security market value.~~

(Article 11230 becomes article 9206 c) and d) and art. 9406 b))

11230 Capital Required for Paired Positions in Underlying Securities and Long Options
(am. 08.08.86, 15.08.86, am. eff. 30.09.87, 28.01.02, abr. 00.00.04)

~~Where a short position in an underlying stock, bond or stock basket is paired with a long call for the appropriate underlying security, or where a long position in an underlying stock, bond or stock basket is paired with a long put on the same underlying security, the capital required is the market value of the option, plus the lesser of the following amounts:~~

~~- the amount by which the option is out-of-the-money; or~~

~~- in the case of bond options, ½ of the capital required according to article 7204; or in the case of stock and index options, 25% of the market value of the underlying value.~~

~~Where a short position in an underlying Treasury bill is paired with a long Treasury bill call or where a long position in an underlying Treasury bill is paired with a long Treasury bill put, the capital required is the greater of the following amounts:~~

~~- the capital required on the Treasury bill options position; or~~

~~- ½ of the capital required according to article 7204 for the Treasury Bills;~~

~~Note: The amount by which the option is in-the-money, if any, may be used to reduce the capital required up to the market value of the long option.~~

~~In the case of sponsored options, the units of trading for call and put sponsored options must represent equivalent units of trading of any other options or an equivalent quantity of the underlying interest.~~

~~In the case of pairings involving European-style or cash settlement sponsored options, the required capital must not be less than five percent (5%) of the underlying security market value.~~

(Article 11231 becomes article 9206 f) and art. 9406 d))

11231 Capital Required on "Reconversions"
(15.08.86, 28.01.02, abr. 00.00.04)

~~Where a long call is paired with a short put and a short position in the underlying security, the capital required is:~~

- ~~the market value of the call option, plus the loss or minus the profit, which may result from the exercise of the call option.~~

~~Note: The exercise price of the call option to be used in determining the loss or the profit is the higher of the exercise price of the call or put option.~~

~~In the case of Treasury bill options, the above capital requirements shall apply only when the call option and put option both have the same expiration date.~~

~~In the case of sponsored options, the units of trading for call and put sponsored options must represent equivalent units of trading of any other options or an equivalent quantity of the underlying interest.~~

~~In the case of pairings involving European-style or cash settlement sponsored options, the required capital must not be less than five percent (5%) of the underlying security market value.~~

(Article 11232 becomes article 9206 e) and art. 9406 c))

11232 Capital Required on "Conversions"
(15.08.86, 28.01.02, abr. 00.00.04)

~~Where a long put is paired with a short call and a long position in the underlying security, the capital required is:~~

- ~~the market value of the put option, plus the loss or minus the profit which may result from the exercise of the put option.~~

~~Note: The exercise price of the put option to be used in determining the loss or the profit is the lesser of the exercise price of the call or put option.~~

~~In the case of Treasury bill options, the above capital requirements shall apply only when the call option and put option both have the same expiration date.~~

~~In the case of sponsored options, the units of trading for call and put sponsored options must represent equivalent units of trading of any other options or equivalent quantity of the underlying interest.~~

~~In the case of pairings involving European style or cash settlement sponsored options, the required capital must not be less than five percent (5%) of the underlying security market value.~~

(Article 11233 becomes article 9424 however the paragraphs are in a different order)

11233 Capital required - Bond Options paired with Bond Futures
(08.08.86, 21.11.86, 15.09.89, 19.01.95, abr. 00.00.04)

~~A) Conditions of pairing:~~

~~1. The number of options and futures contracts used in the calculation must represent an equivalent face value at maturity;~~

~~2. To be acceptable for pairing the Canada bond futures should be in either one of the two nearest contract months and the underlying interest of the bond options is a Government of Canada bond maturing or callable for redemption is between 3 years 9 months and 10½ years.~~

~~B) Where a short call is paired with a long future or where a short put is paired with a short future, the capital required is:~~

~~- the capital required on the future. The capital actually required cannot be lower than $500.~~

~~C) Where a short future is paired with a long call or where a long future is paired with a long put, the capital required is:~~

~~1. Where the option is in or at the money:~~

~~- $500 plus the market value of the option less the amount the option is in the money.~~

~~2. Where the option is out of the money:~~

~~- the market value of the option plus the capital required on the future minus the lesser of:~~

~~a) $500; and~~

~~b) the result of $500 minus the amount the option is out of the money.~~

~~D) Where a long call is paired with a short put on the same underlying bond and with a short future, the capital required is:~~

~~- the market value of the long call plus the loss or minus the profit, which may result from the exercise of the call option.~~

~~- The capital actually required cannot be lower than $500.~~

~~- The exercise price of the call option to be used in determining the loss or the profit is the higher of the exercise price of the call or put option.~~

~~E) Where a long put is paired with a short call on the same underlying bond and with a long future, the capital required is:~~

~~– the market value of the long put plus the loss or minus the profit which may result from the exercise of the put option.~~

~~– The capital actually required cannot be lower than $500.~~

~~– The exercise price of the put option to be used in determining the loss or the profit is the lesser of the exercise price of the call or the put option.~~

(Article 11234 is abrogated)

11234 Trade Date, Settlement Date for Capital Requirements
(abr. 00.00.04)

~~Members using the settlement date basis to compute net capital requirements may, for the purpose of calculating the capital required on a specialist or market-maker account or in a firm account in which options are traded, use the trade date basis calculation.~~

11235-39 (Reserved)
(abr. 00.00.03)

(Article 11240 is abrogated)

11240 Capital Required
(19.01.95, 28.01.02, abr. 00.00.04)

~~a) Capital Requirements~~

~~A specialist, market maker or sponsor must maintain a net equity greater than the total margin, as defined in paragraph c) below, or the minimum capital requirement as prescribed by article 7007.~~

~~For the purpose of this section "net equity" is defined as the difference between the specialist's or market-maker's assets and liabilities, on liquidation, in his account with the clearing member. The net equity shall be computed by:~~

~~i) marking all positions, long or short in the account, to market;~~

~~ii) adding the market value of long positions (or deducting the market value of short positions) in such account, and~~

~~iii) adding the credit cash balance (or deducting the debit cash balance) in such account.~~

~~In the calculation of the net equity figure it is necessary to include all income and expense items, profits or losses and receivables and payables.~~

~~b) Required actions by clearing members~~

~~1. Notification - As soon as a specialist's or market-maker's net equity after subtracting margins falls below the minimum capital requirement, but still remains positive, the clearing member must inform the Exchange.~~

~~2. Early warning - When a specialist's or market-maker's net equity is below the minimum capital requirement or when the total margins exceed the net equity and the account goes into deficit, the clearing member must:~~

~~i) inform the Exchange,~~

~~ii) place prudent restrictions on opening transactions, and~~

~~iii) require the specialist or market-maker to increase his equity or to reduce positions to meet the equity/margin requirement within 2 business days.~~

~~3. Liquidation - When a specialist or market- maker account is still in violation of the rules after 2 business days, the clearing member must take steps to immediately liquidate positions in the account. As always the clearing member must inform the Exchange.~~

~~Note: In all of the above provisions 1), 2) and 3) it is permissable for a clearing member to effect an "unsecured loan" to a specialist or market-maker. However, the amount of the loan will be treated as a liability, and additionally, the amount will be deducted from the clearing member's net liquidity. Therefore, a clearing member will not be able to effect this loan if it would reduce the clearing member's net equity below the minimum or "Early Warning" provisions.~~

~~There is no formal manner for this loan to be effected; it will only be realized in the computation of the clearing firm's net liquidity. The clearing firm must however, inform the Exchange of this "loan". As long as the clearing firm has enough capital to carry this extra risk, a clearing firm will always have "the last say" regarding a specialist or market-maker continuing to trade.~~

~~c) Margin requirements~~

~~In calculating the margin required on positions held in a firm, specialist or market-maker account, each option class is to be calculated separately from the others. The following steps should be completed.~~

~~1. Net the long and short positions in the underlying value. Any unsettled transactions in the underlying value should be considered settled for the purpose of this net position. Exercises and assignments of options positions are to be considered as unsettled transactions. For the purpose of this rule commodity futures contracts will be considered as representing a position in the underlying value.~~

~~2.1 Set up a "one for one" hedge in the following possible manners:~~

~~i) long metal or currency offset by:~~

~~A) long put, or~~

~~B) short call;~~

~~ii) short metal or currency offset by:~~

~~A) long call, or~~

~~B) short put.~~

~~2.2 Margins on the above-mentioned (2.1) hedges should be multiplied by the unit of trading and calculated as follows:~~

~~i) A) long metal or currency offset by long put - the margin is the out-of-the-money amount;~~

~~B) long metal or currency offset by short call - the margin is 15% of the market value of the metal or 5% of the value of the currency at the spot price reduced by any in-the-money amount of the short call.~~

~~ii) A) short metal or currency offset by long call - the margin is the out-of-the-money amount.~~

~~B) short metal or currency offset by short put - the margin is 15% of the market value of the metal or 5% of the value of the currency at the spot price reduced by any in-the-money amount of the short put.~~

~~2.3 In setting up the hedges mentioned in step 2.1, it is usually most advantageous to offset calls with lowest exercise prices and puts with the highest exercise prices. If exercise prices are equal, it is usually most advantageous to offset the calls or puts with the greatest time until expiration. In other words, the options with the greatest premiums will normally be offset first against the appropriate cash currency or metal positions.~~

~~2.4 The lowest margin possible is zero.~~

~~Note: In the case of "riskless" positions, or positions with determinable risk, such as deep-in-the-money spreads and conersions, the margin should be equal to the ultimate risk. Riskless positions would normally be taken before hedges.~~

~~3.1 After the hedges are set up in 2.1 above, any remaining option positions must be valued at market. The value of the long calls and short puts are added as "bullish", the value of short calls and long puts are added as "bearish".~~

~~3.2 These options shall be margined according to the following schedule:~~

~~i) in-the-money:~~

~~long - 60% of the premium~~
~~short - 60% of the premium~~

~~ii) at or out-of-the-money:~~

~~long - 60% of the premium~~
~~short - 75% of the prelium~~

~~3.3 All short, unhedged options within 3 weeks of expiration and less than 5% out or in-the-money, shall have a minimum value per contract according to the following scale.~~

~~Value per ounce of the underlying metal~~	~~Minimum value per contract (short)~~
~~Less than $ 50~~	~~$ 5~~
~~50.10 - 100~~	~~10~~
~~100.10 - 200~~	~~30~~
~~200.10 - 400~~	~~50~~
~~Greater than 400~~	~~80~~

~~Underlying Value of Currency Option~~	~~Minimum Premium Value per Short Contract~~
~~Less than $10,000~~	~~$200~~
~~$15,005 - $20,000~~	~~300~~
~~$20,005 - $25,000~~	~~400~~
~~$25,005 - $30,000~~	~~500~~
~~$30,005 - $35,000~~	~~600~~
~~Greater than $35,000~~	~~750~~

~~3.4 A net bullish or bearish option position margin is then determined. Any remaining unhedged metal position are margined at 15%. Any remaining unhedged currency positions are margined at 5%. Long positions are bullish, short positions are bearish.~~

~~3.5 The remaining net bullish or bearish option position margin is offset against or added to the remaining unhedged margin, in the following manner:~~

~~Option Net Margin~~		~~Unhedged Margin~~
~~If bearish~~	~~offset~~	~~if bullish~~
	~~add to~~	~~if bearish~~
~~If bullish~~	~~offset~~	~~if bearish~~
	~~add to~~	~~if bullish~~

~~4.1 The hedge margin in 2.2 is then added to the margin in 3.5 to get the total margin.~~

~~4.2 If the total margin in any single option class is greater than or equal to 40% of the specialist's or market-maker's net equity, a concentration position margin of 20% may be added on that margin. This concentration position margin will be applied to the normal margin as soon as the metal value should move by 15% or the currency value should move by 5% or more within any 5 business day period. Relevant warnings will be given by the Exchange.~~

~~5. All required margins for each underlying value will be added together in the specialist or market-maker account with his clearing member. These margins have neither a bullish or bearish relevance but give an indication of risk within the underlying value.~~

~~6. The total margin amount is compared with the specialist's or market-maker's net equity and appropriate actions, when necessary, will be taken by the clearing member.~~

11241 et 11242 (reserved)
(abr. 00.00.04)

(Article 11243 a) becomes article 9411, and 11243 b) becomes art. 9412)

11243 Capital Required - Unpaired Long or Short Positions in Options on Futures Contracts
(20.03.91, 07.04.94, 00.00.04)

~~a) The capital required to carry a long call or a long put 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 and 10 basis points in the case of options on Government of Canada Bond Futures.~~

~~b) The capital required in respect of each unpaired put or call option carried short shall be the market value of such option plus the greater of:~~

~~- 50% of the margin required on the underlying futures contract (futures speculator or hedger rate, as the case may be); or~~

~~- the margin required on the futures contract less the amount by which the option is out-of-the-money.~~

(Article 11244 becomes article 9413)

11244 Capital Required - Paired Option Positions on Futures Contracts
(20.03.91, 07.04.94, abr. 00.00.04)

~~a) Where a position involved the pairing of :~~

~~- a short call and a long call, or of~~

~~- a short put and a long put,~~

~~the capital required is the market value of the long option 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) if both options were exercised.~~

