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

CIRCULAR 024-18
February 12, 2018

REQUEST FOR COMMENTS

AMENDMENTS TO THE RULES OF BOURSE DE MONTRÉAL INC. TO EXPAND SHARE FUTURES CONTRACTS TO EXCHANGE TRADED FUNDS AND TRUST UNITS

The Rules and Policies Committee of Bourse de Montréal Inc. (the "**Bourse**") has approved amendments to articles 1102, 6380, 6651, 6815, 6819, 9123, 9124, 9223, 9224, 14102, 15001, 15801, 15801.1, 15804, 15806, 15807, 15811, 15812, 15813, 15817, 15819, 15821 and 15823 of the Rules of the Bourse and to the *Procedures applicable to the execution of strategies involving share futures* of the Bourse in order to allow a broader range of securities to constitute underlying interests of share futures under the Rules and Procedures of the Bourse, namely exchange traded funds and trust units.

Comments on the proposed amendments must be submitted on March 16, 2018 at the latest. Please submit your comments to:

M^e^ Alexandre Normandeau
Legal Counsel, Montréal Exchange & CDCC
Office of the General Counsel
Bourse de Montréal Inc.
Tour de la Bourse
800 Victoria Square, P.O. Box 61
Montréal, Québec H4Z 1A9
Email: legal@tmx.ca

A copy of these comments must also be forwarded to the *Autorité des marchés financiers* (the "**Autorité**") to:

M^e^ Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800 Victoria Square, 22nd Floor
P.O. Box 246, Tour de la Bourse
Montréal (Québec) H4Z 1G3
E-mail: consultation-en-cours@lautorite.qc.ca

Please note that comments received by one of these recipients will be transferred to the other recipient and that the Bourse may publish a summary of such comments as part of the self-certification process concerning this file.

Appendices

You will find in the appendices an analysis as well as the text of the proposed amendments. The implementation date of the proposed amendments will be determined by the Bourse, in accordance with the self-certification process as established by the *Derivatives Act* (CQLR, chapter I-14.01).

Regulatory Amendment Process

The Bourse is authorized to carry on business as an exchange and is recognized as a self-regulatory organization ("SRO") by the Autorité. The Board of Directors of the Bourse has delegated to the Rules and Policies Committee of the Bourse its powers to approve and amend the Rules, the Policies and the Procedures, which are thereafter submitted to the Autorité in accordance with the self-certification process as determined by the *Derivatives Act* (CQLR, chapter I-14.01).

AMENDMENTS TO THE RULES OF BOURSE DE MONTREAL INC. TO EXPAND SHARE FUTURES CONTRACTS TO EXCHANGE TRADED FUNDS AND TRUST UNITS

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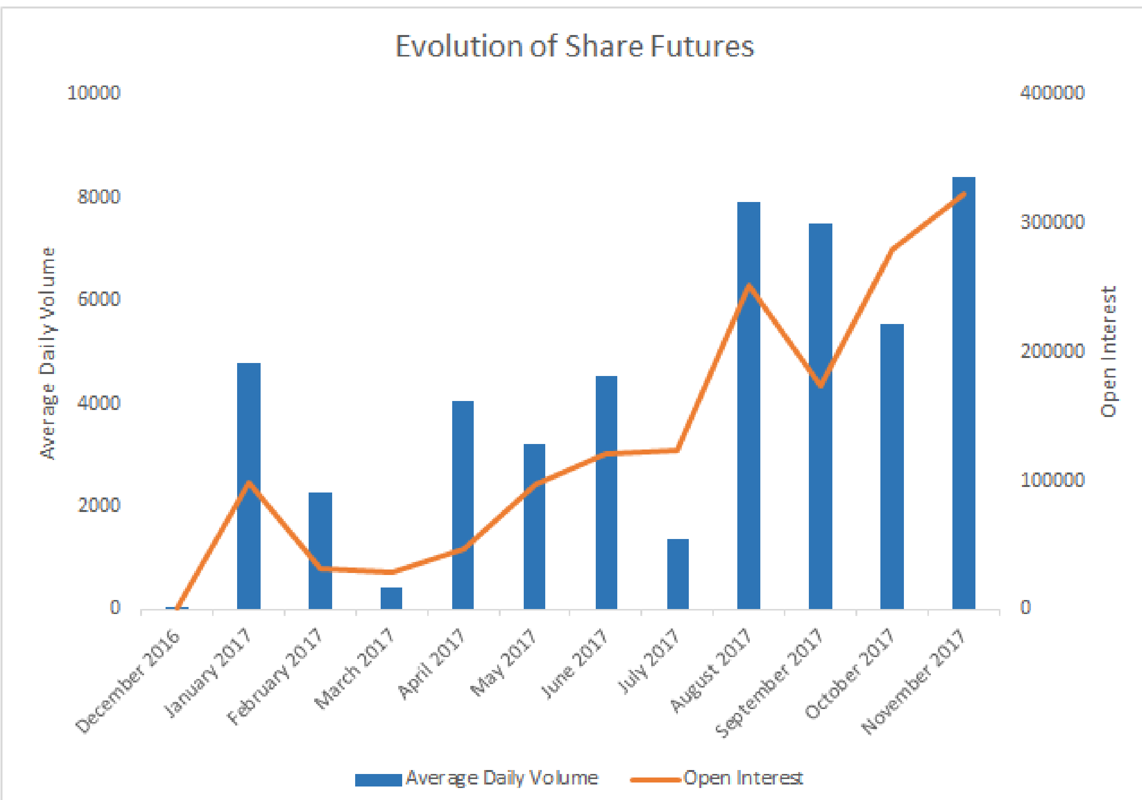
I. SUMMARY

Bourse de Montreal Inc. (the "Bourse") intends to expand its equity derivatives offering and more specifically the range of Share Futures ("SFs") by listing contracts on Exchange Traded Funds ("ETFs") and Trust Units ("TUs"). While the rules and procedures of the Bourse contain certain provisions pertaining to SFs on Canadian and international stocks, adjustments must be made to certain rules and procedures to allow ETFs and TUs as underlying interests of SF contracts.

II. ANALYSIS

a. Background

In December 2016, the Bourse reintroduced Share Futures on individual Canadian shares. Since their launch, SFs have experienced a constant growth, with an Average Daily Volume ("ADV") of 4,500 contracts, trades recorded in 90% of the listed contracts, and an Open Interest of approximately 325,000 contracts as of November 2017.



To build on the recent success of SFs on Canadian stocks, and to respond to clients demand, the Bourse proposes to expand the SFs product offering by including ETFs and TUs as underlying interests to SFs.

b. Description and Analysis of Market Impacts

The interest in options on ETFs and Trust Units is a proxy for the potential market participants' interest in Share Futures on the same underlying interests. As of October 31st, 2017, the breakdown of the YTD volume traded in options on equities, ETFs and TUs was:

Equity options:	64%
ETF options:	35%
Trust Unit options:	1%

These numbers show that the volume of options on ETFs represents a substantial part (one third) of the total options volume, which indicates that market participants need derivatives on ETFs and are likely to use extensively not only options, but also futures on ETFs.

The same statistic shows that options on TUs represent only 1% of the total option volume, which would indicate a lower usage of derivatives on TUs. However, it should be noted that TUs are widely held by income-seeking market participants and make a considerably larger fraction of many specialized funds, such as Income funds, Dividend funds or REIT funds. At the same time, market participants' potential interest in TUs can also be seen from the fact that the market capitalization of the TUs on which the Bourse lists options is nearing the $50B mark.

Under the current rules and procedures pertaining to Share Futures, a participant using futures contracts and wishing to take a directional view or hedge a position on a portfolio containing ETFs and / or TUs is limited to using either options on ETFs and / or on TUs to replicate a futures position on the same underlying, or to using Share Futures ("SFs") on similar "individual shares" (if any are available) as a "proxy" for the targeted ETF.

These alternatives are not cost effective for market participants. When using options to replicate a futures position, a market participant needs to execute two transactions instead of one, thereby incurring higher transaction costs (execution costs and slippage costs). If, on the other hand, a participant wishes to use SFs on similar "individual shares", such SFs will present an imperfect correlation to the targeted position or portfolio, thereby reducing the efficiency to hedge a position or to take a position on a specific underlying.

The introduction of Share Futures on ETFs and TUs will allow market participants to reduce their costs - by reducing the number of transactions through trading only the SFs rather than implementing a strategy that uses a combination of options on the same underlying - and risks - by avoiding losses due to imperfect correlations between the targeted ETF and a "proxy" SFs.

The listing of Share Futures on ETFs and TUs will provide market participants with a wider range of products and functionalities offering them additional cost-effective tools for implementing their strategies. SFs would appeal to:

- Domestic and foreign institutional users for securities lending, arbitrage with options and hedging purposes;
- Foreign institutional investors for tax or dividend motivated strategies;

- Proprietary trading desks, hedge funds, CTA's and retail investors for directional trading.

The main benefits of SFs include:

- Capital efficiency: while one can simply buy a stock, ETF or TU and wait for it to rise, especially in the short term, it is more cash-efficient to use a SFs to achieve the same position as the dividend is already factored into the contract's price. At the same time, participants using share futures – outright or for "pairs trading" – will benefit from lower margins than those required for similar positions in cash equities;
- Trading costs: another advantage is that futures contracts tend to be cheaper to execute than cash equities or equities options, when used to replicate a futures position;
- Shorting: SFs avoid potential administrative difficulties and higher costs experienced when selling short the underlying cash stocks, ETFs or TUs;
- Fiscal efficiency: dividends often attract a higher rate of taxation for foreign investors. In the case of share futures, dividends are considered in the futures value instead of being payable.

c. Comparative Analysis

The following table summarizes the coverage of derivatives (options and futures) among Canadian and U.S. exchanges:

Types of securities	Securities listed on stock exchanges		Underlyings of options listed on options exchanges		Underlyings of futures listed on futures exchanges	
	US stock exchanges*	TSX	US options exchanges**	MX	ONE Chicago	MX
"Individual securities"	Y	Y	Y	Y	Y	Y
Trust Units	Y***	Y	Y***	Y	Y***	N
ETFs	Y	Y	Y	Y	Y	N

*: New York Stock Exchange, Nasdaq and Intercontinental Exchange
**: Chicago Board Options Exchange, Nasdaq OMX PHLX and Intercontinental Exchange
***: Trust Units types vary per country, but a parallel can be made with the United States - similar products include Real Estate Investment Trusts (REITs) and Registered Closed-end Investment Companies (Close-End Funds), which are permitted to constitute underlying interests of security futures in the United States[1].

ONE Chicago is the only U.S. exchange that lists single stock futures, which includes share futures on ETFs and Close-End Funds. The proposed amendments will allow the Bourse to align its share futures listings to current practices in North America.

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[1] CFTC, *Security Futures Products Regulations and Requirements* [Online] available at: http://www.cftc.gov/IndustryOversight/ContractsProducts/SecurityFuturesProduct/sfpregulationsrequirements.

d. Proposed Amendments

The Bourse proposes the following amendments in order to allow the listing of SFs on ETFs and TUs that already have or are eligible to have options listed on them:

- Under Rule 1, to broaden the definition of "Share Futures Contract";
- Under Rule 6,
  - to section 6651, to apply the aggregation of ETFs/TUs options and related share futures to positions limits; and
  - to various ancillary sections to adapt the language used to a broader set of underlying interests on share futures;
- Under Rule 9, to various sections to adapt the language used to a broader set of underlying interests on share futures;
- Under section 14102, to apply the aggregation of ETFs/TUs options and related share futures to reporting thresholds;
- Under Rule 15, to update the share futures contract specifications and adapt the language used;
- Under the *Procedures applicable to the execution of strategies involving share futures*, to clarify the language around share futures contracts;

Proposed changes to the Bourse's rules and procedures are attached.

III. AMENDMENT PROCESS

The amendment process was triggered by the Bourse's plan to extend its product offering in order to enable more growth opportunities and fulfill market participants' needs.

In parallel to the Bourse's initiative, the CDCC is also in the process of amending its Rules in order to allow ETFs and TUs as underlying interests of SFs.

IV. IMPACTS ON TECHNOLOGICAL SYSTEMS

Based on a review of the technological requirements related to existing Share Futures, the Bourse has concluded that this initiative will not require any development work on MX's, CDCC's, MX-R's, ISV's or participants' side, except as provided below.

Regarding the reporting of positions, at the initial launch of share futures, given that certain approved participants had informed the Regulatory Division that their technological systems could not aggregate equity options and share futures positions on the same underlying interest to assess whether they needed to be reported, the Regulatory Division provided a temporary requirement (see circular 149-16), which was later extended to June 30, 2018 (see circular 157-17).

This temporary requirement will also apply to the upcoming SFs on ETFs and TUs. After June 30, 2018, approved participants are expected to have a process or system in place enabling them to aggregate the options and share futures positions on the same underlying interest. Please refer to circular 157-17 for further details.

V. OBJECTIVES OF THE PROPOSED AMENDMENTS

The Bourse intends to increase the range of hedging and trading tools offered to its participants and also respond to client requests.

VI. PUBLIC INTEREST

SFs are capital efficient and can be used in a tax efficient manner. They allow users to enter into short transactions without having to consider the risk of getting recalled. SFs minimize currency exposure for foreign participants. They temporarily remove risk exposure without creating immediate tax implications and are great for synthetic stock lending, benefiting pension funds and smaller dealers. SFs also offer improved cash flow with margin far lower than on the cash market.

As such, the Bourse believes that expanding SFs to ETFs and TUs is in the interest of the market and public.

VII. EFFICIENCY

The proposed listing of Share Futures on ETFs and TUs is expected to enhance both the financial efficiency for the market participants and the efficiency of the general market.

The expansion of share futures to a new set of underlying interests (ETFs and TUs) will complement the existing products - the options on the same underlying interests and the “cash” products traded on stock exchanges - and is expected to increase the efficiency of all three markets (“cash”, options and futures) due to the attraction of a new segment of market participants (users of futures contracts), lower execution costs and additional liquidity-enhancing arbitrage opportunities.

VIII. PROCESS

The proposed amendments, including this analysis, must be approved by the Bourse’s Rules and Policies Committee and submitted to the Autorité des marchés financiers, in accordance with the self-certification process, and to the Ontario Securities Commission for information purposes.

IX. ATTACHED DOCUMENTS

Proposed amendments to the rules and procedures of the Bourse.

COMPARED VERSION

RULE ONE
REGULATIONS OF THE BOURSE

[…]

1102 Definitions

(07.09.99, 31.01.01, 08.07.02, 02.09.03, 17.06.05, 30.07.13, 17.07.15, 00.00.00)

The following is an alphabetical index of each term defined in English in this article with the corresponding French term in brackets.

[…]

Share Futures Contract means a futures contract whose underlying interest is a Canadian or an ~~foreign~~ international ~~share~~stock, an exchange-traded fund or a trust unit listed on a recognized exchange.

[…]

RULE SIX

TRADING

[…]

Section 6365- 6401
Electronic Trading of Derivatives Instruments Traded on the Bourse

[…]

6380 Transactions Required on Bourse Facilities

(25.09.00, 24.09.01, 29.10.01, 31.01.05, 10.11.08, 29.01.10, 09.06.14, 21.01.16, 17.01.18, 00.00.00, 00.00.00)

All trading in Listed Products must occur on or through the electronic trading system or in accordance with the rules of the Bourse.

[…]

6380e. Riskless Basis Cross Trades

1) **In general.** An Approved Participant and the customer may prearrange a transaction outside of the electronic trading system in which the price of a stock index futures contract or a share futures contract to the customer is determined to be the average price of cash market transactions entered into by and for the account of the Approved Participant in the components of the underlying index or the underlying security, respectively, plus a spread (basis) as mutually agreed between the Approved Participant and the customer, in accordance with the following conditions:

a) Each party to a Riskless Basis Cross Trade must be an accredited counterparty as defined in section 3 of the Quebec Derivatives Act, CQLR c I-14.01.

b) The parties may agree to either a fixed basis or to a guaranteed execution price of the cash component with the basis adjusted accordingly.

c) To initiate the Riskless Basis Cross Transaction, the Approved Participant for its own account must first acquire positions (long or short exposure) in securities, baskets of securities, index participation units, or exchange-traded funds which, for an index, comprise no less than 80% of the underlying components of the applicable index and being reasonably correlated to the underlying index with a correlation coefficient (R) of 90% or greater, calculated using any generally accepted methodology. Although Approved Participants generally should purchase or sell all of the components of the index, an Approved Participant need not obtain any component security due to restrictions on the purchase or sale of the commodity by the Approved Participant or the customer, the unavailability of the component in the market due to a trading halt, illiquidity or other market conditions.

d) The transaction shall be executed at the time agreed by the counterparties, which must be during the regular trading hours of the underlying index components or ~~single stock~~underlying interest until the end of the extended trading session at the Toronto Stock Exchange (TSX) and the same day that the cash position is completed by the Approved Participant, provided however, if obtaining the cash components of the underlying index cannot be competed in a single day, execution of the futures portion of the transaction shall be proportionate with the proportion of the cash market transactions completed during that day.

e) The Riskless Basis Cross transaction is executed by the Approved Participant reporting details of the transaction to the Market Operations Department on a "Special Terms Transaction Reporting Form" through the Bourse's web page at http://sttrf-frots.m-x.ca, and allocating the agreed upon quantity of stock index futures contracts to the customer's account.

f) There is no minimum size requirement to enter into a riskless basis cross transaction nor is there any time period following execution of the riskless basis cross transaction that the Approved Participant must maintain the cash market position.

g) The price at which the futures contract leg of the transaction is arranged must be "fair and reasonable" in light of (i) the size of the transaction (ii) traded prices and bid and ask prices in the same contract (iii) the volatility and liquidity of the relevant market and (iv) general market conditions all at the relevant time. Although there is no requirement for the futures contract leg of a riskless basis cross transaction to be executed within the daily high and low prices, execution outside of that price range may result in a request by the Regulatory Division for additional information about the transaction.

h) Each riskless basis cross transaction must be reported to the Bourse in accordance with the procedures set by the Bourse. Such report must be in the form prescribed by the Bourse and must contain all the information required on such prescribed form.

i) The Bourse shall exclude riskless basis cross transactions from the daily settlement price procedures but not from daily volume figures. A record of each riskless basis cross shall appear in the "Transaction Report" maintained on the Bourse's Web page http://www.m-x.ca/dailycrosses_en.php following it being registered by the Market Operations Department in the trading system and shall be specially marked and displayed in the systems (trading platform and data vendors) in the Bourse's post trade recap.