~~b) Where a short call and short put are paired, the capital required is that required on the put or on the call whichever is the greater, under article 11243, plus the loss, if any on the option having the lesser capital required.~~

~~c) Where a long call and a long put are paired, the capital required is the market value of the call plus the market value of the put less the higher of the following amounts:~~

~~i) either the excess of the exercise price of the put option over the exercise price of the call option, or~~

~~ii) either 50 % of the total of the amount by which each option is in-the-money.~~

~~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 and 10 basis points in the case of options on Government of Canada Bond Futures.~~

(Article 11245 becomes article 9425 b))

11245 Capital Required for - Paired Positions in Futures Contracts and Short Options on Futures Contracts
(20.03.91, 07.04.94, abr. 00.00.04)

~~Where a short call is paired with a long futures contract or a short put is paired with a short futures contract, the capital required is the market value of the short option plus the higher of:~~

~~- 50% of the margin required on the underlying futures contract (futures speculator or hedger rate, as the case may be); or~~

~~- the margin required on the futures contract less the amount by which the option is in-the-money.~~

~~Note : The delivery months of the option and of the futures contract have no importance.~~

(Article 11246 becomes article 9425 a))

11246 Capital Required for - Paired Positions in Futures Contract and Long Option on futures Contract
(20.03.91, 07.04.94, abr. 00.00.04)

~~Where a short futures contract is paired with a long call or where a long futures contract is paired with a long put, the capital required is the greater of:~~

~~- the capital required on the long option, or~~

~~- the margin required on the futures contract less the amount by which the option is in-the-money.~~

~~Note : The delivery months of the option and of the futures contract have no importance.~~

(Article 11247 becomes article 9425 d))

11247 Capital Required on "reconversion"
(20.03.91, 07.04.94, abr. 00.00.04)

~~Where a long call on a futures contract is paired with a short put on a futures contract and a short futures contract, the capital required is:~~

- ~~the market value of the long call option plus the loss or minus the profit which may result from the exercise of the call option.~~

~~The net capital required cannot be less than 50% of the margin required on the underlying futures contract (futures speculator or hedger rate, as the case may be).~~

~~The exercise price of the call option to be used in determining the loss or the profit is the higher of the exercise price of the call or put option.~~

~~Note : The delivery months of the option and of the futures contract have no importance.~~

(Article 11248 becomes article 9425 c))

11248 Capital Required on "conversion"
(20.03.91, 07.04.94, abr. 00.00.04)

~~Where a long put option on a futures contract is paired with a short call option on a futures contract and a long futures contract, the capital required is:~~

- ~~the market value of the long put plus the loss or minus the profit which may result from the exercise of the put option.~~

~~The net capital required cannot be less than 50% of the margin required on the underlying futures contract (futures speculator or hedger rate, as the case may be).~~

~~The exercise price of the put option which is to be used in determining the loss or the profit is the lesser of the exercise price of the call or put option.~~

~~Note : The delivery months of the option and of the futures contract have no importance.~~

(This section becomes Section 9501 – 9600)

~~Section 11251 - 11265~~

Over-the-counter (OTC) options

(abr. 00.00.03)

(Article 11251 becomes article 9501)

11251 Margin requirements - general provisions
(24.12.98, abr. 00.00.04)

~~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) Members writing and issuing or guaranteeing over-the-counter options on behalf of a customer must have and maintain, with each customer, a margin agreement in writing defining the rights and obligations between them in regard to over-the-counter options or have and maintain supplementary overthecounter option agreements with customers selling such options.~~

~~c) Counterparty as client~~

~~Where the member is a party to an over-the-counter option, the counterparty to the option must be considered a client of the member.~~

~~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 the 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 the Joint Regulatory Financial Questionnaire and Report, 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~~

~~A member 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.~~

~~Furthermore, put and call options written, issued or guaranteed by a member must be in the form prescribed by the Exchange.~~

~~f) Procedure~~

~~Put and call options must not be settled through a clearing house.~~

~~A put or call option, when exercised, becomes a contract for the sale or purchase of the securities covered by the put or call at the contract price for settlement within the time provided by the Exchange, provided, however, that settlement and delivery be over-the-counter and not through a clearing house.~~

~~The contract arising from the exercise of a put or call must be deemed to be an Exchange contract.~~

~~g) 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.~~

~~h) Semi-monthly returns~~

~~Members 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.~~

(Article 11252 becomes article 9502)

11252 Margin requirements - Simple long positions
(24.12.98, abr. 00.00.04)

~~All purchases of over-the-counter options for clients accounts must be for cash.~~

(Article 11253 becomes article 9503)

11253 Margin requirements - Simple short positions
(24.12.98, abr. 00.00.04)

~~Subject to articles 11251 e) and 11255, 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.~~

(Article 11254 becomes article 9504)

11254 Margin requirements - Paired option positions
(24.12.98, abr. 00.00.04)

~~a) Except as otherwise provided in this section, clients, as defined at article 11251 c), are permitted margin offsets for the purpose of hedging over-the-counter options in the same manner as set out in section 11201-11225, 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.~~

(Article 11255 becomes article 9505)

11255 Acceptable forms of margin
(24.12.98, abr. 00.00.04)

~~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 member;~~

~~ii) a deposit with the member 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 will 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 Exchange, between the member 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 Exchange has not established a margin rate less than 100% for the underlying interest.~~

(Articles 11256 – 11260 become articles 9506 – 9510)

11256 - 11260 (Reserved for future use)
(abr. 00.00.04)

(Article 11261 becomes article 9511)

11261 Capital requirements - general provisions
(24.12.98, abr. 00.00.04)

~~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~~

~~A member 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.~~

~~Furthermore, put and call options written, issued or guaranteed by a member must be in the form prescribed by the Exchange.~~

~~c) Procedure~~

~~Put and call options must not be settled through a clearing house.~~

~~A put or call option, when exercised, becomes a contract for the sale or purchase of the securities covered by the put or call at the contract price for settlement within the time provided by the Exchange, provided, however, that settlement and delivery be over-the-counter and not through a clearing house.~~

~~The contract arising from the exercise of a put or call must be deemed to be an Exchange contract.~~

~~d) 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.~~

~~e) Semi-monthly returns~~

~~Members 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.~~

(Article 11262 becomes article 9512)

11262 Capital requirements - Simple long positions
(24.12.98, abr. 00.00.04)

~~a) The capital required for a long call and for a long put, where the over-the-counter option's premium is less than $1.00, 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 $1.00 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 $1.00 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.~~

(Article 11263 becomes article 9513)

11263 Capital requirements - Simple short positions
(24.12.98, abr. 00.00.04)

~~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.~~

(Article 11264 becomes article 9514)

11264 Capital requirements - Paired option positions
(24.12.98, abr. 00.00.04)

~~a) Except as otherwise provided in this section, members are permitted capital offsets for the purpose of hedging over-the-counter options in the same manner as set out in section 11226-11248, 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.~~

(Article 11265 becomes article 9515)

11265 Capital reduction allowed for positions held by members
(24.12.98, abr. 00.00.04)

~~Consistent with listed options, members 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.~~

(The present section is abrogated from Rule Eleven)

SECTION
11280 - 11400
Margin requirements for offsets involving S&P/TSE 60 Stock Index products
(07.09.99, abr. 00.00.04)

(Article 11280 is transferred to article 9001 g))

11280 Basket
(07.09.99, abr. 00.00.04)

~~A "basket" of securities or equity securities which is covered by a position in S&P/TSE 60 Stock Index Options, S&P/TSE 60 Stock Index Participation Unit options, or S&P/TSE 60 Stock Index Futures contracts, or S&P/TSE 60 Stock Index Participation Units means:~~

~~A) a group of equity securities all of which:~~

~~1. are included in the composition of the S&P/TSE 60 Stock Index~~

~~2. are either long or short positions; and~~

~~3. comprise a portfolio with a market value equal to the market value of the securities underlying the S&P/TSE 60 Stock Index Options contract(s), the S&P/TSE 60 Stock Index Participation Unit options contract(s), the S&P/TSE 60 Stock Index Futures contract(s), or the S&P/TSE 60 Stock Index Participation Units;~~

~~B) 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 S&P/TSE 60 Stock Index Options, Futures or Participation Units, based on the latest published relative weights of securities comprising the S&P/TSE 60 Stock Index;~~

~~C) the cumulative relative weights of all equity securities comprising the portfolio equals or exceeds 90% of the cumulative weight of the S&P/TSE 60 Stock Index based on the latest published relative weights of equity securities comprising the S&P/TSE 60 Stock Index; and~~

~~D) Where the cumulative relative weights of all equity securities comprising the portfolio equals an amount greater than 90% and less than 100% of the cumulative relative weight of the S&P/TSE 60 Stock Index, the deficiency in the basket must be filled by equity securities which comply with the requirements of paragraphs A) and B) above.~~

~~The customer or member must establish an offsetting long or short position in the S&P/TSE 60 Stock Index Options, S&P/TSE 60 Stock Index Participation Unit options, S&P/TSE 60 Stock Index Futures contracts expiring within six months, or S&P/TSE 60 Stock Index Participation Units.~~

(Article 11281 becomes article 9107)

11281 Multiple Option Combinations involving S&P/TSE 60 Stock Index Options
(07.09.99, abr. 00.00.04)

~~A) Box Spread involving S&P/TSE 60 Stock Index Options~~

~~Where a customer holds a long and short S&P/TSE 60 Stock Index call option and a long and short S&P/TSE 60 Stock Index put option with the same expiry month and where the long call and short put, and short call and long put have the same strike price, the margin required must be the lesser of the following two amounts:~~

~~i) the greater of the margin on the put or call spread (article 11205 of the Rules); or~~

~~ii) the greater of:~~

~~a) the amount by which the exercise price of the long call exceeds the exercise price of the short call, multiplied by the unit of trading; or~~

~~b) the amount by which the exercise price of the short put exceeds the exercise price of the long put, multiplied by the unit of trading.~~

~~B) Long Butterfly Spread involving S&P/TSE 60 Stock Index Options~~

~~Where a customer holds a short position in two S&P/TSE 60 Stock Index call options (or put options) and the short calls (or short puts) are at a middle strike price and are flanked on either side by a long S&P/TSE 60 Stock Index call option (or put option) having a lower and higher strike price respectively, the margin required must be the net market value of the short and long calls (or puts).~~

~~C) Short Butterfly Spread involving S&P/TSE 60 Stock Index Options~~

~~Where a customer holds a long position in two S&P/TSE 60 Stock Index call options (or put options) and the long calls (or long puts) are at a middle strike price and are flanked on either side by a short S&P/TSE 60 Stock Index call option (or put option) having a lower and higher strike price respectively, the margin required must be the amount, if any, by which the exercise price of the long calls (or long puts) exceeds the exercise price of the written calls (or written puts), multiplied by the unit of trading.~~

(Article 11282 is abrogated)

11282 Multiple Option Combinations involving S&P/TSE 60 Stock Index Participation Unit Options

(07.09.99, abr. 00.00.04)

~~A) Long Butterfly Spread involving S&P/TSE 60 Stock Index Participation Unit Options~~

~~Where a customer holds a short position in two S&P/TSE 60 Stock Index Participation Unit call options (or put options) and the short calls (or short puts) are at a middle strike price and are flanked on either side by a long S&P/TSE 60 Stock Index Participation Unit call option (or put option) having a lower and higher strike price respectively, the margin required must be the net market value of the short and long calls (or puts).~~

~~B) Short Butterfly Spread involving S&P/TSE 60 Stock Index Participation Unit Options~~

~~Where a customer holds a long position in two S&P/TSE 60 Stock Index Participation Unit call options (or put options) and the long calls (or long puts) are at a middle strike price and are flanked on either side by a short S&P/TSE 60 Stock Index Participation Units call option (or put option) having a lower and higher strike price respectively, the margin required must be the amount, if any, by which the exercise price of the long calls (or long puts) exceeds the exercise price of the written calls (or written puts), multiplied by the unit of trading.~~

(Articles 11283, 11284 and 11287 are grouped together under article 9109)

11283 S&P/TSE 60 Stock Index Options offset with baskets of S&P/TSE 60 Stock Index securities
(07.09.99, abr. 00.00.04)

~~A) Short S&P/TSE 60 Stock Index call – Long basket of S&P/TSE 60 Stock Index securities~~

~~Where a customer holds a long position in a qualifying basket of S&P/TSE 60 Stock Index securities (complying with article 11280 of the Rules) offset by an equivalent number of short S&P/TSE 60 Stock Index calls, the minimum margin required must be the margin required on the long position in the qualifying basket of S&P/TSE 60 Stock Index securities, using the lower of the market price of the basket of securities or the exercise price of the short S&P/TSE 60 Stock Index call options.~~

~~B) Short S&P/TSE 60 Stock Index put – short basket of S&P/TSE 60 Stock Index securities~~

~~Where a customer holds a short position in a qualifying basket of S&P/TSE 60 Stock Index securities (complying with article 11280 of the Rules) offset by an equivalent number of short S&P/TSE 60 Stock Index puts, the margin required must be the margin required under the present Rule on the qualifying basket of S&P/TSE 60 Stock Index securities, using the greater of the market value of the qualifying basket of S&P/TSE 60 Stock Index securities or the exercise value of the short S&P/TSE 60 Stock Index put options.~~

(Articles 11283, 11284 and 11287 are grouped together under article 9109)

11284 Baskets of S&P/TSE 60 Stock Index securities offset with S&P/TSE 60 Stock Index Participation Unit Options
(07.09.99, abr. 00.00.04)

~~A) Long basket of S&P/TSE 60 Stock Index securities – Short S&P/TSE 60 Stock Index Participation Unit calls~~

~~Where a customer holds a long position in a qualifying basket of S&P/TSE 60 Stock Index securities (complying with article 11280 of the Rules) offset by an equivalent number of short S&P/TSE 60 Stock Index Participation Unit call options, the margin required must be the margin required on the qualifying basket of S&P/TSE 60 Stock Index securities, using the lower of the market value of the qualifying basket of S&P/TSE 60 Stock Index securities or the exercise value of the short S&P/TSE 60 Stock Index Participation Unit call options.~~

~~B) Long basket of S&P/TSE 60 Stock Index securities – Long S&P/TSE 60 Stock Index Participation Unit puts~~

~~Where a customer holds a long position in a qualifying basket of S&P/TSE 60 Stock Index securities (complying with article 11280 of the Rules) offset by an equivalent number of long S&P/TSE 60 Stock Index Participation Unit put options, the margin required must be:~~

~~100% of the market value of the long put, plus the lower of:~~

~~i) the margin required under the present Rule on the long qualifying basket of S&P/TSE 60 Stock Index securities; or~~

~~ii) any excess of the market price of the qualifying basket of S&P/TSE 60 Stock Index securities over the exercise price of the long put, multiplied by the unit of trading;~~

~~but in no case must the margin be less than 1% of the market value of the long equity securities.~~

~~C) Short basket of S&P/TSE 60 Stock Index securities – Long S&P/TSE 60 Stock Index Participation Unit calls~~

~~Where a customer holds a short position in a qualifying basket of S&P/TSE 60 Stock Index securities (complying with article 11280 of the Rules) offset by an equivalent number of long S&P/TSE 60 Stock Index Participation Unit call options, the margin required must be:~~

~~100% of the market value of the long calls, plus the lower of:~~

~~i) the margin required under the present Rule on the qualifying basket of S&P/TSE 60 Stock Index securities; or~~

~~ii) any excess of the exercise value of the long calls over the market value of the qualifying basket of S&P/TSE 60 Stock Index securities;~~

~~but in no case must the margin be less than 1% of the market value of the long equity securities.~~

~~D) Short basket of S&P/TSE 60 Stock Index securities – Short S&P/TSE 60 Stock Index Participation Unit puts~~

~~Where a customer holds a short position in a qualifying basket of S&P/TSE 60 Stock Index securities (complying with article 11280 of the Rules) offset by an equivalent number of short S&P/TSE 60 Stock Index Participation Unit put options, the margin required must be the margin required on the qualifying basket of S&P/TSE 60 Stock Index securities, using the greater of the market value of the qualifying basket of S&P/TSE 60 Stock Index securities or the exercise value of the short S&P/TSE 60 Stock Index Participation Unit put options.~~

(Article 11285 is transferred to article 7202)

11285 S&P/TSE 60 Stock Index securities offset with S&P/TSE 60 Stock Index Participation Units
(abr. 00.00.04)

~~A) Long basket of S&P/TSE 60 Stock Index securities – Short S&P/TSE 60 Stock Index Participation Units~~

~~Where a long position in a qualifying basket of S&P/TSE 60 Stock Index securities (complying with article 11280 of the Rules) is offset by an equivalent number of short S&P/TSE 60 Stock Index Participation Units, the margin required must be 1.00% plus the calculated incremental basket margin rate (as defined in article 15712 of the Rules) for the qualifying basket of S&P/TSE 60 Stock Index securities, multiplied by the market value of the S&P/TSE 60 Stock Index Participation Units.~~

~~B) Short basket of S&P/TSE 60 Stock Index securities – Long S&P/TSE 60 Stock Index Participation Units~~

~~Where a short position in a qualifying basket of S&P/TSE 60 Stock Index securities (complying with article 11280 of the Rules) is offset by an equivalent number of long S&P/TSE 60 Stock Index Participation Units, the margin required must be:~~

~~i) 1.00% unless the short basket:~~

~~a) complies with the provisions of paragraphs A) and B) of article 11280 of the Rules; and~~

~~b) comprises a basket of securities or multiple thereof required to obtain the S&P/TSE 60 Stock Index Participation Units;~~

~~plus~~

~~ii) the calculated incremental basket margin rate for the qualifying basket of S&P/TSE 60 Stock Index securities,~~

~~multiplied by the market value of the S&P/TSE 60 Stock Index Participation Units.~~

(Article 11286 is abrogated however, the global idea of the rule is reproduced in article 9108)

11286 S&P/TSE 60 Stock Index Participation Unit Options offset with S&P/TSE 60 Stock Index Options
(07.09.99, 00.00.04)

~~A) Long S&P/TSE 60 Stock Index Participation Unit calls – Short S&P/TSE 60 Stock Index calls~~

~~Where a customer holds a long position in S&P/TSE 60 Stock Index Participation Unit call options offset by an equivalent number of short S&P/TSE 60 Stock Index Options, the margin required must be the lesser of paragraph i) or ii) hereinafter, as follows:~~

~~i) the margin otherwise required on the short calls; or~~

~~ii) the greater of:~~

~~a) the amount, if any, by which the exercise value of the long calls exceeds the exercise value of the short calls; or~~

~~b) 1% of the market value of the S&P/TSE 60 Stock Index Participation Units.~~

~~B) Short S&P/TSE 60 Stock Index Participation Unit puts – Short S&P/TSE 60 Stock Index calls~~

~~Where a customer holds a short position in S&P/TSE 60 Stock Index Participation Unit put options offset by an equivalent number of short S&P/TSE 60 Stock Index call options, the margin required is the greater of:~~

~~i) the excess of the exercise value of the S&P/TSE 60 Stock Index Participation Unit puts over the exercise value of the S&P/TSE 60 Stock Index calls; or~~

~~ii) the greater of:~~

~~a) the margin otherwise required on the short put options; or~~

~~b) the margin otherwise required on the short call options.~~

(Articles 11283, 11284 and 11287 are grouped together under article 9109)

11287 S&P/TSE 60 Stock Index Options offset with S&P/TSE 60 Stock Index Participation Units
(07.09.99, abr. 00.00.04)

~~A) Long S&P/TSE 60 Stock Index call – Short S&P/TSE 60 Stock Index Participation Units~~

~~Where a customer holds a long position in S&P/TSE 60 Stock Index call options offset by an equivalent number of short S&P/TSE 60 Stock Index Participation Units, the margin required must be:~~

~~100% of the market value of the long calls, plus the lower of:~~

~~i) the margin required under the present Rule on the short S&P/TSE 60 Stock Index Participation Units; or~~

~~ii) any excess of the exercise price of the S&P/TSE 60 Stock Index call over the market price of the S&P/TSE 60 Stock Index Participation Unit, multiplied by the unit of trading,~~

~~but in no case must the margin be less than 1% of the market value of the S&P/TSE 60 Stock Index Participation Units (i.e. minimum credit required of 101% of the market value of the S&P/TSE 60 Stock Index Participation Units).~~

~~B) Short S&P/TSE 60 Stock Index call – Long S&P/TSE 60 Stock Index Participation Units~~

~~Where a customer holds a short position in S&P/TSE 60 Stock Index call options offset by an equivalent number of S&P/TSE 60 Stock Index Participation Units, the minimum margin required must be the margin required under the present Rule on the S&P/TSE 60 Stock Index Participation Units, using the lower of the market value of S&P/TSE 60 Stock Index Participation Units or the exercise value of the short calls.~~

~~C) Long S&P/TSE 60 Stock Index put option – Long S&P/TSE 60 Stock Index Participation Unit~~

~~Where a customer holds a long position in S&P/TSE 60 Stock Index put options offset by an equivalent number of long S&P/TSE 60 Stock Index Participation Units, the minimum margin required must be:~~

~~100% of the market value of the long put, plus the lower of:~~

~~i) the margin required under the present Rule on the long S&P/TSE 60 Stock Index Participation Units; or~~

~~ii) any excess of the market price of the long S&P/TSE 60 Stock Index Participation Units over the exercise price of the long put, multiplied by the unit of trading,~~

~~but in no case must the margin be less than 1% of the market value of the long S&P/TSE 60 Stock Index Participation Units.~~

~~D) Short S&P/TSE 60 Stock Index put option – Short S&P/TSE 60 Stock Index Participation Unit~~

~~Where a customer holds a short position in S&P/TSE 60 Stock Index put options offset by an equivalent number of short S&P/TSE 60 Stock Index Participation Units, the margin required must be the margin required on the S&P/TSE 60 Stock Index Participation Units, using the greater of the market value of the S&P/TSE 60 Stock Index Participation Units or the exercise value of the short S&P/TSE 60 Stock Index put options.~~

(Article 11288 is abrogated)

11288 S&P/TSE 60 Stock Index Futures contracts offset with S&P/TSE 60 Stock Index Participation Units
(07.09.99, abr. 00.00.04)

~~A) Long S&P/TSE 60 Stock Index Futures contracts – Short S&P/TSE 60 Stock Index Participation Units~~

~~Where a long position in S&P/TSE 60 Stock Index Futures contracts is offset by an equivalent number of short S&P/TSE 60 Stock Index Participation Units, the margin required must be 1.00% of the market value of the S&P/TSE 60 Stock Index Participation Units.~~

~~B) Short S&P/TSE 60 Stock Index Futures contracts – Long S&P/TSE 60 Stock Index Participation Units~~

~~Where a short position in S&P/TSE 60 Stock Index Futures contracts is offset by an equivalent number of long S&P/TSE 60 Stock Index Participation Units, the margin required must be 1.00% of the market value of the S&P/TSE 60 Stock Index Participation Units.~~

(Article 11289 is abrogated)

11289 S&P/TSE 60 Stock Index Futures contracts offset with Toronto 35 Stock Index Futures contracts

(07.09.99, abr. 00.00.04)

~~Where a customer holds a long or short position on S&P/TSE 60 Stock Index Futures contracts offset by an equivalent number of short or long position on Toronto 35 Stock Index Futures contracts, the initial margin required must be: 2.50% multiplied by the future settlement value of the contract on the spread with the highest settlement value; and the maintenance margin required must be: 2.00% multiplied by the future settlement value of the contract in the spread with the highest settlement value.~~

(Article 11290 is abrogated)

11290 S&P/TSE 60 Stock Index Futures contracts offset with a basket of Toronto 35 Stock index securities

(07.09.99, abr. 00.00.04)

~~Where a customer holds a long or short position in a basket of Toronto 35 Stock Index securities, as defined in article 11401 of the Rules of the Exchange, offset by an equivalent number of short or long S&P/TSE 60 Stock Index Futures contracts, the margin required must be 2.00% plus the calculated incremental basket of Toronto 35 Stock Index securities, multiplied by the market value of the basket of Toronto 35 Stock Index securities.~~

(Article 11291 is abrogated)

11291 Toronto 35 Stock Index Futures contracts offset with a basket of S&P/TSE 60 Stock Index securities

(07.09.99, abr. 00.00.04)

~~Where a customer hold a long or short position in a basket of S&P/TSE 60 Stock Index securities, as defined in article 11280 of the Rules of the Exchange, offset by an equivalent number of short or long Toronto 35 Stock Index Futures contracts, the margin required shall be 2.00% plus the calculated incremental basket margin rate for the qualifying basket of S&P/TSE 60 Stock Index securities, multiplied by the market value of the basket of S&P/TSE 60 Stock Index securities.~~

(Section 11501 – 11600 is abrogated from Rule Eleven)

SECTION
11501 - 11600
Capital requirements for offsets involving S&P/TSE 60 Stock Index products
(07.09.99, abr. 00.00.04)

(Article 11501 is transferred to article 9207)

11501 Multiple Option Combinations involving S&P/TSE 60 Stock Index Options
(07.09.99, abr. 00.00.04)

~~A) Box Spread involving S&P/TSE 60 Stock Index Options~~

~~Where a member holds a long and short S&P/TSE 60 Stock Index call option and long and short S&P/TSE 60 Stock Index put option with the same expiry month and where the long call and short put, and short call and long put have the same strike price, the capital charge required must be:~~

~~i) the difference, plus or minus, between the exercise price of the long call and the exercise price of the long put, multiplied by the unit of trading, plus~~

~~ii) the net market value of the options.~~

~~B) Long Butterfly Spread involving S&P/TSE 60 Stock Index Options~~

~~Where a member holds a short position in two S&P/TSE 60 Stock Index call options (or put options) and the short calls (or short puts) are at a middle strike price and are flanked on either side by a long S&P/TSE 60 Stock Index call (or put option) having a lower and higher strike price respectively, the capital required must be the net market value of the short and long calls (or puts).~~

~~C) Short Butterfly Spread involving S&P/TSE 60 Stock Index Options~~

~~Where a member holds a long position in two S&P/TSE 60 Stock Index calls (or put options) and the long calls (or long puts) are at a middle strike price and are flanked on either side by a short S&P/TSE 60 Stock Index call (or put option) having a lower and higher strike price respectively, the capital required must be the amount, if any, by which the exercise price of the long calls (or long puts) exceeds the exercise price of the written calls (or written puts), multiplied by the unit of trading.~~