[…]

B. SPECIAL RULES FOR TRADING EQUITIES - CDNX

(22.11.99, abr. 12.02.02)

[…]

Section 6651 - 6670
Limits and Restrictions

6651 Position Limits for Options and Share Futures Contracts
(06.08.86, 19.05.87, 08.09.89, 06.08.90, 20.03.91, 10.11.92, 07.04.94, 08.07.99, 07.09.99, 11.02.00, 28.01.02, 26.09.05, 20.05.10, 25.06.12, 12.04.13, 04.06.15, 23.11.16, 13.12.17, 00.00.00)

A) Except for those limits specified in article 6651, no Approved Participant shall make, for any account in which it has an interest or for the account of any client, a transaction in a Listed Product if the Approved Participant has reason to believe that as a result of such transaction the Approved Participant or its client would, acting alone or in concert with others, directly or indirectly, hold or control a position in excess of the position limit established by the Bourse.

B) Except otherwise indicated, the applicable position limits for options, share futures contracts or aggregated options and share futures contracts positions (as defined under paragraph C) 3~~4~~)) are as follows:

1. Share futures contracts, aggregated options and share futures contracts positions as well as options on stocks, exchange-traded funds or ~~income~~ trust units

   a) 25,000 contracts where the underlying security does not meet the requirements set out in sub-paragraphs B) 1. b) and B) 1. c) of the present article;

   b) 50,000 contracts, where either the most recent interlisted six-month trading volume of transactions on the underlying stock, exchange-traded fund or ~~income~~ trust unit totals at least 20 million shares or units, or the most recent interlisted six-month trading volume of transactions totals at least 15 million shares or units of the underlying interest and at least 40 million shares or units of this underlying interest are currently outstanding;

   c) 75,000 contracts, where either the most recent interlisted six-month trading volume of transactions on the underlying stock, exchange-traded fund or ~~income~~ trust unit totals at least 40 million shares or units, or the most recent interlisted six-month trading volume on the underlying interest totals at least 30 million shares or units of the underlying interest and at least 120 million shares or units of this underlying interest are currently outstanding;

   d) 200,000 contracts, where either the most recent interlisted six-month trading volume of transactions on the underlying stock, exchange-traded fund or ~~income~~ trust unit totals at least 80 million shares or units, or the most recent interlisted six-month trading volume on the underlying interest totals at least 60 million shares or units of the underlying interest and at least 240 million shares or units of this underlying interest are currently outstanding;

e) 250,000 contracts, where either the most recent interlisted six-month trading volume of transactions on the underlying stock, exchange-traded fund or ~~income~~ trust unit totals at least 100 million shares or units of the underlying interest or the most recent interlisted six-month trading volume on the underlying interest totals at least 75 million shares or units of the underlying interest and at least 300 million shares or units of this underlying interest are currently outstanding;

f) 600,000 contracts ~~for options~~ on the following exchange-traded funds:

- units of the iShares S&P/TSX 60 Index Fund (XIU).

g) except for the specific limits provided for under paragraph f) above, for ~~options~~ contracts where the underlying security is an equity holding exchange-traded fund, defined as an exchange-traded fund for which all of the components are exchange-traded stocks, the position limits shall be equal to twice the limit levels provided for under paragraphs a) to e) above.

2. Debt options

8,000 contracts.

3. Index options

500,000 contracts.

4. Sector index options

40,000 contracts.

5. Options on futures

The number of contracts established as the position limits for the underlying futures contract.

For the purpose of this article, options contract positions are aggregated with the underlying futures contract positions. For aggregation purposes, the futures equivalent of one in-the-money option contract is one futures contract and the futures equivalent of one at-the-money or out-of-the-money option contract is half a futures contract.

6. Sponsored options

The position limits described above apply to sponsored options. However, these position limits must be adjusted by using an equivalent unit of trading.

When the underlying interest is traded on a market other than the Bourse, the position limits of this market apply to sponsored options by using an equivalent unit of trading.

7. Currency options

40,000 contracts when the trading unit is 10,000 units of foreign currency. The limit will be adjusted to obtain the same notional amount if the trading unit is amended or if the Bourse introduces new trading units.

C) For the purpose of this article:

1. calls written, puts held, a net short share futures position, and short underlying interest are on the same side of the market and puts written, calls held, a net long share futures position, and long underlying interest are on the same side of the market;

2. the Bourse may, by notice, change the position limits. A change in the position limit will be effective on the date set by the Bourse and reasonable notice shall be given of each new position limit;

3. the "aggregated options and share futures contracts position" is obtained by first netting share futures contracts positions relating to the same underlying ~~share~~ interest and subsequently adding the net futures contracts position (net long or net short) to options positions relating to the same underlying ~~share~~ interest on a per side basis (whether long or short) to determine the aggregate per side quantity held; one option contract being equal to one share futures contract for purposes of this calculation.

D) Conversions, reverse conversions, long and short hedges

1. For the purposes of this article the following defined hedges are approved by the Exchange:

   a) conversion: where an opening long put transaction in any option is entirely offset by an opening short call transaction having the same expiry month and strike price in the same option class, either of which option transaction is effectively hedged by a long position in the underlying interest of the option;

   b) reverse conversion: where an opening short put transaction in any option is entirely offset by an opening long call transaction having the same expiry month and strike price in the same option class, either of which option transaction is effectively hedged by a short position in the underlying interest of the option;

   c) short hedge: where an opening long call transaction or an opening short put transaction in any option is entirely offset by a short position in the underlying interest of the option;

   d) long hedge: where an opening short call transaction or an opening long put transaction in any option is entirely offset by a long position in the underlying interest of the option.

2. In addition to the position limits set out in paragraph B), any one account may hold an amount of options not exceeding the applicable paragraph B) limit of any combination of the approved hedge positions defined in sub-paragraphs D) 1. a) to D) 1. d), inclusive.

3. For all position limits set out in this article, in the case of conversion and reverse conversion as defined in paragraph D) 1. a) and b), such limits shall apply as if calls written and puts held, or puts written and calls held, as the case may be, were not on the same side of the market.

E) Exemption

As described in Policy C-1, a member may file with the Exchange an application to obtain on behalf of a bona fide hedger an exemption from the position limits prescribed in this article. The application must be filed on the appropriate form, no later than the next business day after the limit has been exceeded. If the application is rejected, the member shall reduce the position below the prescribed limit within the period set by the Exchange. The Exchange may modify any exemption which has been previously granted.

[…]

D. SPECIAL RULES FOR TRADING FUTURES CONTRACTS

Section 6801 - 6820
Terms of Trade Futures

[…]

6815 Exchanges for Related Products (EFRP)
(08.09.89, 17.10.91, 05.01.94, 19.01.95, 01.05.95, 07.09.99, 31.01.01, 03.05.04, 21.04.08,17.04.09, 12.02.16, 17.01.18, 00.00.00)

1) EFRP transactions in general. Exchanges for Related Product ("EFRP") transactions involving futures contracts listed and traded on the Bourse are permitted if such transactions are executed in accordance with the requirements of this article. An EFRP transaction is composed of the privately negotiated execution of a Bourse futures contract and the opposite, simultaneous execution of an approximately equivalent quantity or value of cash product, by-product, related product, or over-the-counter ("OTC") derivative instrument underlying the futures contract.

a) An EFRP transaction is permitted to be executed off of the Bourse's trading system pursuant to article 6380b if such transaction is conducted in accordance with each of the requirements and conditions of this article.

b) The following separate types of transactions are referred to collectively as EFRP transaction under this article, and are included under, and subject to, its provisions:

i) **Exchange for Physical ("EFP")** – the simultaneous execution of a Bourse futures contract and a corresponding spot or forward transaction.

ii) **Exchange for Risk ("EFR")** – the simultaneous execution of a Bourse futures contract and a corresponding OTC swap or other OTC derivative transaction.

iii) **Substitution for OTC Transaction ("Substitution")** – the substitution of an OTC derivative instrument for futures contract.

c) Each party to an EFRP transaction must be an accredited counterparty as defined in section 3 of the Quebec Derivatives Act, CQLR c I-14.01.

d) The accounts involved on each side of an EFRP transaction must:

i) have different beneficial ownership;

ii) have the same beneficial ownership, but are under separate control;

iii) have accounts that are commonly controlled, but involve separate legal entities which may or may not have the same beneficial ownership; or

(iv) when the parties to an EFRP transaction involve the same legal entity, same beneficial ownership, or separate legal entities under common control, the parties must be able to demonstrate that the exchange transaction was a legitimate arms-length transaction.

e) The cash market instrument leg of the EFRP transaction must provide for, and result in, the transfer of ownership of the cash market instrument within the time customary in the applicable cash market or in OTC practice. If the seller does not have actual possession of the cash market or OTC derivative instrument before execution of the EFRP, the seller must be able to demonstrate an ability to satisfy the delivery requirement.

f) With regard to the futures leg of an EFRP, if the minimum price fluctuation of transactions in the futures contract vary by strategy or otherwise, such as variation in the minimum price fluctuation for equity index futures contracts between outright and calendar spread transactions, the minimum price fluctuation of the EFRP futures component shall be the lowest minimum price fluctuation provided for in the Rules with regard to the futures contract.

g) The Approved Participants involved in an EFRP, upon request by the Bourse, must be able to demonstrate that:

i) the related futures and cash or OTC position are reasonably correlated, with a correlation of R=0.70 or greater, calculated using any generally accepted methodology, for all EFRP transactions except as otherwise specifically provided, each such correlation based on daily price data for a period of at least six (6) months or weekly price data for a period of at least one (1) year; and

ii) the quantity or value of the cash or OTC component of the EFRP transaction must be approximately equivalent to the quantity or value of the futures contract.

h) The price at which an EFRP transaction is arranged must be "fair and reasonable" in light of (i) the size of the transaction; (ii) currently traded prices and bid and ask prices in the same contract (iii) the underlying markets; and (iv) general market conditions, all at the relevant time. Although there is no requirement for an EFRP to be executed within the daily high and low prices, execution outside of that price range may result in a request by the Regulatory Division for additional information about the transaction.

i) It is prohibited to effect an EFRP transaction for the purpose of reporting, registering or recording a non-bona fide price or entering into a transaction which is a "wash sale"," an accommodation trade or a fictitious sale.

j) Neither party to an EFRP transaction may enter into the transaction to circumvent the contract month roll in the corresponding security or derivative instrument.

k) **Reporting EFRP transactions**. Approved Participants for both the seller and buyer must report within one hour upon determination of all the relevant terms of the transaction to the Market Operations Department on the Special Terms Transaction Reporting Form available at http://sttrf-frots.m-x.ca/ each EFRP transaction executed during the trading hours of the applicable futures contract. For those EFRP transactions executed after such trading hours, the transaction shall be reported to the Bourse no later than 10:00 a.m. (Montréal time) on the trading day following execution. The Market Operations Department will validate the details of the report before accepting the transaction (which is not a confirmation by the Bourse that the EFRP transaction has been effected in accordance with this article).

l) **Books and records**. Each party to an EFRP transaction must maintain full and complete records and documentary evidence relating to the EFRP, including but not limited to all records relating to the purchase or sale of the cash market or OTC derivative component of the transaction and to any transfer of funds or ownership made in connection with such transaction. Such records include, but are not limited to, documentation customarily generated in accordance with market practice, such as cash account statements, trade confirmation statements, ISDA® Master Agreements or other documents of title; third party documentation supporting proof of payment or transfer of title, such as canceled checks, bank statements; cash account statements and cash instruments clearing corporation documents. In addition, futures contracts order tickets (which must clearly indicate the time of execution of the EFRP transaction) must be maintained. Records related to the transaction must be provided to the Bourse upon request and it is the responsibility of the Approved Participant to obtain and provide on a timely basis records of their clients as requested by the Bourse.

2) EFPs

a) EFP transactions on the following futures contracts and the related physical or cash instrument are recognized by the Bourse:

Types of Futures Contracts	Acceptable physical or cash instrument
Interest rates Futures Contracts	Fixed income instruments with a correlation coefficient (R) of 0.70 or more, calculated using any generally accepted methodology, maturities and risk characteristics that parallel the underlying instrument of the futures contracts or the futures contract itself where the use of the underlying instrument is not practical due to a lack of available market data, including but not limited to: • Money market instruments including asset backed commercial paper, • Government of Canada and Federal Crown Corporation fixed income instruments • Provincials fixed income instruments, • Investment grade corporates including Maple Bonds and mortgage instruments including collateralized mortgage obligations (CMOs), or • Fixed income instruments denominated in the currency of a G7 member country
Futures Contracts on S&P/TSX indices Futures Contracts on the FTSE Emerging Markets index	• Stock baskets reasonably correlated with the underlying index with a correlation coefficient (R) of 0.90 or

	more, calculated using any generally accepted methodology, having a weight of at least 50% of the underlying index or including at least 50% of the securities of the underlying index. The notional value of the basket must be fairly equal to the value of the futures contract component of the exchange transaction, or • Exchange-traded funds that mirror the index futures contract
Futures Contracts on Carbon dioxide equivalent (CO_2e) units	• Regulated emitters' credits, and / or offset credits in eligible Canadian CO_2e units
Futures Contracts on Canadian crude oil	• Domestic crude oil streams with not less than 2.5% nor more than 3.5% sulfur by weight, not less than 19° API gravity nor more than 22° API gravity, such as. Western Canadian Select, Western Canadian Blend, Lloyd Blend, Bow River, Cold Lake Blend and Wabasca.
Share Futures Contracts	• Underlying ~~stock~~ interest of the futures contract

3) EFRs

a) EFR transactions on the following futures contracts and the related OTC derivative instrument are recognized by the Bourse:

Types of Futures Contracts	Acceptable Over-the-Counter Derivative Instrument
Bonds Futures Contracts	i) Interest Rate Swaps with the following characteristics: • Plain vanilla; • Written under the terms of an ISDA® Master Agreement, • Regular fixed against floating rate payments,

	• Denominated in currency of G7 country, and • Correlation R= 0.70 or greater, calculated using any generally accepted methodology. Or ii) Any individual or combination of OTC bond, interest rate swap or FRA options (e.g. caps, floors, collars).
Short-term interest rate Futures Contracts	i) Any OTC swap or options with characteristics noted above with respect to EFR for bonds; Or ii) Forward Rate Agreements (FRAs) with the following characteristics: • Conventional FRA, • Written under the terms of an ISDA® MasterAgreement, • Predetermined interest rate, • Agreed start/end date, and • Defined interest (repo) rate.
Stock index Futures Contracts	i) Index Swaps with the following characteristics: • Plain vanilla swap, • Written under the terms of an ISDA® Master Agreement, • Regular fixed against floating rate payments against the positive or negative performance of a stock, exchange-traded fund (ETF), basket of securities or a stock index, • Denominated in currency of G7 country, and • Correlation R= 0.90 or greater, using a generally accepted methodology; Or ii) Any individual or combination of OTC stock index option positions; Or iii) Index Forwards:

	Standard equity forward contract between two counterparties to buy a specific quantity of a stock, exchange-traded fund (ETF), basket of securities or stock index at a predetermined price for settlement at a future date.
Shares Futures Contracts	i) Equity Swaps with the following characteristics: • Plain vanilla swap, • Written under the terms of an ISDA® Master Agreement, • Regular fixed against floating rate payments against the positive or negative performance of a stock, exchange-traded fund (ETF), trust unit, basket of securities or a stock index, • Denominated in currency of G7 country; Or ii) Any individual or combination of OTC equity option positions; Or iii) Equity Forwards: Standard equity forward contract between two counterparties to buy a specific quantity of a stock, exchange-traded fund (ETF), trust unit, basket of securities or stock index at a predetermined price for settlement at a future date.
Commodities Futures Contracts	i) Commodities Swaps or Forwards with the following characteristics: • Written under the terms of an ISDA® Master Agreement, • Correlation R = 0.80 or greater, calculated using any generally accepted methodology.

4) Substitution for OTC

a) Substitution transactions on the following futures contracts and the related OTC derivative instrument are recognized by the Bourse:

Futures Contracts on:	Acceptable Over-the-Counter Derivative Instrument:
Carbon dioxide equivalent (CO2e)	Any swap on Carbon dioxide equivalent (CO2e) units, and Correlation R=0.80.

[…]

6819 Extraordinary Circumstances for shares futures contracts
(31.01.01, 22.01.16, 00.00.00)

In order to keep fair and orderly trading on the Bourse and for the protection of both share futures buyers and sellers, the Bourse may make special trading and settlement rules when an underlying i~~I~~nterest is involved in:

a) a take-over bid under a circular;

b) a stock dividend, a share split or a consolidation;

c) any other unforeseen events.

Generally, no adjustments will be made for declared dividends, if any, on the underlying ~~stocks~~interest.

[…]

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

[…]

Section 9101 – 9200
Margin Requirements on Equity-Related Derivatives

[…]

9122 Simple or Spread Positions in Futures Contracts
(01.01.05)

a) Shares futures contracts positions

i) For simple positions in share futures contracts held in a client's account, the margin required must be the sum of:

A) the floating margin rate of the underlying interest;

and

B) the greater of:

I) 10% of the floating margin rate of the underlying interest; and

II) where the floating margin rate of the underlying interest is:

a)less than 10%, 5%;
b)less than 20% but greater or equal to 10%, 4%; or
c)greater or equal to 20%, 3%;

multiplied by the daily settlement value of the futures contracts.

ii) For spread positions in share futures contracts held in a client's account, the margin requirements are determined by the Bourse in collaboration with the clearing corporation, from time to time.

b) Index futures contracts positions

The margin requirements which must be applied on all positions in index futures contracts held in a client's account are determined by the Bourse, in collaboration with the clearing corporation, from time to time.