(Article 11502 is abrogated)

11502 Multiple Option Combinations involving S&P/TSE 60 Stock Index Participation Unit (IPU) Options
(07.09.99, abr. 00.00.04)

~~A) Long Butterfly Spread involving S&P/TSE 60 Stock IPU Options~~

~~Where a member holds a short position in two S&P/TSE 60 Stock IPU call options (or put options) and the short calls (or short puts) are at a middle strike price and are flanked on either side by a long~~

~~S&P/TSE 60 Stock IPU call option (or put option) having a lower and higher strike price respectively, the capital required must be the net market value of the short and long calls (or puts).~~

~~B) Short Butterfly Spread involving S&P/TSE 60 Stock IPU Options~~

~~Where a member holds a long position in two S&P/TSE 60 Stock IPU call options (or put options) and the long calls (or long puts) are at a middle strike price and are flanked on either side by a short S&P/TSE 60 Stock IPU call option (or put option) having a lower and higher strike price respectively, the capital required must be the amount, if any, by which the exercise price of the long calls (or long puts) exceeds the exercise price of the written calls (or written puts), multiplied by the unit of trading.~~

(Articles 11503, 11504 and 11507 are grouped together under article 9209)

11503 S&P/TSE 60 Stock Index Options offset with a basket of S&P/TSE 60 Stock Index securities
(07.09.99, 00.00.04)

~~A) Long S&P/TSE 60 Stock Index calls – Short basket S&P/TSE 60 Stock Index securities~~

~~Where a member holds a short position in a qualifying basket of S&P/TSE 60 Stock Index securities (complying with article 11280 of the Rules) offset by an equivalent number of long S&P/TSE 60 Stock Index calls, the capital required must be 100 % of the market value of the long call, plus the lesser of:~~

~~i) the capital required under the present article on a qualifying basket of S&P/TSE 60 Stock Index securities; or~~

~~ii) the exercise value of the calls less the market value of the qualifying basket of S&P/TSE 60 Stock Index securities.~~

~~A negative value calculated under the above paragraph ii) may reduce the capital required on the S&P/TSE 60 Stock Index calls, but in no event must the capital required be less than 1 % of the market value of the qualifying basket of S&P/TSE 60 Stock Index securities.~~

~~B) Short S&P/TSE 60 Stock Index calls – Long basket S&P/TSE 60 Stock Index securities~~

~~Where a member holds a long position in a qualifying basket of S&P/TSE 60 Stock Index securities (complying with article 11280 of the Rules) offset by an equivalent number of short S&P/TSE 60 Stock Index calls, the capital required must be the capital required on the qualifying basket of S&P/TSE 60 Stock Index securities, less the market value of the short calls, but, in no event may the capital required be less than 1 % of the value of the qualifying basket of S&P/TSE 60 Stock Index securities.~~

~~C) Long S&P/TSE 60 Stock Index puts – Long basket S&P/TSE 60 Stock Index securities~~

~~Where a member holds a long position in a qualifying basket of S&P/TSE 60 Stock Index securities (complying with article 11280 of the Rules) offset by an equivalent number of long S&P/TSE 60~~

~~Stock Index puts, the capital required must be 100% of the market value of the long puts, plus the lesser of:~~

~~i) the capital required under the present article on the qualifying basket of S&P/TSE 60 Stock Index securities; or~~

~~ii) the market value of the qualifying basket of S&P/TSE 60 Stock Index securities less the exercise value of the puts.~~

~~A negative value calculated under the above paragraph ii) may reduce the capital required on the S&P/TSE 60 Stock Index puts, but in no event may the capital required be less than 1% of the market value of the qualifying basket of S&P/TSE 60 Stock Index securities.~~

~~D) Short S&P/TSE 60 Stock Index puts – Short basket S&P/TSE 60 Stock Index securities~~

~~Where a member holds a short position in a basket of S&P/TSE 60 Stock Index securities (complying with article 11280 of the Rules) offset by an equivalent number of short S&P/TSE 60 Stock Index puts, the capital required must be the capital required on the qualifying basket of S&P/TSE 60 Stock Index securities, less the market value of the short puts, but, in no event may the capital required be less than 1% of the market value of the qualifying basket of S&P/TSE 60 Stock Index securities.~~

~~E) Long S&P/TSE 60 Stock Index calls – Short S&P/TSE 60 Stock Index puts – Short basket S&P/TSE 60 Stock Index securities~~

~~Where a member holds a short position in a basket of equity securities (or S&P/TSE 60 Stock IPUs) (complying with article 11280 of the Rules) which is offset by an equivalent number of long S&P/TSE 60 Stock Index calls and offset by an equivalent number of short S&P/TSE 60 Stock Index puts, and where the long calls and short puts have the same strike price and expiry date, the capital required is equivalent to the capital required for a short qualifying basket of S&P/TSE 60 Stock Index securities (or S&P/TSE 60 Stock IPUs) offset by a long S&P/TSE 60 Stock Index Futures contract.~~

~~F) Short S&P/TSE 60 Stock Index calls – Long S&P/TSE 60 Stock Index puts – Long basket S&P/TSE 60 Stock Index Securities~~

~~Where a member holds a long basket of equity securities (complying with article 11280 of the Rules) (or S&P/TSE 60 Stock IPUs) which is offset by an equivalent number of long S&P/TSE 60 Stock Index puts and offset by an equivalent number of short S&P/TSE 60 Stock Index calls, and where the long puts and short calls have the same strike price and expiry date, the capital required is equivalent to the capital required for a long qualifying basket of S&P/TSE 60 Stock Index securities (or S&P/TSE 60 Stock IPUs) offset by a short S&P/TSE 60 Stock Index Futures contract.~~

(Articles 11503, 11504 and 11507 are grouped together under article 9209)

11504 S&P/TSE 60 Stock IPU options offset with a basket of S&P/TSE 60 Stock Index securities (07.09.99, abr. 00.00.04)

~~A) Long S&P/TSE 60 Stock IPU calls – Short basket S&P/TSE 60 Stock Index securities~~

~~Where a member holds a long position in S&P/TSE 60 Stock IPU call options offset by an equivalent short position in a qualifying basket of S&P/TSE 60 Stock Index securities (complying with article 11280 of the Rules), the capital required must be 100% of the market value of the long calls, plus the lower of:~~

~~i) the capital required under the present article on the short qualifying basket of S&P/TSE 60 Stock Index securities; or~~

~~ii) the exercise value of the calls less the market value of the qualifying basket of S&P/TSE 60 Stock Index securities.~~

~~A negative value calculated under the above paragraph ii) may reduce the capital required on the S&P/TSE 60 Stock IPU calls, but in no event must the capital required be less than 1% of the market value of the qualifying basket of S&P/TSE 60 Stock Index securities.~~

~~B) Short S&P/TSE 60 Stock IPU calls – Long basket S&P/TSE 60 Stock Index securities~~

~~Where a member holds a long position in a qualifying basket of S&P/TSE 60 Stock Index securities (complying with article 11280 of the Rules) offset by an equivalent number of short S&P/TSE 60 Stock IPU call options, the capital required must be the capital on the long qualifying basket of S&P/TSE 60 Stock Index securities, less the market value of the short calls, but, in no case may the capital required be less than 1% of the market value of the qualifying basket of S&P/TSE 60 Stock Index securities.~~

~~C) Long S&P/TSE 60 Stock IPU puts – Long basket S&P/TSE 60 Stock Index securities~~

~~Where a member holds a long position in a qualifying basket of S&P/TSE 60 Stock Index securities (complying with article 11280 of the Rules) offset by an equivalent number of long S&P/TSE 60 Stock IPU put options, the capital required must be 100% of the market value of the long puts, plus the lower of:~~

~~i) the capital required under the present article on the long qualifying basket of S&P/TSE 60 Stock Index securities; or~~

~~ii) the market value of the qualifying basket of S&P/TSE 60 Stock Index securities less the exercise value of the puts.~~

~~A negative value calculated under the above paragraph ii) may reduce the capital required on the S&P/TSE 60 Stock IPU puts, but in no event must the capital required be less than 1% of the market value of the qualifying basket of S&P/TSE 60 Stock Index securities.~~

~~D) Short S&P/TSE 60 Stock IPU puts – Short basket S&P/TSE 60 Stock Index securities~~

~~Where a member holds a short position in a qualifying basket of S&P/TSE 60 Stock Index securities (complying with article 11280 of the Rules) offset by an equivalent number of short S&P/TSE 60 Stock IPU put options, the capital required must be the capital required under the present article on the short qualifying basket of S&P/TSE 60 Stock Index securities less the market value of the short puts, but, in no case may the capital required be less than 1% of the market value of the qualifying basket of S&P/TSE 60 Stock Index securities.~~

~~E) Long S&P/TSE 60 Stock IPU calls – Short S&P/TSE 60 Stock IPU puts – Short basket S&P/TSE 60 Stock Index securities~~

~~Where a member holds a short basket of equity securities (complying with article 11280 of the Rules) offset by an equivalent number of long S&P/TSE 60 Stock IPU calls and by an equivalent number of short S&P/TSE 60 Stock IPU puts, and where the long calls and short puts have the same strike price and expiry date, the capital required must be equivalent to the capital required where a member is short a qualifying basket of S&P/TSE 60 Stock Index securities and long S&P/TSE 60 Stock IPUs.~~

~~F) Short S&P/TSE 60 Stock IPU calls – Long S&P/TSE 60 Stock IPU puts – Long basket S&P/TSE 60 Stock Index securities~~

~~Where a member holds a long basket of equity securities (complying with article 11280 of the Rules) offset by an equivalent number of long S&P/TSE 60 Stock IPU puts and by an equivalent number of short S&P/TSE 60 Stock IPU calls, and where the long puts and short calls have the same strike price and expiry date, the capital required must be equivalent to the capital required where a member is long a qualifying basket of S&P/TSE 60 Stock Index securities and short S&P/TSE 60 Stock IPUs.~~

(Article 11505 is transferred to article 7202)

11505 S&P/TSE 60 Stock IPUs offset with a basket of S&P/TSE 60 Stock Index securities
(07.09.99, abr. 00.00.04)

~~A) Long S&P/TSE 60 Stock IPUs – Short basket of S&P/TSE 60 Stock Index securities~~

~~Where a member holds a short position in a qualifying basket of S&P/TSE 60 Stock Index securities (complying with article 11280 of the Rules) offset by an equivalent number of long S&P/TSE 60 Stock IPUs, the capital required must be:~~

~~i) 1%, unless the short basket:~~

~~a) complies with the provisions of paragraphs A) and B) of article 11280 of the Rules; and~~

~~b) comprises a basket of securities or multiple thereof required to obtain the S&P/TSE 60 Stock IPUs,~~

~~plus,~~

~~ii) the calculated incremental basket margin rate for the qualifying basket of S&P/TSE 60 Stock Index securities,~~

~~multiplied by the market value of the S&P/TSE 60 Stock IPUs.~~

~~B) Short S&P/TSE 60 Stock IPUs – Long basket of S&P/TSE 60 Stock Index securities~~

~~Where a member holds a long position in a qualifying basket of S&P/TSE 60 Stock Index securities (complying with article 11280 of the Rules) offset by an equivalent number of short S&P/TSE 60 Stock IPUs, the capital required must be 1% plus the calculated incremental basket margin rate for the qualifying basket of S&P/TSE 60 Stock Index securities, multiplied by the market value of the S&P/TSE 60 Stock IPUs.~~

(Article 11506 is transferred to article 9208)

11506 S&P/TSE 60 Stock IPU options offset with S&P/TSE 60 Stock Index options
(07.09.99, abr. 00.00.04)

~~A) Long S&P/TSE 60 Stock IPU calls – Short S&P/TSE 60 Stock Index calls~~

~~Where a member holds a long position in S&P/TSE 60 Stock IPU call options offset by an equivalent number of short S&P/TSE 60 Stock Index call options, the capital required must be the lesser of paragraphs i) or ii), as follows:~~

~~i) a) the capital otherwise required on the short calls, plus~~

~~b) the capital otherwise required on the long calls, or~~

~~ii) a) the amount, if any, by which the exercise price of the long calls exceeds the exercise price of the short calls, plus~~

~~b) the net market value of the options,~~

~~but in no case may the capital required be less than 1% of the market value of the underlying S&P/TSE 60 Stock IPUs.~~

~~B) Short S&P/TSE 60 Stock IPU puts – Short S&P/TSE 60 Stock Index calls~~

~~Where a member holds a short position in S&P/TSE 60 Stock IPU put options offset by an equivalent number of short S&P/TSE 60 Stock Index call options, the capital required must be the greater of:~~

~~i) the excess of the exercise value of the S&P/TSE 60 Stock IPU puts over the exercise value of the S&P/TSE 60 Stock Index call plus the net market value of the options; or~~

~~ii) the greater of:~~

~~a) the capital otherwise required on the short puts, or~~

~~b) the capital otherwise required on the short calls,~~

~~plus the market value of the short option with the lesser margin required,~~

~~but in no case may the capital required be less than 1% of the market value of the underlying S&P/TSE 60 Stock IPUs.~~

(Articles 11503, 11504 and 11507 are grouped together under article 9209)