9123 Share Futures Contracts and Security Combinations
(01.01.05, 14.01.16, 00.00.00)

a) Share futures contracts – underlying interest~~share~~ combinations

Where a client account contains one of the following combinations:

- long share futures contract and short an equivalent position in the underlying interest~~share~~; or
- short share futures contract and long an equivalent position in the underlying interest~~share~~;

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

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

Where a client holds a short share futures contract on the ~~shares~~ underlying interests 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~~ underlying interests of the same issuer, the margin required must be equal to the difference between the market value of the long position and the settlement value of the short share futures contract, plus the aggregate of the subscription price or other cost or charge payable in connection with the acquisition of ~~shares~~ underlying interests to the relevant warrant, right, share, instalment receipt or other security.

c) Short share futures contracts – long capital shares

For the purposes of this section:

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

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

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

d) “retraction value”, for capital shares, means:

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

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

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

Where a client holds a long position in capital shares and a short share futures contract, the margin required is the sum of:the capital share conversion loss, if any; and the normal margin required in the case of client account positions on the equivalent number of preferred shares.

The market value of the underlying security to be used for the calculation of the required margin pursuant to the preceding paragraph is the settlement value of the share futures contract.

In no case the margin required may be less than 3% of the settlement value of the share futures contract.

9124 Share Futures Contracts Combinations with ~~Equity~~ Options
(01.01.05, 00.00.00)

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 and underlying interest, 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~~interest, 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 interest~~share~~, multiplied by the market value of the underlying interest ~~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 interest~~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 interest~~share~~, multiplied by the market value of the underlying interest~~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 interest~~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 interest~~share~~, multiplied by the market value of the underlying interest~~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 interest~~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 interest~~share~~, multiplied by the market value of the underlying interest~~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 interest~~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 interest~~share~~, multiplied by the market value of the underlying interest~~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 interest~~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 interest~~share~~, multiplied by the market value of the underlying interest~~share~~.

[…]

Section 9201 - 9300
Capital Requirements on Equity-Related Derivatives

[…]

9221 Exchange Traded Futures Contracts – General
(01.01.05, 23.01.06, 01.12.17)

a) With respect to an account of an approved participant or market maker, the Bourse may establish certain charges against the capital of the approved participant carrying the account, which charges may be less onerous than margin requirements applicable to clients but for which the approved participant must maintain adequate capital resources at all times;

b) positions of approved participants and customers must be marked to market daily and the required capital must be determined by using the greatest of:

i) the rate required by the futures contract exchange on which the contract is entered into or its clearing corporation; or

ii) the rate required by the broker through which the approved participant ensures the clearing of the futures contract;

c) in the case of a futures contract exchange or its clearing corporation that prescribes margin requirements based on initial and maintenance rates, initial capital is required at the time the contract is entered into and the amount of such capital must not be less than the prescribed initial rate. Subsequently, the approved participant must maintain, for each position held, a capital amount equivalent to the prescribed maintenance rate;

d) capital requirements established by the Bourse may be made applicable to one or more rather than all approved participants if deemed necessary by the Bourse;

e) specific capital requirements may be applicable on spread positions when an approved participant account holds such positions. Every approved participant must clearly identify such spread positions in its records relating to margin calculations;

f) from time to time the Bourse may impose special capital requirements with respect to particular futures contracts or particular positions in futures contracts.

9222 Simple or Spread Positions in Futures Contracts
(01.01.05, 23.11.16)

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 equal to either the floating margin rate of the underlying interest multiplied by the daily settlement value of the futures contracts or the result of the methodology outlined under article 9122 a) i), at the Bourse's discretion;

ii) for spread positions in shares futures contracts held in an approved participant's account, the capital requirements are determined by the Bourse, in collaboration with the clearing corporation, from time to time.

b) Index futures contracts positions

The capital requirements which must be applied on all positions in index futures contracts held in an approved participant's account are determined by the Bourse, in collaboration with the clearing corporation, from time to time

9223 Share Futures Contracts and Security Combinations
(01.01.05, 14.01.16, 00.00.00)

a) Share futures contracts – underlying ~~share~~interest combinations

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

- long share futures contract and short an equivalent position in the underlying interest~~share~~; or

- short share futures contract and long an equivalent position in the underlying interest~~share~~;

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

b) Short share futures contracts – long convertible security combination

Where an approved participant holds a short share futures contract on the ~~shares~~ underlying interests of an issuer and a long position in securities which are currently convertible or exchangeable into the same class and at least the same number of underlying interests~~shares~~ of the same issuer, the capital required must be the excess of the market value of the long position over the settlement value of the short share futures contracts.

Any residual net credit money balance between the market value and settlement value of the positions which are paired cannot be used to reduce capital otherwise required on the long or short position remaining unhedged after applying the pairing described above.

Where the securities representing the long position held by the approved participant are not convertible or exchangeable until the expiry of a specific period of time but the approved participant has entered into a written, legally enforceable agreement, pursuant to which it has borrowed securities of the same class as those of the short position which do not have to be returned until the expiration of the period of time until conversion or exchange, the above-mentioned pairing may be done as if the securities representing the long position were currently convertible or exchangeable.

c) Short share futures contracts – long warrants, rights, instalment receipts combination

Where an approved participant holds a short share futures contract on the underlying interests~~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 underlying interests~~shares~~ of the same issuer, the capital required must be equal to the aggregate of the subscription price or other cost or charge payable in connection with the acquisition of the underlying ~~shares~~interests pursuant to the warrant, right, share, instalment receipt or other security plus (or minus, if the result is negative) the difference between the aggregate market value of the warrant, right, share, instalment receipt or other security and the settlement value of the share futures contracts.

d) Short share futures contracts – long capital shares

For the purpose of this section:

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

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

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

e) “retraction value”, for capital shares, means:

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

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

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

Where an approved participant holds a long position in capital shares and a short share futures contract, the capital required is equal to the sum of the conversion loss, if any, and the normal capital required on the equivalent number of preferred shares.

The market value of the underlying security to be used for the calculation of the required capital pursuant to the preceding paragraph is the settlement value of the share futures contract.

In no case, the capital required shall be less than 3% of the settlement value of the share futures contract.

9224 Share Futures Contracts Combinations with ~~Equity~~ Options
(01.01.05, 00.00.00)

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 and underlying interest, 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~~interest, 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~~underlying interest, multiplied by the market value of the underlying ~~share~~interest.

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~~interest, 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~~interest, multiplied by the market value of the underlying interest~~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 interest~~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 interest~~share~~, multiplied by the market value of the underlying interest~~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 interest ~~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 interest~~share~~, multiplied by the market value of the underlying interest~~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 interest~~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 interest~~share~~, multiplied by the market value of the underlying interest~~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 s interest~~hare~~ 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 interest~~share~~, multiplied by the market value of the underlying interest~~share~~.

[…]

RULE FOURTEEN
DERIVATIVE INSTRUMENTS – MISCELLANEOUS RULES

(11.03.80, 13.09.05, 04.03.08, 01.04.13, 09.06.14, 01.10.15)

[…]

Section 14101 – 14150
(04.03.08, 01.04.13, 09.06.14, 01.10.15)
Reports for Derivative Instruments

[…]

14102 Reports Pertaining to the Accumulation of Positions for Derivative Instruments
(24.04.84, 01.06.84, 13.09.05, 04.03.08, 01.04.13, 09.06.14, 01.10.15, 23.11.16, 00.00.00)

1) Each approved participant must file daily with the Bourse, in the prescribed manner, a report detailing all gross positions held for its own account or for an account or group of accounts which are all owned by the same beneficial owner in derivative instruments listed on the Bourse when these gross positions exceed the reporting thresholds prescribed by the Bourse for each of these derivative instruments or a report confirming that there are no positions to be reported when none of the reporting thresholds prescribed by the Bourse have been exceeded for each of these derivative instruments.

2) Any report transmitted to the Bourse pursuant to this Rule must be transmitted within the reporting hours prescribed by the Bourse and not later than 9:00 a.m. (ET) on the business day following the one for which positions must be reported.

3) For each account subject to a positions report to the Bourse, each approved participant must provide to the Bourse all the information necessary to the Bourse to allow it to adequately identify and classify this account. The information that must be provided to the Bourse is the following:

   a) the name and complete coordinates of the account beneficial owner;

   b) the full account number as it appears in the approved participant records;

   c) the account type (client, firm, market-maker, professional or omnibus);

   d) the beneficial account owner classification according to the typology established by the Bourse; and

   e) the identification of the nature of transactions made by the account (speculation or hedging). If it is impossible to clearly determine if the account is used for speculative or hedging purposes, it must then, by default, be identified as being a speculative account.

4) In addition to providing the above-mentioned information to the Bourse, each approved participant must provide, for each account being reported, a unique identifier complying with the following requirements;

   a) for any account opened in the name of a natural person or of a corporation or other type of commercial entity wholly-owned by this natural person:

      i) a unique identifier allowing to link together all the accounts having the same beneficial owner. The unique identifier used in such a case must be created by the approved participant in a format that it deems to be appropriate. This unique identifier, once created and used, must not be modified or replaced by a new identifier without having provided prior notice to the Bourse.

   b) for any account owned by many natural persons such as a joint account, an investment club account, partnership or holding company:

      i) if one of the natural persons owning this account has an ownership interest of more than 50% in the account, the unique identifier used must be the identifier of this person and must be set as specified in subparagraph 3) a) i) above;

ii) if none of the persons owning the account has an ownership interest of more than 50%, the unique identifier must be the account name.

c) for any account opened in the name of a corporation other than a corporation wholly-owned by a natural person:

i) if one of the natural persons owning shares of this corporation holds an ownership interest of more than 50% in the account, the unique identifier used must be the identifier of this person and must be set as specified in subparagraph 3) a) i) above;

ii) if more than 50% of the corporation shares are owned by another corporation, the unique identifier must be the Legal Entity Identifier of this other corporation as attributed by the organization responsible for the attribution of such an identifier;

iii) in all other cases, the unique identifier must be the Legal Entity Identifier of the corporation in whose name the account has been opened;

iv) if, for corporations mentioned in subparagraphs c) ii) and c) iii), no Legal Entity identifier is available, the identifier to be used shall be the incorporation number of the corporation as attributed by the government authority having issued the incorporation certificate of such corporation.

In the case where neither the Legal Entity Identifier nor the incorporation number of a corporation are available or can be obtained or communicated by the approved participant in reason of legal or regulatory restrictions, the approved participant shall use a unique identifier that permits to link together all the accounts having the same corporation as beneficial owner. The unique identifier used in such a case can be either the name of the corporation owning the account or be created by the approved participant in a format that it deems appropriate.

Any unique identifier, be it or not created by the approved participant, must not be changed or replaced by a new identifier without prior notice having been given to the Bourse.

For the purposes of this paragraph c), the term "Legal Entity identifier" means the unique identification number attributed to a legal entity by any organization accredited to this effect pursuant to the ISO 17442 standard of the International Standardization Organization, as approved by the Financial Stability Board and the G-20 and aiming at implementing a universal and mandatory identification system for legal entities trading any type of derivative instrument.

5) In order to determine if the reporting thresholds are attained, approved participants must aggregate positions held or controlled by the same account beneficial owner.

For the purposes of this article, the term "control" means a beneficial ownership interest greater than 50%.

6) The reporting thresholds established by the Bourse are as follows:

a) For each options class, other than options on futures contracts, and each share futures contracts on a given underlying interest~~share~~:

i) 250 contracts, in the case of trust units options and share futures contracts (for all contract months combined of each share future contract) having the same underlying interest, by aggregating positions on trust units options and share futures contracts, one option contract being equal to one share futures contract. While options and share futures contracts must be considered in the aggregate for purposes of the reporting threshold (on a gross basis), positions in options and share futures contracts shall be reported each separately;

ii) 250 contracts, in the case of stock options and share futures contracts (for all contract months combined of each share future contract) having the same underlying ~~security~~interest, by aggregating positions on stock options and share futures contracts, one option contract being equal to one share futures contract. While options and share futures contracts must be considered in the aggregate for purposes of the reporting threshold (on a gross basis), positions in options and share futures contracts shall be reported each separately;

iii) 500 contracts, in the case of options on Exchange Traded Fund ~~unit~~ options and share futures contracts (for all contract months combined of each share future contract) having the same underlying interest, by aggregating positions on Exchange Traded Fund options and share futures contracts, one option contract being equal to one share futures contract. While options and share futures contracts must be considered in the aggregate for purposes of the reporting threshold (on a gross basis), positions in options and share futures contracts shall be reported each separately;

iv) 500 contracts, in the case of currency options;

v) 15,000 contracts, in the case of index options;

vi) 1,000 contracts, in the case of sector index options.

b) For futures contracts and the related options on futures contracts:

i) 300 contracts, in the case of futures contracts and options on futures contracts on Three-Month Canadian Bankers' Acceptance Futures (BAX and OBX), by aggregating positions on options on futures contracts and positions in the underlying futures contract. In this case, one options contract (OBX) is equal to one futures contract (BAX);

ii) 250 contracts, in the case of 30-Year Government of Canada Bond Futures (LGB);

iii) 250 contracts, in the case of futures and options on futures contracts on Ten-Year Government of Canada Bond Futures (CGB and OGB), by aggregating positions on options on futures contracts and positions in the underlying futures contract. For the purposes of aggregating positions, one options contract (OGB) is equal to one futures contract (CGB);

iv) 250 contracts, in the case of Five-Year Government of Canada Bond Futures (CGF);

v) 250 contracts, in the case of Two-Year Government of Canada Bond Futures (CGZ);

vi) 1,000 contracts, in the case of S&P/TSX 60 Index Standard Futures (SXF) and S&P/TSX 60 Index Mini Futures (SXM), by aggregating positions on both futures contracts. For the purposes of aggregating positions, one standard contract (SXF) is equal to one mini contract (SXM);

vii) 1,000 contracts, in the case of S&P/TSX Composite Index Mini Futures (SCF);

viii) 300 contracts, in the case of 30-Day Overnight Repo Rate Futures (ONX) and Overnight Index Swap Futures (OIS);

ix) 500 contracts, in the case of S&P/TSX Sector Index Futures (SXA, SXB, SXH, SXY, SXK, SXU);

x) 250 contracts, in the case of futures contracts on Canada carbon dioxide equivalent (CO_2e) units with physical settlement (MCX);

xi) 1,000 contracts, in the case of futures contracts on the FTSE Emerging Markets Index;

The Bourse may, at its discretion, impose the application of any other reporting threshold that is more severe and lower than those provided in this Rule.

7) in addition to the reports required under the provisions of the present article, each approved participant must report immediately to the Vice-President of the Regulatory Division of the Bourse any situation in which the approved participant has reason to believe that itself or a client, acting alone or in concert with others, has exceeded or is attempting to exceed the position limits established by the Bourse;

8) An approved participant of the Bourse which does not trade or does not hold or manage any trading accounts for its clients or itself for the purposes of transactions in any of the derivative instruments listed on the Bourse may be exempted from complying with the requirements as provided for in paragraph 1) of the present article, under the following conditions:

i) the approved participant must submit an exemption request in writing to the Regulatory Division, confirming that it has not traded any of the derivative instruments listed on the Bourse in the last calendar year and that it does not plan to trade any of them in a foreseeable future;

ii) all exemptions granted will be valid as long as all conditions relative to such exemptions are complied with;

iii) any exemption can be cancelled by the Regulatory Division at any time and, in any case, ends when an approved participant executes a transaction on any of the derivative instruments listed on the Bourse;

9) An approved participant may, with prior approval of the Bourse, delegate to a third party the transmission of position reports required under the provisions of paragraph 1) of the present Rule. In order for such an exemption to be granted, the following conditions must be met:

i) the approved participant which wishes to delegate the task of producing and submitting position reports to a third party rather than doing so by itself must divulge to this third party all information necessary for the production of such reports, as is required by the Bourse;

ii) any delegation established in accordance with the present paragraph must first be approved in writing by the Regulatory Division. An approved participant wishing to delegate the submission of positions reports required by the Bourse to a third party must therefore submit a request for approval in writing to the Regulatory Division;

iii) all approvals of delegation granted by the Regulatory Division will be valid as long as all conditions relative to such approvals are complied with;

iv) any approval of delegation can be cancelled by the Regulatory Division at any time and, in any case, ends when the third party delegate ceases to produce reports or is no longer able to submit position reports on behalf of the approved participant having delegated such task, pursuant to the requirements of the Bourse;

v) an approved participant having chosen to delegate the submission position reports to a third party nevertheless remains responsible for the obligations provided in the present article and must ensure that all the information transmitted to the Bourse by the delegatee is complete and accurate.

[…]

RULE FIFTEEN
FUTURES CONTRACTS SPECIFICATIONS

Section 15001 - 15050
General Provisions

15001 Scope of Rule
(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 14.06.02, 03.05.04, 16.11.07, 30.05.08, 15.05.09, 18.06.10, 09.06.14, 18.01.16, 00.00.00)

This Rule is limited in application to futures trading of the following instruments:

a) the overnight repo rate;

b) 1-month Canadian Bankers' Acceptance;

c) 3-month Canadian Bankers' Acceptance;

d) 2-year Government of Canada Bond;

e) 5-year Government of Canada Bond;

f) 10-year Government of Canada Bond;

g) 30-year Government of Canada Bond;

h) the S&P/TSX 60 Index;

i) the S&P/TSX Composite Index;

j) designated S&P/TSX sectorial indices;

k) Canadian and International stocks, exchange-traded funds and trust units;

l) Carbon dioxide equivalent (CO_2e) units;

m) Canadian Crude Oil;

n) FTSE Emerging Markets Index;

o) Overnight Index Swap

The procedures for dealing with clients, trading, clearing, settlement, delivery and any other matters not specifically covered herein shall be governed by the regulations of the Bourse and the General Regulations of the Clearing Corporation.

[…]

CANADIAN AND INTERNATIONAL SHARE FUTURES CONTRACTS

15801 Underlying
(23.11.16, 00.00.00)

The underlying issue for a Canadian or international share futures contract is an ~~individual Canadian or international share~~underlying interest eligible under article 15801.1.