11507 S&P/TSE 60 Stock Index options offset with S&P/TSE 60 Stock IPUs
(07.09.99, abr. 00.00.04)

~~A) Long S&P/TSE 60 Stock Index calls – Short S&P/TSE 60 Stock IPUs~~

~~Where a member holds a long position in S&P/TSE 60 Stock Index calls offset by a short position in S&P/TSE 60 Stock IPUs, the capital required must be 100% of the market value of the long calls, plus the lower of:~~

~~i) the capital required under the present article on the short S&P/TSE 60 Stock IPUs; or~~

~~ii) the exercise price of the S&P/TSE 60 Stock Index calls, less the market price of the S&P/TSE 60 Stock IPUs, multiplied by the unit of trading.~~

~~A negative value calculated under the above paragraph ii) may reduce the capital required on the S&P/TSE 60 Stock Index calls, but in no case may the capital required be less than 1% of the market value of the S&P/TSE 60 Stock IPUs.~~

~~B) Short S&P/TSE 60 Stock Index calls – Long S&P/TSE 60 Stock IPUs~~

~~Where a member holds a short position in S&P/TSE 60 Stock Index calls offset by an equivalent number of long S&P/TSE 60 Stock IPUs, the capital required must be the capital required under the present article on the long S&P/TSE 60 Stock IPUs less the market value of the short S&P/TSE 60 Stock Index calls, but in no case may the capital required be less than 1% of the market value of the S&P/TSE 60 Stock IPUs.~~

~~C) Long S&P/TSE 60 Stock Index puts – Long S&P/TSE 60 Stock IPUs~~

~~Where a member holds a long position in S&P/TSE 60 Stock Index puts offset by an equivalent number of long S&P/TSE 60 Stock IPUs, the capital required must be 100% of the market value of the long puts, plus the lower of:~~

~~i) the capital required under the present article on the long S&P/TSE 60 Stock IPUs; or~~

~~ii) the market price of the S&P/TSE 60 Stock IPUs, less the exercise price of the S&P/TSE 60 Stock Index puts, multiplied by the unit of trading.~~

~~A negative value calculated under the above paragraph ii) may reduce the capital required on the S&P/TSE 60 Stock Index puts, but in no case may the capital required be less than 1% of the market value of the S&P/TSE 60 Stock IPUs.~~

~~D) Short S&P/TSE 60 Stock Index puts – Short S&P/TSE 60 Stock IPUs~~

~~Where a member holds a short position in S&P/TSE 60 Stock Index put options offset by an equivalent number of short S&P/TSE 60 Stock IPUs, the capital required must be the capital required on the short S&P/TSE 60 Stock IPUs, less the market value of the short S&P/TSE 60 Stock Index put options, but in no case may the capital required be less than 1% of the market value of the S&P/TSE 60 Stock IPUs.~~

(Article 11508 was incorporated to article 9225)

11508 S&P/TSE 60 Stock Index Futures contracts offset with S&P/TSE 60 Stock IPUs
(07.09.99, 00.00.04)

~~A) Long S&P/TSE 60 Stock Index Futures contracts – Short S&P/TSE 60 Stock IPUs~~

~~Where a member holds a long position in S&P/TSE 60 Stock Index Futures contracts offset by an equivalent number of short S&P/TSE 60 Stock IPUs, the capital required must be 1% of the market value of the S&P/TSE 60 Stock IPUs.~~

~~B) Short S&P/TSE 60 Stock Index Futures contracts – Long S&P/TSE 60 Stock IPUs~~

~~Where a member holds a short position in S&P/TSE 60 Stock Index Futures contracts offset by an equivalent number of long S&P/TSE 60 Stock IPUs, the capital required must be 1% of the market value of the S&P/TSE 60 Stock IPUs.~~

(Article 11509 is transferred to article 9226)

11509 S&P/TSE 60 Stock Index options offset with S&P/TSE 60 Stock Index Futures contracts
(07.09.99, abr. 00.00.04)

~~With respect to S&P/TSE 60 Stock Index Options and S&P/TSE 60 Stock Index Futures contracts traded on the Exchange held in member and market maker accounts, where the S&P/TSE 60 Stock Index Options contracts and the S&P/TSE 60 Stock Index Futures contracts have the same settlement date, or S&P/TSE 60 Stock Index Options contracts and the S&P/TSE 60 Stock Index Futures contracts can be settled in either of the two nearest contract months, the S&P/TSE 60 Stock Index Options and the S&P/TSE 60 Stock Index Futures contracts may be offset as follows:~~

~~A) Long S&P/TSE 60 Stock Index Futures contracts – Short S&P/TSE 60 Stock Index calls~~

~~Where a member holds a long position in S&P/TSE 60 Stock Index Futures contracts offset by an equivalent number of short S&P/TSE 60 Stock Index call options, the capital required must be:~~

~~i) the capital otherwise required on the long S&P/TSE 60 Stock Index Futures contracts, less~~

~~ii) the aggregate market value of the short S&P/TSE 60 Stock Index call options.~~

~~B) Long S&P/TSE 60 Stock Index Futures contracts – Long S&P/TSE 60 Stock Index puts~~

~~Where a member holds a long position in S&P/TSE 60 Stock Index Futures contracts offset by an equivalent number of long S&P/TSE 60 Stock Index put options, the capital required must be:~~

~~i) Out-of-the-money position~~

~~The daily settlement value of the long S&P/TSE 60 Stock Index Futures contracts less the exercise value of the long S&P/TSE 60 Stock Index put options, to a maximum of the capital required on S&P/TSE 60 Stock Index Futures contracts, plus the market value of the S&P/TSE 60 Stock Index put options.~~

~~ii) In-the-money or at-the-money option position~~

~~The amount by which the aggregate market value of the S&P/TSE 60 Stock Index put options exceeds the aggregate in-the-money amount of the S&P/TSE 60 Stock Index put options.~~

~~C) Short S&P/TSE 60 Stock Index Futures contracts – Long S&P/TSE 60 Stock Index calls~~

~~Where a member holds a short position in S&P/TSE 60 Stock Index Futures contracts offset by an equivalent number of long S&P/TSE 60 Stock Index call options, the capital required must be:~~

~~i) Out-of-the-money position~~

~~The exercise value of the long S&P/TSE 60 Stock Index call options, less the daily settlement value of the short S&P/TSE 60 Stock Index Futures contracts, to a maximum of the capital required on unhedged S&P/TSE 60 Stock Index Futures contracts, plus the market value of the S&P/TSE 60 Stock Index call options.~~

~~ii) In-the-money or at-the-money position~~

~~The amount by which the aggregate market value of the S&P/TSE 60 Stock Index call options exceeds the aggregate in-the-money amount of the S&P/TSE 60 Stock Index call options.~~

~~D) Short S&P/TSE 60 Stock Index Futures contracts – Short S&P/TSE 60 Stock Index puts~~

~~Where a member holds a short position in S&P/TSE 60 Stock Index Futures contracts offset by an equivalent number of short S&P/TSE 60 Stock Index put options, the capital required must be:~~

~~i) the capital otherwise required on the short S&P/TSE 60 Stock Index Futures contracts, less~~

~~ii) the aggregate market value of the short S&P/TSE 60 Stock Index put options.~~

~~E) Conversion or Long Tripo~~

~~Long S&P/TSE 60 Stock Index Futures contracts – Short S&P/TSE 60 Stock Index calls – Long S&P/TSE 60 Stock Index puts~~

~~Where a member holds a long position in S&P/TSE 60 Stock Index Futures contracts offset by an equivalent number of long S&P/TSE 60 Stock Index put options and short S&P/TSE 60 Stock Index call options with the same expiry, the capital required must be:~~

~~i) the greater of the difference, plus or minus, between the daily settlement value of the long S&P/TSE 60 Stock Index Futures contracts and the exercise value of the long puts or short calls, plus~~

~~ii) the net market value of the put and call options.~~

~~F) Reconversion or Short Tripo~~

~~Short S&P/TSE 60 Stock Index Futures contracts – Long S&P/TSE 60 Stock Index calls – Short S&P/TSE 60 Stock Index puts~~

~~Where a member holds a short position in S&P/TSE 60 Stock Index Futures contracts offset by an equivalent number of long S&P/TSE 60 Stock Index call options and short S&P/TSE 60 Stock Index put options with the same expiry, the capital required must be:~~

~~i) the greater of the difference, plus or minus, between the exercise value of the long S&P/TSE 60 Stock Index call options or short S&P/TSE 60 Stock Index put options and the daily settlement value of the short S&P/TSE 60 Stock Index Futures contracts, plus~~

~~ii) the net market value of the long S&P/TSE 60 Stock Index call options and the short S&P/TSE 60 Stock Index put options.~~

~~G) With respect to the offsets enumerated in paragraphs A) to F), partial offsets are not permitted.~~

(Article 11510 was incorporated to article 9226)

11510 S&P/TSE 60 Stock IPU options offset with S&P/TSE 60 Stock Index Futures contracts (07.09.99, 00.00.04)

~~With respect to S&P/TSE 60 Stock Index Futures contracts and S&P/TSE 60 Stock IPU options traded on the Exchange held in member and market maker accounts, where both the futures contracts and the options can be settled in either of the two nearest contract months, the S&P/TSE 60 Stock Index Futures contracts and S&P/TSE 60 Stock IPU options may be offset as follows:~~

~~A) Long S&P/TSE 60 Stock IPU calls – Short S&P/TSE 60 Stock Index Futures contracts~~

~~Where a member holds a short position in S&P/TSE 60 Stock Index Futures contracts offset by an equivalent number of long S&P/TSE 60 Stock IPU calls, the capital required must be:~~

~~i) Out-of-the-money position~~

~~The exercise value of the long S&P/TSE 60 Stock IPU call options less the daily settlement value of the short S&P/TSE 60 Stock Index Futures contracts, to a maximum of the capital~~

~~required on unhedged S&P/TSE 60 Stock Index Futures contracts, plus the market value of the S&P/TSE 60 Stock Index call options~~

~~ii) In-the-money and at-the-money option position~~

~~The amount by which the aggregate market value of the S&P/TSE 60 Stock Index call options exceeds the aggregate in-the-money amount of the S&P/TSE 60 Stock Index call options,~~

~~but in no case may the capital required be less than 1% of the market value of the equivalent number of S&P/TSE 60 Stock IPUs.~~

~~B) Short S&P/TSE 60 Stock IPU calls – Long S&P/TSE 60 Stock Index Futures contracts~~

~~Where a member holds a long position in S&P/TSE 60 Stock Index Futures contract offset by an equivalent number of short S&P/TSE 60 Stock IPU call options, the capital required must be:~~

~~i) the capital otherwise required on the long S&P/TSE 60 Stock Index Futures contracts; less~~

~~ii) the aggregate market value of the short S&P/TSE 60 Stock Index Participation Unit call options,~~

~~but in no case may the capital required be less than 1% of the market value of the equivalent number of S&P/TSE 60 Stock IPUs.~~

~~C) Long S&P/TSE 60 Stock Index Participation Unit puts – Long S&P/TSE 60 Stock Index Futures contracts~~

~~Where a member holds a long position in S&P/TSE 60 Stock Index Futures contracts offset by an equivalent number of long S&P/TSE 60 Stock IPUs put options, the capital required must be:~~

~~i) Out-of-the-money position~~

~~The daily settlement value of the long S&P/TSE 60 Stock Index Futures contracts less the exercise value of the long S&P/TSE 60 Stock IPUs put options, to a maximum of the capital required on S&P/TSE 60 Stock Index Futures contracts, plus the market value of the S&P/TSE 60 Stock IPUs put options.~~

~~ii) In-the-money or at-the-money option position~~

~~The amount by which the aggregate market value of the S&P/TSE 60 Stock IPUs put options exceeds the aggregate in-the-money amount of the S&P/TSE 60 Stock IPUs put options,~~

~~but in no case may the capital required be less than 1% of the market value of the equivalent number of S&P/TSE 60 Stock IPUs.~~

~~D) Short S&P/TSE 60 Stock IPU puts – Short S&P/TSE 60 Stock Index Futures contracts~~

~~Where a member holds a short position in S&P/TSE 60 Stock Index Futures contracts offset by an equivalent number of short S&P/TSE 60 Stock IPU put options, the capital required must be:~~

~~i) the capital otherwise required on the short S&P/TSE 60 Stock Index Futures contracts, less~~

~~ii) the aggregate market value of the short S&P/TSE 60 Stock IPU put options,~~

~~but in no case may the capital required be less than 1% of the market value of the equivalent number of S&P/TSE 60 Stock IPUs.~~

~~E) Reconversion or Short Tripo~~

~~Long S&P/TSE 60 Stock IPU calls – Short S&P/TSE 60 Stock IPU puts – Short S&P/TSE 60 Stock Index Futures contracts~~

~~Where a member holds a short position in S&P/TSE 60 Stock Index Futures contracts offset by an equivalent number of long S&P/TSE 60 Stock IPU calls and short S&P/TSE 60 Stock Index IPU puts, the capital required must be:~~

~~i) the difference, plus or minus, between the exercise value of the long calls or short puts and the daily settlement value of the futures contracts, whichever is higher, plus~~

~~ii) the net market value of the long calls and the short puts,~~

~~but in no case may the capital required be less than 1% of the market value of the equivalent number of S&P/TSE 60 Stock IPUs.~~

~~F) Conversion or Long Tripo~~

~~Short S&P/TSE 60 Stock IPU calls – Long S&P/TSE 60 Stock IPU puts – Long S&P/TSE 60 Stock Index Futures contracts~~