15801.1 Eligibility criteria
(31.01.01, 23.11.16, 00.00.00)

In order for a Canadian or international share futures contract to be traded on the Exchange, the underlying ~~share~~ interest shall be a share, exchange-traded fund or trust unit which is currently traded on a recognized exchange, on which an option or futures contract is listed on this same exchange or on any other recognized exchange and which meet the criteria of the Canadian Derivatives Clearing Corporation.

15802 Expiry Cycle
(31.01.01, 18.01.16)

The expiry months for Canadian and international share futures contracts are as follows:

Quarterly cycle: March, June, September and December.

Other selected expiry cycles: January, February, April, May, July, August, October and November.

15803 Trading Hours
(23.11.16)

Trading hours will be determined and published by the Exchange.

15804 Trading Unit
(31.01.01, 29.04.02, 23.11.16, 00.00.00)

The Bourse, in consultation with the Canadian Derivatives Clearing Corporation, shall establish the trading unit for each share futures contract that has been approved for trading.

15805 Currency
(31.01.01, 18.01.16, 23.11.16)

Trading, clearing and settlement are in Canadian dollars for Canadian share futures contracts.

Trading, clearing and settlement are in foreign currency for international share futures contracts.

15806 Price Quotation
(31.01.01, 18.01.16, 00.00.00)

Bids and offers on share futures contracts on Canadian ~~shares~~ underlying interests are quoted in Canadian dollars and cents per share.

Bids and offers on share futures contracts on international ~~shares~~ underlying interests are quoted in foreign currency units per share.

15807 Minimum Price Fluctuation
(31.01.01, 18.01.16, 00.00.00)

Unless otherwise determined by the Bourse, the minimum price fluctuation for share futures contracts on Canadian underlying interests~~shares~~ is CAN $0.01 per share.

Unless otherwise determined by the Bourse, the minimum price fluctuation for share futures contracts on international underlying interests~~shares~~, is the unit of fluctuation used by the market on which the underlying ~~share~~interest is being traded.

15808 Price Limit/Trading Halts
(31.01.01, 18.01.16, 23.11.16)

Trading halts shall be coordinated with the triggering of the trading halt mechanism of the underlying interest (circuit breaker).

In the event that a recognized exchange suspends trading in the underlying interest of an international share futures contract, then the Bourse may take certain measures regarding the futures contract concerned, including suspending or halting trading in the futures contract.

15809 Position Limits
(31.01.01, 29.04.02, 15.05.09, 23.11.16)

The maximum net long or net short positions in share futures contracts which a person may own or control in accordance with article 14157 of the Rules of the Bourse shall be as provided for under article 6651.

15810 Position Reporting Threshold
(31.01.01, 29.04.02, 18.01.16, 23.11.16)

The position reporting threshold is set pursuant to article 14102.

15811 Delivery or settlement
(31.01.01, 00.00.00)

Delivery of Canadian ~~shares~~ underlying interests shall be made in the manner prescribed in articles 15813 to 15818 of the Rules or by the Clearing Corporation.

Settlement of International underlying interests ~~shares~~ shall be by cash through the Clearing Corporation. The settlement procedures are those provided for in articles 15821 to 15830 of the Rules.

15812 Last Trading Day
(31.01.01, 18.01.16, 00.00.00)

Trading in Canadian share futures contracts ends at 4:00 p.m. on the third Friday of the contract month or, if not a business day, the first preceding business day.

Except as determined otherwise by the Bourse, ~~T~~trading in international share futures contracts ends at the official closing time of the recognized exchange on which the underlying interest is listed, on the third Friday of the contract month or, if not a business day, the first preceding business day.~~last day of trading of corresponding stock index futures contracts traded on a recognized exchange for which the underlying stock is a constituent,~~

15813 Delivery Standards for Canadian ~~shares~~underlying interests
(31.01.01, 00.00.00)

Shall be deliverable only those Canadian ~~shares~~underlying interests that are the direct underlying security of the futures contract being subject to delivery.

15814 Delivery Procedure
(31.01.01)

a) Members must apply the assignment process used by the Clearing Corporation to assign delivery to each of their accounts;

b) Only a member holding a seller's position can initiate the delivery process;

c) All buyers' and sellers' positions still open in a contract after trading has ceased in the contract shall be settled by delivery;

d) In the case where a seller's position is still open in a contract after trading has ceased in that contract, and where the member does not initiate the delivery process, the Clearing Corporation shall substitute itself for the member in initiating the delivery process.

15815 Submission of Delivery Notice
(31.01.01)

To initiate the delivery process, a member holding a seller's position must submit a delivery notice to the Clearing Corporation before the time limit set by the Clearing Corporation after the close of the last trading day.

15816 Assignment of Delivery Notice
(31.01.01)

a) The assignment of a delivery notice to a member holding a long position shall be done by the Clearing Corporation, in the manner set forth by the Clearing Corporation;

b) The member holding an assigned long position shall receive a delivery notice from the Clearing Corporation on the business day following the submission of the delivery notice by the member holding the seller's position.

15817 Delivery Day
(31.01.01, 00.00.00)

Delivery in respect to futures contracts on Canadian ~~shares~~underlying interests must be done in the manner prescribed by the Exchange and the Clearing Corporation following the submission of the delivery notice by the member holding a seller's position.

15818 Execution Default
(31.01.01)

All defaults from members in respect to delivery procedures shall carry the imposition of a penalty, as determined from time to time by the Exchange.

15819 Emergencies, Acts of God, Actions of Governments
(31.01.01, 22.01.16, 00.00.00)

a) In the event that a delivery operation cannot be carried because of a strike, a fire, an accident, a Government action, an act of God or any other emergency situation, the holder of a buyer's position or a seller's position shall immediately notify the Exchange and the Clearing Corporation. In the event that the Exchange or the Clearing Corporation finds that an immediate action is necessary, a special meeting of the Board of Directors shall be called on the matter and any decision rendered in such circumstances shall be binding on all parties to futures contracts. If the Board of Directors decides that an Emergency situation is in progress, the Board of Directors shall take all necessary actions in the circumstances, and the decision of the Board of Directors shall bind all parties to the futures contract. The Board of Directors could, for instance, extend the delivery period or indicate a different location for delivery operations.

b) In the event the Board of Directors decides that a shortage of deliverable of Canadian ~~shares~~underlying interests issues exists or might exist, it shall take all necessary action to correct, prevent or alleviate the situation. The Board of Directors may, for instance:

   i) designate as a deliverable issue any other issue of the same issuer that does not meet the criteria in this Rule;

   ii) in addition to the normal delivery procedures, decide of a cash settlement based on the cash value of a Canadian ~~share~~underlying interest on the last day of trading.

15820 Adjustment to Terms of Contract
(31.01.01)

The terms of a share futures contract are subject to adjustment in accordance with the By-Laws and Rules of the Exchange, or with General Conditions of the Clearing Corporation. When adjustments are made, a notice thereof shall be promptly given to members.

15821 Settlement Procedures
(31.01.01, 00.00.00)

a) Canadian shares futures contracts are subject to settlement after the close of the last trading day by the delivery of the underlying ~~shares~~interest on the final settlement day pursuant to the rules of the Clearing Corporation.

b) For International shares futures contracts, all open positions at the close of the last trading day are marked-to-market using the final settlement price on the final settlement day and terminated by cash settlement pursuant to the rules of the Clearing Corporation.

15822 Final Settlement Day
(31.01.01, 05.09.17)

a) For the Canadian share futures contract, the final settlement day shall be the second business day after the last trading day.

b) For International share futures contracts, the final settlement day of a given contract month shall be the first business day following the last day of trading in the contract month.

15823 Final Settlement Price
(31.01.01, 23.11.16, 00.00.00)

a) For Canadian shares futures contracts, the final settlement price shall be the trading unit of the futures contract times the closing price of the ~~stock~~ underlying interest of the futures contract posted by the Toronto Stock Exchange on the last trading day.

b) Except as determined otherwise by the Bourse, ~~F~~for International shares futures contracts, the final settlement price shall be the trading unit of the futures contract times the closing price of the underlying interest of the futures contract on the last trading day, as posted by the recognized exchange on which such underlying interest is listed. ~~determined on the final settlement day shall be the price of the underlying stock as determined by the recognized exchange to compute the final settlement price of the corresponding stock index futures contract for which the underlying stock is or by such other method as prescribed by the Exchange.~~

CLEAN VERSION

RULE ONE
REGULATIONS OF THE BOURSE

[…]

1102 Definitions
(07.09.99, 31.01.01, 08.07.02, 02.09.03, 17.06.05, 30.07.13, 17.07.15, 00.00.00)

The following is an alphabetical index of each term defined in English in this article with the corresponding French term in brackets.

[…]

Share Futures Contract means a futures contract whose underlying interest is a Canadian or an international stock, an exchange-traded fund or a trust unit listed on a recognized exchange.

[…]

RULE SIX

TRADING

[…]

Section 6365- 6401
Electronic Trading of Derivatives Instruments Traded on the Bourse

[…]

6380 Transactions Required on Bourse Facilities
(25.09.00, 24.09.01, 29.10.01, 31.01.05, 10.11.08, 29.01.10, 09.06.14, 21.01.16, 17.01.18, 00.00.00, 00.00.00)

All trading in Listed Products must occur on or through the electronic trading system or in accordance with the rules of the Bourse.