~~Where a member holds a long position in S&P/TSE 60 Stock Index Futures contracts offset by an equivalent number of long S&P/TSE 60 Stock IPU puts and short S&P/TSE 60 Stock Index IPU calls, the capital required must be:~~

~~i) the difference, plus or minus, between the daily settlement value of the futures contracts and the exercise value of the long puts or the short calls, whichever is higher, plus~~

~~ii) the net market value of the long puts and the short calls,~~

~~but in no case may the capital required be less than 1% of the market value of the equivalent number of S&P/TSE 60 Stock IPUs.~~

~~G) With respect to the offsets enumerated in paragraphs A) through F), partial offsets are not permitted.~~

(Article 11511 becomes article 9225)

11511 S&P/TSE 60 Stock Index Futures contracts offset with a basket of S&P/TSE 60 Stock Index Securities

(07.09.99, abr. 00.00.04)

~~Where a member holds a long or short position in a basket of equity securities as defined in article 11280 of the Rules of the Exchange offset by an equivalent number of short or long S&P/TSE 60 Stock Index Futures contracts listed on the Exchange, the capital required must be 1.00% plus the calculated incremental basket margin rate for the qualifying basket of S&P/TSE 60 Stock Index securities, multiplied by the market value of the basket of S&P/TSE 60 Stock Index securities.~~

(Article 11512 is abrogated)

11512 S&P/TSE 60 Stock Index Futures contracts offset with Toronto 35 Stock Index Futures contracts

(07.09.99, abr. 00.00.04)

~~Where a member holds a long or short position in S&P/TSE 60 Stock Index Futures contracts offset by an equivalent number of short or long position in Toronto 35 Stock Index Futures contracts, the capital required must be 2.00% multiplied by the future settlement value of the contract in the spread with the highest settlement value.~~

(Article 11513 is abrogated)

11513 S&P/TSE 60 Stock Index Futures contracts offset with a basket of Toronto 35 Stock Index securities.

(07.09.99, abr. 00.00.04)

~~Where a member holds a long or short position in a basket of Toronto 35 Stock Index securities, as defined in article 11401 of the Rules of the Exchange, offset by an equivalent number of short or long S&P/TSE 60 Stock Index Futures contracts, the capital required must be 2.00% plus the calculated incremental basket margin rate for the qualifying basket of Toronto 35 Stock index securities, multiplied by the market value of the basket of Toronto 35 Stock Index securities.~~

(Article 11514 is abrogated)

11514 Toronto 35 Stock Index Futures contracts offset with a basket of S&P/TSE 60 Stock Index securities

(07.09.99, abr. 00.00.04)

~~Where a member holds a long or short position in a basket of S&P/TSE 60 stock Index securities, as defined in article 11280 of the Rules of the Exchange, offset by an equivalent number of short or long Toronto 35 Stock Index Futures contracts, the capital required must be 2.00% plus the calculated incremental basket margin rate for the qualifying basket of S&P/TSE 60 Stock Index securities, multiplied by the market value of the basket of S&P/TSE 60 Stock Index securities.~~

(Section 11601 – 11700 is abrogated)

Section 11601 – 11700

Margin required on pairings involving S&P/TSE Sectorial Stock Index products

(29.04.02, abr. 00.00.04)

(Article 11601 is abrogated)

11601 Sectorial Basket

(29.04.02, abr. 00.00.04)

~~A "sectorial basket" of securities or equity securities which is covered by a position in S&P/TSE Sectorial Stock Index Options, S&P/TSE Sectorial Stock Index Futures contracts, or S&P/TSE Sectorial Stock Index Futures Contracts Options means:~~

~~A) a group of equity securities all of which:~~

~~1. are included in the composition of the S&P/TSE Sectorial Stock Index;~~

~~2. are either long or short positions; and~~

~~3. make up a portfolio with a market value equal to the market value of the securities underlying the S&P/TSE Sectorial Stock Index Options contract(s), the S&P/TSE Sectorial Stock Index Futures contract(s), or the Option(s) on the S&P/TSE Sectorial Stock Index Futures contract(s);~~

~~B) the market value of each of the equity securities making up the portfolio is proportionally equal or greater than the market value of its relative weight in the S&P/TSE Sectorial Stock Index Options, Futures contracts or Futures contracts Options on a Sectorial Index, based on the latest published relative weights of the securities making up the S&P/TSE Sectorial Stock Index;~~

~~The customer or approved participant must establish an offsetting long or short position in the S&P/TSE Sectorial Stock Index Options, S&P/TSE Sectorial Stock Index Futures contracts expiring within six months, or Options on S&P/TSE Sectorial Stock Index Futures contracts.~~

(Article 11602 is abrogated)

11602 Multiple Option Combinations involving S&P/TSE Sectorial Stock Index Options

(29.04.02, abr. 00.00.04)

~~A) Box Spread involving S&P/TSE Sectorial Stock Index Options~~

~~Where a customer holds simultaneously a long and a short position in a S&P/TSE Sectorial Stock Index call option and a long and short S&P/TSE Sectorial Stock Index put option having the same expiry month and if the long call and short put, and the short call and long put have the same exercise price, the margin required is the lesser of the following two amounts:~~

~~i) the greater of the margin on the put or call spread (article 11205 of the Rules); or~~

~~ii) the greater of:~~

~~a) the amount by which the exercise price of the long call exceeds the exercise price of the short call, multiplied by the unit of trading; or~~

~~b) the amount by which the exercise price of the short put exceeds the exercise price of the long put, multiplied by the unit of trading.~~

~~B) Long Butterfly Spread involving S&P/TSE Sectorial Stock Index Options~~

~~Where a customer holds a short position in two S&P/TSE Sectorial Stock Index call options (or put options) and the short calls (or short puts) are at a middle exercise price and are matched on each side by a long S&P/TSE Sectorial Stock Index call option (or put option) having respectively a lower and higher exercise price, the margin required shall be the net market value of the short and long calls (or puts).~~

~~C) Short Butterfly Spread involving S&P/TSE Sectorial Stock Index Options~~

~~Where a customer holds a long position in two S&P/TSE Sectorial Stock Index call options (or put options) and the long calls (or long puts) are at a middle exercise price and are matched on each side by a short S&P/TSE Sectorial Stock Index call option (or put option) having respectively a lower and higher exercise price, the margin required shall be the amount, if any, by which the exercise price of the long calls (or long puts) exceeds the exercise price of the written calls (or written puts), multiplied by the unit of trading.~~

(Article 11603 is abrogated)

11603 Pairing of with S&P/TSE Sectorial Stock Index Options with baskets of S&P/TSE Sectorial Stock Index securities

(29.04.02, abr. 00.00.04)

~~A) Short S&P/TSE Sectorial Stock Index call – Long basket of S&P/TSE Sectorial Stock Index securities~~

~~Where a customer holds a long position in a qualifying basket of S&P/TSE Sectorial Stock Index securities (complying with article 11601 of the present Rule) which is paired with an equivalent number of short S&P/TSE Sectorial Stock Index calls, the minimum margin required must correspond to the margin required on the long position in the qualifying basket of S&P/TSE Sectorial Stock Index securities, as specified in article 7202 of the Rules of the Bourse, using the lower of the market price of the basket of securities or the exercise price of the short S&P/TSE Sectorial Stock Index call options.~~

~~B) Short S&P/TSE Sectorial Stock Index put – Short basket of S&P/TSE Sectorial Stock Index securities~~

~~Where a customer holds a short position in a qualifying basket of S&P/TSE Sectorial Stock Index securities (complying with article 11601 of the present Rule) which is paired with an equivalent number of short S&P/TSE Sectorial Stock Index puts, the margin required must correspond to the margin required on the qualifying basket of S&P/TSE Sectorial Stock Index securities, as specified in article 7202 of the Rules of the Bourse, using the greater of the market value of the qualifying basket of S&P/TSE Sectorial Stock Index securities or the exercise value of the short S&P/TSE Sectorial Stock Index put options.~~

(Section 11701 – 11800 is abrogated)

SECTION 11701 – 11800 Capital requirements for pairings involving S&P/TSE Sectorial Stock Index products

(29.04.02, abr. 00.00.04)

(Article 11701 is abrogated)

11701 Multiple Option Combinations involving S&P/TSE Sectorial Stock Index Options
(29.04.02, abr. 00.00.04)

~~A) Box Spread involving S&P/TSE Sectorial Stock Index Options~~

~~Where an approved participant holds a long and short S&P/TSE Sectorial Stock Index call option and long and short S&P/TSE Sectorial Stock Index put option with the same expiry month and where the long call and short put, and short call and long put have the same exercise price, the capital required is the following:~~

~~i) the difference, positive or negative, between the exercise price of the long call and the exercise price of the long put, multiplied by the unit of trading, plus~~

~~ii) the net market value of the options.~~

~~B) Long Butterfly Spread involving S&P/TSE Sectorial Stock Index Options~~

~~Where an approved participant holds a short position in two S&P/TSE Sectorial Stock Index call options (or put options) and the short calls (or short puts) are at a middle exercise price and are matched on each side by a long S&P/TSE Sectorial Stock Index call (or put option) respectively having a lower and higher exercise price respectively, the capital required is the net market value of the short and long calls (or puts).~~

~~C) Short Butterfly Spread involving S&P/TSE Sectorial Stock Index Options~~

~~Where an approved participant holds a long position in two S&P/TSE Sectorial Stock Index calls (or put options) and the long calls (or long puts) are at a middle exercise price and are matched on each side by a short S&P/TSE Sectorial Stock Index call (or put option) having respectively a lower and higher exercise price, the capital required corresponds to the amount, if any, by which the exercise price of the long calls (or long puts) exceeds the exercise price of the short calls (or short puts), multiplied by the unit of trading.~~

(Article 11702 is abrogated)

11702 Pairing of S&P/TSE Sectorial Stock Index Options with a basket of S&P/TSE Sectorial Stock Index securities
(29.04.02, abr. 00.00.04)

~~A) Long S&P/TSE Sectorial Stock Index calls – Short basket S&P/TSE Sectorial Stock Index securities~~

~~Where an approved participant holds a short position in a qualifying basket of S&P/TSE Sectorial Stock Index securities (complying with article 11601 of the present Rule) which is paired with an equivalent number of long S&P/TSE Sectorial Stock Index calls, the capital required is the market value of the long call, plus the lesser of:~~

~~i) the capital required on a qualifying basket of S&P/TSE Sectorial Stock Index securities, as defined in article 7202 of the Rules of the Bourse; or~~

~~ii) the exercise value of the calls less the market value of the qualifying basket of S&P/TSE Sectorial Stock Index securities.~~

~~A negative value calculated under the above paragraph ii) may reduce the capital required on the S&P/TSE Sectorial Stock Index calls, but in no event must the capital required be less than 3% of the market value of the qualifying basket of S&P/TSE Sectorial Stock Index securities.~~

~~B) Short S&P/TSE Sectorial Stock Index calls – Long basket S&P/TSE Sectorial Stock Index securities~~

~~Where an approved participant holds a long position in a qualifying basket of S&P/TSE Sectorial Stock Index securities (complying with article 11601 of the present Rule) which is paired with an equivalent number of short S&P/TSE Sectorial Stock Index calls, the capital required must be the one required on the qualifying basket of S&P/TSE Sectorial Stock Index securities, as defined in article 7202 of the Rules of the Bourse, less the market value of the short calls, but, in no event may be less than 3% of the value of the qualifying basket of S&P/TSE Sectorial Stock Index securities.~~

~~C) Long S&P/TSE Sectorial Stock Index puts – Long basket S&P/TSE Sectorial Stock Index securities~~

~~Where an approved participant holds a long position in a qualifying basket of S&P/TSE Sectorial Stock Index securities (complying with article 11601 of the present Rule) which is paired with an equivalent number of long S&P/TSE Sectorial Stock Index puts, the capital required is the market value of the long puts, plus the lesser of:~~

~~i) the capital required as defined in article 7202 of the Rules of the Bourse, on the qualifying basket of S&P/TSE Sectorial Stock Index securities; or~~

~~ii) the market value of the qualifying basket of S&P/TSE Sectorial Stock Index securities less the exercise value of the puts.~~

~~A negative value calculated under the above paragraph ii) may reduce the capital required on the S&P/TSE Sectorial Stock Index puts, but in no event may the capital required be less than 3% of the market value of the qualifying basket of S&P/TSE Sectorial Stock Index securities.~~

~~D) Short S&P/TSE Sectorial Stock Index puts – Short basket S&P/TSE Sectorial Stock Index securities~~

~~Where an approved participant holds a short position in a basket of S&P/TSE Sectorial Stock Index securities (complying with article 11601 of the present Rule) which is paired with an equivalent number of short S&P/TSE Sectorial Stock Index puts, the capital required must be the one required on the qualifying basket of S&P/TSE sectorial Stock Index securities, as defined in article 7202 of~~

~~the Rules of the Bourse, less the market value of the short puts, but, in no event may be less than 3% of the market value of the qualifying basket of S&P/TSE Sectorial Stock Index securities.~~

~~E) Long S&P/TSE Sectorial Stock Index calls – Short S&P/TSE Sectorial Stock Index puts – Short basket S&P/TSE Sectorial Stock Index securities~~

~~Where an approved participant holds a short position in a basket of equity securities (complying with article 11601 of the present Rule) which is paired with an equivalent number of long S&P/TSE Sectorial Stock Index calls and with an equivalent number of short S&P/TSE Sectorial Stock Index puts, and where the long calls and short puts have the same exercise price and expiry date, the capital required is equivalent to the one required for a short qualifying basket of S&P/TSE Sectorial Stock Index securities which is paired with a long S&P/TSE Sectorial Stock Index Futures contract.~~

~~F) Short S&P/TSE Sectorial Stock Index calls – Long S&P/TSE Sectorial Stock Index puts – Long basket S&P/TSE Sectorial Stock Index Securities~~

~~Where an approved participant holds a long basket of equity securities (complying with article 11601 of the present Rule) which is paired with an equivalent number of long S&P/TSE Sectorial Stock Index puts and with an equivalent number of short S&P/TSE Sectorial Stock Index calls, and where the long puts and short calls have the same exercise price and expiry date, the capital required is equivalent to the one required for a long qualifying basket of S&P/TSE Sectorial Stock Index securities paired with a short S&P/TSE Sectorial Stock Index Futures contract.~~

<u>**(Article 11703 is abrogated)**</u>

11703 Pairing of S&P/TSE Sectorial Stock Index options with S&P/TSE Sectorial Stock Index Futures contracts
(29.04.02<u>, abr. 00.00.04</u>)

~~With respect to S&P/TSE Sectorial Stock Index Options and S&P/TSE Sectorial Stock Index Futures contracts traded on the Bourse held in approved participant and market maker accounts, where the S&P/TSE Sectorial Stock Index Options contracts and the S&P/TSE Sectorial Stock Index Futures contracts have the same expiry date, or S&P/TSE Sectorial Stock Index Options contracts and the S&P/TSE Sectorial Stock Index Futures contracts expire in either of the two nearest contract months, the S&P/TSE Sectorial Stock Index Options and the S&P/TSE Sectorial Stock Index Futures contracts may be paired as follows:~~

~~A) Long S&P/TSE Sectorial Stock Index Futures contracts – Short S&P/TSE Sectorial Stock Index calls~~

~~Where an approved participant holds a long position in S&P/TSE Sectorial Stock Index Futures contracts which is paired with an equivalent number of short S&P/TSE Sectorial Stock Index call options, the capital required is the following:~~

~~i) the capital otherwise required on the long S&P/TSE Sectorial Stock Index Futures contracts, less~~

~~ii) the aggregate market value of the short S&P/TSE Sectorial Stock Index call options.~~

~~B) Long S&P/TSE Sectorial Stock Index Futures contracts – Long S&P/TSE Sectorial Stock Index puts~~

~~Where an approved participant holds a long position in S&P/TSE Sectorial Stock Index Futures contracts which is paired with an equivalent number of long S&P/TSE Sectorial Stock Index put options, the capital required is the following:~~

~~i) Out-of-the-money position~~

~~The settlement value of the long S&P/TSE Sectorial Stock Index Futures contracts less the exercise value of the long S&P/TSE Sectorial Stock Index put options, to a maximum of the capital required on S&P/TSE Sectorial Stock Index Futures contracts, plus the aggregate market value of the S&P/TSE Sectorial Stock Index put options.~~

~~ii) In-the-money or at-the-money position~~

~~The amount by which the aggregate market value of the S&P/TSE Sectorial Stock Index put options exceeds the aggregate in-the-money amount of the S&P/TSE Sectorial Stock Index put options.~~

~~C) Short S&P/TSE Sectorial Stock Index Futures contracts – Long S&P/TSE sectorial Stock Index calls~~

~~Where an approved participant holds a short position in S&P/TSE Sectorial Stock Index Futures contracts which is paired with an equivalent number of long S&P/TSE sectorial Stock Index call options, the capital required is the following:~~

~~i) Out-of-the-money position~~

~~The exercise value of the long S&P/TSE Sectorial Stock Index call options, less the settlement value of the short S&P/TSE Sectorial Stock Index Futures contracts, to a maximum of the capital required on unhedged S&P/TSE Sectorial Stock Index Futures contracts, plus the aggregate market value of the S&P/TSE Sectorial Stock Index call options.~~

~~ii) In-the-money or at-the-money position~~

~~The amount by which the aggregate market value of the S&P/TSE Sectorial Stock Index call options exceeds the aggregate in-the-money amount of the S&P/TSE Sectorial Stock Index call options.~~

~~D) Short S&P/TSE Sectorial Stock Index Futures contracts – Short S&P/TSE Sectorial Stock Index puts~~

~~Where an approved participant holds a short position in S&P/TSE Sectorial Stock Index Futures contracts which is paired with an equivalent number of short S&P/TSE Sectorial Stock Index put options, the capital required is the following:~~

~~i) the capital otherwise required on the short S&P/TSE sectorial Stock Index Futures contracts, less~~

~~ii) the aggregate market value of the short S&P/TSE Sectorial Stock Index put options.~~

~~E) Conversion~~

~~Long S&P/TSE sectorial Stock Index Futures contracts – Short S&P/TSE Sectorial Stock Index calls – Long S&P/TSE Sectorial Stock Index puts~~

~~Where an approved participant holds a long position in S&P/TSE Sectorial Stock Index Futures contracts which is paired with an equivalent number of long S&P/TSE sectorial Stock Index put options and short S&P/TSE Sectorial Stock Index call options with the same expiry date, the capital required is the following:~~

~~i) the greater of the difference, positive or negative, between the settlement value of the long S&P/TSE Sectorial Stock Index Futures contracts and the exercise value of the long puts or short calls, plus~~

~~ii) the net market value of the put and call options.~~

~~F) Reconversion~~

~~Short S&P/TSE Sectorial Stock Index Futures contracts – Long S&P/TSE Sectorial Stock Index calls – Short S&P/TSE Sectorial Stock Index puts~~

~~Where an approved participant holds a short position in S&P/TSE Sectorial Stock Index Futures contracts which is paired with an equivalent number of long S&P/TSE Sectorial Stock Index call options and short S&P/TSE Sectorial Stock Index put options with the same expiry date, the capital required is the following:~~

~~i) the greater of the difference, positive or negative, between the exercise value of the long S&P/TSE Sectorial Stock Index call options or short S&P/TSE Sectorial Stock Index put options and the settlement value of the short S&P/TSE Sectorial Stock Index Futures contracts, plus~~

~~ii) the net market value of the long S&P/TSE Sectorial Stock Index call options and the short S&P/TSE Sectorial Stock Index put options.~~

~~G) With respect to the pairing described in paragraphs A) to F), no partial pairings are permitted.~~

RULE FIFTEEN
FUTURES CONTRACTS SPECIFICATIONS

Section 15501 -15600
Canadian Bankers' Acceptance Futures
Sub-section 15501 - 15550
Specific Trading Provisions
(00.00.04)

(The provisions of article 15511 were reproduced to various extent in articles 9321, 9322, 9421 and 9422 of New Rule Nine)

15511 Margin Requirements
(22.04.88, 13.07.92, 19.10.93, 09.03.99, abr. 00.00.04)

~~The margin requirements which must be effective on all positions in Canadian bankers' acceptance futures contracts held by a member or on behalf of its clients are determined by the Exchange, in collaboration with the Clearing House, from time to time.~~

~~Margin requirements established by the Exchange may be made applicable to one or more rather than all, members or clients if deemed necessary by the Exchange.~~

~~For clients, the margin requirements set out in this article will be satisfied by the deposit of cash, margin receipt or securities for which the loan value, as established pursant to articles 7202 to 7206, equals or exceeds the margin required by this article. In the case of a margin receipt, the receipt must certify that Government securities are held for futures positions of a named client. For the purpose 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 acceptable form of margin by the Canadian Derivatives Clearing Corporation are acceptable.~~

5-YEAR AND 10-YEAR GOVERNMENT OF CANADA BOND FUTURES

Section 15601 - 15700
Specific Trading Provisions
(00.00.04)

(The provisions of article 15611 were reproduced to various extent in articles 9321, 9322, 9421 and 9422 of New Rule Nine)

15611 Minimum Margin Requirements
(08.09.89, 24.11.92, 19.01.95, 09.03.99, abr. 00.00.04)

~~The margin requirements which must be effective on all positions in Government of Canada Bond futures contracts held by a member or on behalf of its clients are determined by the Exchange, in collaboration with the Clearing House, from time to time.~~

~~Margin requirements established by the Exchange may be made applicable to one or more rather than all members or clients if deemed necessary by the Exchange.~~

~~For clients, the margin requirements set out in this article are satisfied by the deposit of cash, margin receipt securities for which the loan value, as established pursuant to articles 7202 to 7206, equals or exceeds the margin required by the present article. In the case of a margin receipt, the receipt must certify that Government securities are held as margin for futures positions of a named client. For the purpose of this receipt, the allowable government securities shall mature within one year from the date of the deposit and the required margin covered by the receipt will be no greater than 90% of the par value of such securities held on deposit. All Government securities which are acceptable forms of margin by the Canadian Derivatives Clearing Corporation are acceptable.~~

SECTION 15701 - 15750
Futures Contracts
on S&P/TSE 60 Stock Index
(07.09.99, 00.00.04)

Sub-section 15701 - 15720
Specific Trading Provisions

(The provisions of article 15711 were reproduced to various extent in articles 9121, 9122, 9221 and 9222 of New Rule Nine)

15711 Margin Requirements
(07.09.99, abr. 00.00.04)

~~The margin requirements which must be effective on all positions in Futures contracts on the S&P/TSE 60 Stock Index listed on the Exchange and held by a member or on behalf of its clients are determined by the Exchange, in collaboration with the Clearing Corporation, from time to time.~~

~~Margin requirements established by the Exchange may be made applicable to one or more rather than all members or clients if deemed necessary by the Exchange.~~

~~For clients, the margin requirements set out in this article 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 of the Rules, equals or exceeds the margin required by this article. In the case of a margin receipt, the receipt must certify that Government securities are held for futures positions of a named client. For the purpose 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 Canadian Derivatives Clearing Corporation are allowable.~~

~~The basket of securities or equity securities is defined in article 11280 of the Rules.~~

(The provisions of article 15712 were reworded in article 9125 of New Rule Nine)

15712 Margin offsets

(07.09.99, abr. 00.00.04)

~~**1) Futures contracts on S&P/TSE 60 Stock Index offset with a basket of S&P/TSE 60 Stock Index:**~~

~~The basket of securities or equity securities is defined in article 11280 of the Rules.~~

~~If a long or short position in a basket of equity securities as defined in article 11280 of the Rules is offset by an equivalent number of short or long futures contracts on the S&P/TSE 60 Stock Index, the margin required must be 1.00%, plus the calculated incremental basket margin rate for the qualifying basket of the S&P/TSE 60 Stock Index securities, multiplied by the market value of the basket of S&P/TSE 60 Stock Index securities.~~

~~**2) S&P/TSE 60 Stock Index Futures contracts offset with S&P/TSE 60 Stock Index participation units**~~

~~A) Long S&P/TSE 60 Stock Index Futures contracts – Short S&P/TSE 60 Stock Index Participation Units~~

~~Where a long position in S&P/TSE 60 Stock Index Futures contracts is offset by an equivalent number of short S&P/TSE 60 Stock Index Participation Units, the margin required must be 1.00% of the market value of the S&P/TSE 60 Stock Index Participation Units.~~

~~B) Short S&P/TSE 60 Stock Index Futures contracts – Long S&P/TSE 60 Stock Index Participation Units~~

~~Where a short position in S&P/TSE 60 Stock Index Futures contracts is offset by an equivalent number of long S&P/TSE 60 Stock Index Participation Units, the margin required must be 1.00% of the market value of the S&P/TSE 60 Stock Index Participation Units.~~

~~For the purpose of this article, « incremental basket margin rate » means for a qualifying basket of S&P/TSE 60 Stock Index securities:~~

~~i) 100%, less the cumulative relative weight percentage (determined by the cumulative sum of the weighting for each security which is determined based on the lesser of: 1) the most recently published weighting for each security in the S&P/TSE 60 Stock Index or 2) the actual weighting for this security) for the qualifying basket of S&P/TSE 60 Stock 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 S&P/TSE 60 Stock Index.~~

~~For the purpose of this article, the provisions of article 15711 of the Rules apply.~~

SECTION 15751 - 15800
Futures Contracts
on S&P/TSE sectorial Stock Indexes
(31.01.01, 00.00.04)

Sub-section 15751 - 15770
Specific Trading Provisions

(Article 15761 is abrogated)

15761 Margin Requirements for simple or spread positions
(29.04.02, abr. 00.00.04)

~~The margin requirements which must be effective on all simple or spread positions in futures contracts on the S&P/TSE Sectorial Stock Index listed on the Bourse and held by an approved participant or on behalf of its clients are determined by the Bourse, in collaboration with the Clearing Corporation, from time to time.~~

~~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.~~

~~For clients, the margin requirements set out in this article 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 of the Rules of the Bourse, equals or exceeds the margin required by the present article. Any margin receipt deposited in accordance with the present article must certify that Government securities are held by the depository as coverage for futures contract positions of a designated client. For the purpose of this margin receipt, the allowable Government securities must mature within one year from the date of their deposit and the required margin covered by the margin receipt must not be greater than 90% of the par value of such securities held in deposit. All Government securities which are an acceptable form of margin for the Canadian Derivatives Clearing Corporation are allowable.~~

~~The basket of securities or equity securities is defined in article 11601 of the Rules of the Bourse.~~

(Article 15762 is abrogated)

15762 Margin offsets
(29.04.02, abr. 00.00.04)

~~**1) Pairing of futures contracts on S&P/TSE Sectorial Stock Index with a basket of S&P/TSE Sectorial Stock Index:**~~

~~Where a long or short position in a basket of equity securities as defined in article 11601 of the Rules of the Bourse is paired with an equivalent number of short or long futures contracts on the S&P/TSE Sectorial Stock Index, the margin required must be 3 % of the market value of the basket of S&P/TSE Sectorial Stock Index securities.~~

~~**2) Pairing of S&P/TSE Sectorial Stock Index futures contracts with S&P/TSE Sectorial Stock Index participation units**~~

~~Where a long or short position in S&P/TSE Sectorial Stock Index Futures contracts is paired with an equivalent number of short or long S&P/TSE Sectorial Stock Index Participation Units, the margin required must be 3 % of the market value of the S&P/TSE Sectorial Stock Index Participation Units.~~

CANADIAN AND INTERNATIONAL SHARE FUTURES CONTRACTS

Section 15801 – 15900
Specific Trading Provisions
(31.01.01, 00.00.04)

Subsection 15851 - 15900
Margin and Capital Requirements on
Share Futures Contracts
(31.01.01, 00.00.03)

(The provisions of article 15851 were reproduced to various extent in articles 9121 and 9221 of New Rule Nine)

15851 General Provisions
(31.01.01, abr. 00.00.04)

~~a) The Exchange shall establish margin requirements applicable to all share futures contracts positions held by clients and no Approved Participant shall effect a share futures contract transaction or carry an account for a client without proper and adequate margin, which shall be obtained as promptly as possible and maintained in conformity with this section.~~

~~b) With respect to an account of an Approved Participant, market-maker of an Approved Participant or restricted permit holder for which a clearing Approved Participant has issued a Letter of Guarantee, the Exchange 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.~~

~~c) The Exchange may impose from time to time special margin requirements with respect to particular Exchange traded share futures contracts or to particular positions in Exchange traded share futures contracts.~~

(The provisions of article 15852 were reproduced to various extent in articles 9122 and 9222 of New Rule Nine)

15852 Margin Required for Simple or Spread Positions
(31.01.01, 17.09.02, abr. 00.00.04)

~~The margin requirements which must be effective on all simple or spread positions in share futures contracts held on behalf of clients are determined by the Bourse, in accordance with the following methodology:~~

~~The sum of:~~

~~a) the product of the three following elements:~~

~~(i) the maximum standard deviation of percentage fluctuations in daily settlement values over the most recent 20, 90 and 260 business days;~~

~~(ii) three (for a 99% confidence interval); and~~

~~(iii) the square root of 2 (for two days coverage),~~

~~plus~~

~~b) 0.50% (representing a cushion)~~

~~rounded up to the next quarter percent;~~

~~c) for all clients, except acceptable institutions, acceptable counterparties, regulated entities and *bona fide* hedgers, as defined in the Rules and Policies of the Bourse, a cushion being the greater of:~~

~~(i) 10% of the rate determined in a) and b) above; and~~

~~(ii) where the sum of a) and b) 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%,~~

~~shall be added.~~

~~The margin rate established will be effective for one month or until a violation occurs. Such rate will be recalculated at the close of the last trading day of the month, in accordance with the methodology described in the present article.~~

~~A violation of the margin rate established pursuant to the methodology described in this article shall be presumed to occur when the maximum percentage change in the settlement value over one or two days exceeds the margin rate. In such a case, a new margin rate shall be established in accordance with the methodology described in the present article at the close of the following one on which such violation has occurred, and shall remain in force until the last trading day of the current month, or until a new violation occurs.~~

~~Margin requirements established by the Bourse may be made applicable to one or more clients rather than all clients if deemed necessary by the Bourse.~~

~~For clients, the margin requirements set out in the present article 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 of the Rules of the Bourse, equals or exceeds the margin required by the present article. The margin receipt must certify that securities are held by the depository as margin for share futures contracts positions of a named client. All securities which are acceptable form of margin by the Canadian Derivatives Clearing Corporation are acceptable.~~

(The provisions of article 15853 were reworded in article 9123 of New Rule Nine)

15853 Margin Requirements for Paired Positions in Underlying Securities and Short Share Futures Contracts
(31.01.01, abr. 00.00.04)

~~Where a share futures contract is carried short against an equivalent long position in the underlying share, the two positions may be offset and no margin will be required.~~

(The provisions of article 15854 were reworded in article 9123 of New Rule Nine)

15854 Margin Requirements for Paired Positions in Underlying Securities and Long Share Futures Contracts
(31.01.01, abr. 00.00.04)

~~Where a short position in an underlying share is paired with a long share futures contract on a same underlying security, the margin required must be 3% of the market value of the short position.~~

(The provisions of article 15855 were reworded in article 9124 of New Rule Nine)

15855 Combination of Stock Options and Share Futures Contracts
(31.01.01, abr. 00.00.04)

~~a) The number of options and share futures contracts used in the calculation must represent an equivalent quantity of shares.~~

~~b) Where a short share futures contract is offset by a long call, or where a long position in a share futures contract is offset by a long put on the same underlying share, the margin required is the one required on the share futures contract less the aggregate value of the options.~~

~~c) In no case, the required margin should be lower than 3% of the settlement value of the share futures contract.~~

~~d) Where a call is carried short against an equivalent long share futures contract, the margin required shall be the one required on the long share futures contract.~~

~~e) Where a put is carried short against an equivalent short position in share futures contract, the margin shall be the one required on the short position in share futures contract.~~

~~f) The margin required to carry a paired position in short share futures contract, in long calls and short puts with the same expiry date shall be equal to the difference, positive or negative, between the settlement value of the share futures contract and the exercise price of the short put or long call, whichever is higher.~~

~~g) For purposes of the present article, the Exchange recognizes any share futures contract of the Canadian Derivatives Clearing Corporation.~~

(The provisions of article 15875 were incorporated in article 9221 of New Rule Nine)

15875 Capital Requirements – General Provisions
(31.01.01, abr. 00.00.04)

~~a) With respect to an Approved Participant account or to a market-maker account of an Approved Participant, or of a restricted permit holder for which a clearing Approved Participant has issued a letter of guarantee, the Exchange has established certain capital requirements.~~

~~b) The Exchange may impose from time to time special capital requirements with respect to particular Exchange traded share futures contracts or to particular positions in Exchange traded share futures contracts.~~

(The provisions of article 15876 were reworded in article 9222 of New Rule Nine)

15876 Capital requirements
(31.01.01, 17.09.02, 00.00.04)

~~The capital requirements applicable on all positions in share futures contracts held by an approved participant, market-maker of an approved participant or restricted permit holder for which a clearing approved participant has issued a Letter of Guarantee, are determined by the Bourse, in accordance with the following methodology:~~

~~The sum of:~~

~~a) the product of the three following elements:~~

~~(i) the maximum standard deviation of percentage fluctuations in daily settlement value over the most recent 20, 90 and 260 business days;~~

~~(ii) three (for a 99% confidence interval); and~~

~~(iii) the square root of 2 (for two days coverage),~~

~~plus~~

~~b) 0.50% (representing a cushion)~~

~~rounded up to the next quarter percent.~~

~~The margin rate established will be effective for one month or until a violation occurs. Such rate will be recalculated at the close of the last trading day of the month, in accordance with the methodology described in the present article.~~

~~A violation of the margin rate established pursuant to the methodology described in this article shall be presumed to occur when the maximum percentage change in the settlement value over one or two days exceeds the margin rate. In such a case, a new margin rate shall be established in accordance with the methodology described in the present article at the close of the one on which such violation has occurred, and shall remain in force until the last trading day of the current month, or until a new violation occurs.~~

~~Capital requirements established by the Bourse may be made applicable to one or more approved participants, market-maker of an approved participant or restricted permit holder for which a clearing approved participant has issued a Letter of Guarantee, rather than all approved participants if deemed necessary by the Bourse.~~

(The provisions of article 15877 were reworded in article 9224 of New Rule Nine)

15877 Capital Requirements for Paired Share Futures Contracts Positions with Stocks Options
(31.01.01, abr. 00.00.04)

a) ~~Where an Approved Participant, market-maker of an Approved Participant or restricted permit holder for which a clearing Approved Participant has issued a Letter of Guarantee, holds a short position in share futures contracts paired with an equivalent number of short put options or, a long position in share futures contract paired with an equivalent number of short call options, the capital required is the following:~~

(i) ~~the capital otherwise required on the share futures contracts, less~~
(ii) ~~the aggregate market value of the short options.~~

b) ~~Where an Approved Participant, market-maker of an Approved Participant or restricted permit holder for which a clearing Approved Participant has issued a Letter of Guarantee, holds a short share futures contract which is paired with an equivalent number of long call, or where an Approved Participant, market-maker of an Approved Participant or restricted permit holder for which a clearing Approved Participant has issued a Letter of Guarantee, holds a long share futures contract which is paired with an equivalent number of long put, the capital required is the capital required for the share futures contract, less the aggregate market value of the options.~~

~~In no case, the capital required may be less than 3% of the settlement value of the share futures contract.~~

c) ~~Where an Approved Participant, market-maker of an Approved Participant or restricted permit holder for which a clearing Approved Participant has issued a Letter of Guarantee, holds a long position in share futures contracts which is paired with an equivalent number of long put options and short call options with the same expiry date, the capital required is the following:~~

(i) ~~the greater of the difference, positive or negative, between the daily settlement value of the long share futures contracts and the exercise price of the long puts or short calls, plus~~

(ii) ~~the net market value of the put and call options.~~

d) ~~Where an Approved Participant, market-maker of an Approved Participant or restricted permit holder for which a clearing Approved Participant has issued a Letter of Guarantee, holds a short position in share futures contracts which is paired with an equivalent number of long call options and short put options with the same expiry date, the capital required is the following:~~

(i) ~~the greater of the difference, positive or negative, between the exercise price of the long call options or short put options and the settlement value of the share futures contracts, plus~~

~~(ii) the net market value of the long call options and the short put options.~~

~~e) With respect to the pairings enumerated in paragraphs a) and d), no partial pairings are authorized.~~

(The provisions of article 15878 were reworded in article 9223 of New Rule Nine)

15878 Capital Requirements for Paired Positions in Underlying Securities and Share Futures Contracts
(31.01.01, abr. 00.00.04)

~~a) Where a short position in a share futures contract is paired with a long position in the underlying share, no capital charge will be required.~~

~~b) Where a long position in a share futures contract is paired with a short position in the underlying share, the capital required corresponds to 3% of the market value of the short position in the underlying share.~~

~~c) Where an Approved Participant, market-maker of an Approved Participant or restricted permit holder for which a clearing Approved Participant has issued a Letter of Guarantee,~~

~~(i) holds a short share futures contract on the shares of an issuer; and~~

~~(ii) holds a long position in securities which are currently convertible or exchangeable into the same class and at least the same number of shares referred to in clause (i),~~

~~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 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.~~

~~d) Where an Approved Participant, market-maker of an Approved Participant or restricted permit holder for which a clearing Approved Participant has issued a Letter of Guarantee,~~

~~(i) holds a short share futures contract of an issuer; and~~

~~(ii) holds 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 referred to in clause (i),~~

~~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, receipt or other security and the settlement value of the share futures contracts.~~

~~e) Pairings for margin purposes in respect of the accounts of customers with positions as described in either subparagraph a) or b) above are permitted in the circumstances provided in such subparagraphs. The margin required, in respect of the accounts of customers with such positions, 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, installment receipt or other security.~~

~~f) Where an Approved Participant, market-maker of an Approved Participant or restricted permit holder for which a clearing Approved Participant has issued a Letter of Guarantee, or a customer holds a long position in capital shares paired with a short share futures contract, the margin required is the following:~~

~~(i) the margin as prescribed in Article 7202 A 2) a) of the Rules of the Exchange.~~

~~For the purpose of the present article, in no case, the margin required may be less than 3% of the settlement value of the share futures contract.~~

~~NOTE: The market value of the underlying security to be used for the calculation of the required margin pursuant to article 7202 A 2) a) of the Rules of the Exchange is the settlement value of the share futures contract.~~

Section 15901 – 15930
30-DAY OVERNIGHT REPO RATE FUTURES

Sub-section 15901 - 15920
Specific Trading Provisions
(00.00.04)

(The provisions of article 15911 were reproduced to various extent in articles 9321 and 9421 of New Rule Nine)

15911 Margin Requirements
(14.06.02, abr. 00.00.04)

~~The margin requirements which must be effective on all positions in 30-day overnight repo rate futures contracts held by an approved participant or on behalf of its clients are determined by the Bourse, in collaboration with the clearing corporation.~~

~~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.~~

~~For clients, the margin requirements set out in this article will be satisfied by the deposit of cash, margin receipt or securities for which the loan value, as established pursant to articles 7202 to 7206,~~

~~equals or exceeds the margin required by this article. In the case of a margin receipt, the receipt must certify that Government securities are held for futures positions of a named client. For the purpose 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 acceptable form of margin by the Canadian Derivatives Clearing Corporation are acceptable.~~