[…]

6380e. Riskless Basis Cross Trades

2) **In general.** An Approved Participant and the customer may prearrange a transaction outside of the electronic trading system in which the price of a stock index futures contract or a share futures contract to the customer is determined to be the average price of cash market transactions entered into by and for the account of the Approved Participant in the components of the underlying index or the underlying security, respectively, plus a spread (basis) as mutually agreed between the Approved Participant and the customer, in accordance with the following conditions:

j) Each party to a Riskless Basis Cross Trade must be an accredited counterparty as defined in section 3 of the Quebec Derivatives Act, CQLR c I-14.01.

k) The parties may agree to either a fixed basis or to a guaranteed execution price of the cash component with the basis adjusted accordingly.

l) To initiate the Riskless Basis Cross Transaction, the Approved Participant for its own account must first acquire positions (long or short exposure) in securities, baskets of securities, index participation units, or exchange-traded funds which, for an index, comprise no less than 80% of the underlying components of the applicable index and being reasonably correlated to the underlying index with a correlation coefficient (R) of 90% or greater, calculated using any generally accepted methodology. Although Approved Participants generally should purchase or sell all of the components of the index, an Approved Participant need not obtain any component security due to restrictions on the purchase or sale of the commodity by the Approved Participant or the customer, the unavailability of the component in the market due to a trading halt, illiquidity or other market conditions.

m) The transaction shall be executed at the time agreed by the counterparties, which must be during the regular trading hours of the underlying index components or underlying interest until the end of the extended trading session at the Toronto Stock Exchange (TSX) and the same day that the cash position is completed by the Approved Participant, provided however, if obtaining the cash components of the underlying index cannot be competed in a single day, execution of the futures portion of the transaction shall be proportionate with the proportion of the cash market transactions completed during that day.

n) The Riskless Basis Cross transaction is executed by the Approved Participant reporting details of the transaction to the Market Operations Department on a "Special Terms Transaction Reporting Form" through the Bourse's web page at http://sttrf-frots.m-x.ca, and allocating the agreed upon quantity of stock index futures contracts to the customer's account.

o) There is no minimum size requirement to enter into a riskless basis cross transaction nor is there any time period following execution of the riskless basis cross transaction that the Approved Participant must maintain the cash market position.

p) The price at which the futures contract leg of the transaction is arranged must be "fair and reasonable" in light of (i) the size of the transaction (ii) traded prices and bid and ask prices in the same contract (iii) the volatility and liquidity of the relevant market and (iv) general market conditions all at the relevant time. Although there is no requirement for the futures contract leg of a riskless basis cross transaction to be executed within the daily high and low prices, execution outside of that price range may result in a request by the Regulatory Division for additional information about the transaction.

q) Each riskless basis cross transaction must be reported to the Bourse in accordance with the procedures set by the Bourse. Such report must be in the form prescribed by the Bourse and must contain all the information required on such prescribed form.

r) The Bourse shall exclude riskless basis cross transactions from the daily settlement price procedures but not from daily volume figures. A record of each riskless basis cross shall appear in the "Transaction Report" maintained on the Bourse's Web page http://www.m-x.ca/dailycrosses_en.php following it being registered by the Market Operations Department in the trading system and shall be specially marked and displayed in the systems (trading platform and data vendors) in the Bourse's post trade recap.

[…]

B. SPECIAL RULES FOR TRADING EQUITIES - CDNX

(22.11.99, abr. 12.02.02)

[…]

Section 6651 - 6670
Limits and Restrictions

6651 Position Limits for Options and Share Futures Contracts

(06.08.86, 19.05.87, 08.09.89, 06.08.90, 20.03.91, 10.11.92, 07.04.94, 08.07.99, 07.09.99, 11.02.00, 28.01.02, 26.09.05, 20.05.10, 25.06.12, 12.04.13, 04.06.15, 23.11.16, 13.12.17, 00.00.00)

A) Except for those limits specified in article 6651, no Approved Participant shall make, for any account in which it has an interest or for the account of any client, a transaction in a Listed Product if the Approved Participant has reason to believe that as a result of such transaction the Approved Participant or its client would, acting alone or in concert with others, directly or indirectly, hold or control a position in excess of the position limit established by the Bourse.

B) Except otherwise indicated, the applicable position limits for options, share futures contracts or aggregated options and share futures contracts positions (as defined under paragraph C) 3)) are as follows:

1. Share futures contracts, aggregated options and share futures contracts positions as well as options on stocks, exchange-traded funds or trust units

    a) 25,000 contracts where the underlying security does not meet the requirements set out in sub-paragraphs B) 1. b) and B) 1. c) of the present article;

    b) 50,000 contracts, where either the most recent interlisted six-month trading volume of transactions on the underlying stock, exchange-traded fund or trust unit totals at least 20 million shares or units, or the most recent interlisted six-month trading volume of transactions totals at least 15 million shares or units of the underlying interest and at least 40 million shares or units of this underlying interest are currently outstanding;

    c) 75,000 contracts, where either the most recent interlisted six-month trading volume of transactions on the underlying stock, exchange-traded fund or trust unit totals at least 40 million shares or units, or the most recent interlisted six-month trading volume on the underlying interest totals at least 30 million shares or units of the underlying interest and at least 120 million shares or units of this underlying interest are currently outstanding;

    d) 200,000 contracts, where either the most recent interlisted six-month trading volume of transactions on the underlying stock, exchange-traded fund or trust unit totals at least 80 million shares or units, or the most recent interlisted six-month trading volume on the underlying interest totals at least 60 million shares or units of the underlying interest and at least 240 million shares or units of this underlying interest are currently outstanding;

e) 250,000 contracts, where either the most recent interlisted six-month trading volume of transactions on the underlying stock, exchange-traded fund or trust unit totals at least 100 million shares or units of the underlying interest or the most recent interlisted six-month trading volume on the underlying interest totals at least 75 million shares or units of the underlying interest and at least 300 million shares or units of this underlying interest are currently outstanding;

f) 600,000 contracts on the following exchange-traded funds:

- units of the iShares S&P/TSX 60 Index Fund (XIU).

g) except for the specific limits provided for under paragraph f) above, for contracts where the underlying security is an equity holding exchange-traded fund, defined as an exchange-traded fund for which all of the components are exchange-traded stocks, the position limits shall be equal to twice the limit levels provided for under paragraphs a) to e) above.

2. Debt options

8,000 contracts.

3. Index options

500,000 contracts.

4. Sector index options

40,000 contracts.

5. Options on futures

The number of contracts established as the position limits for the underlying futures contract.

For the purpose of this article, options contract positions are aggregated with the underlying futures contract positions. For aggregation purposes, the futures equivalent of one in-the-money option contract is one futures contract and the futures equivalent of one at-the-money or out-of-the-money option contract is half a futures contract.

6. Sponsored options

The position limits described above apply to sponsored options. However, these position limits must be adjusted by using an equivalent unit of trading.

When the underlying interest is traded on a market other than the Bourse, the position limits of this market apply to sponsored options by using an equivalent unit of trading.

7. Currency options

40,000 contracts when the trading unit is 10,000 units of foreign currency. The limit will be adjusted to obtain the same notional amount if the trading unit is amended or if the Bourse introduces new trading units.

C) For the purpose of this article:

1. calls written, puts held, a net short share futures position, and short underlying interest are on the same side of the market and puts written, calls held, a net long share futures position, and long underlying interest are on the same side of the market;

2. the Bourse may, by notice, change the position limits. A change in the position limit will be effective on the date set by the Bourse and reasonable notice shall be given of each new position limit;

3. the "aggregated options and share futures contracts position" is obtained by first netting share futures contracts positions relating to the same underlying interest and subsequently adding the net futures contracts position (net long or net short) to options positions relating to the same underlying interest on a per side basis (whether long or short) to determine the aggregate per side quantity held; one option contract being equal to one share futures contract for purposes of this calculation.

D) Conversions, reverse conversions, long and short hedges

1. For the purposes of this article the following defined hedges are approved by the Exchange:

    a) conversion: where an opening long put transaction in any option is entirely offset by an opening short call transaction having the same expiry month and strike price in the same option class, either of which option transaction is effectively hedged by a long position in the underlying interest of the option;

    b) reverse conversion: where an opening short put transaction in any option is entirely offset by an opening long call transaction having the same expiry month and strike price in the same option class, either of which option transaction is effectively hedged by a short position in the underlying interest of the option;

    c) short hedge: where an opening long call transaction or an opening short put transaction in any option is entirely offset by a short position in the underlying interest of the option;

    d) long hedge: where an opening short call transaction or an opening long put transaction in any option is entirely offset by a long position in the underlying interest of the option.

2. In addition to the position limits set out in paragraph B), any one account may hold an amount of options not exceeding the applicable paragraph B) limit of any combination of the approved hedge positions defined in sub-paragraphs D) 1. a) to D) 1. d), inclusive.

3. For all position limits set out in this article, in the case of conversion and reverse conversion as defined in paragraph D) 1. a) and b), such limits shall apply as if calls written and puts held, or puts written and calls held, as the case may be, were not on the same side of the market.

E) Exemption

As described in Policy C-1, a member may file with the Exchange an application to obtain on behalf of a bona fide hedger an exemption from the position limits prescribed in this article. The application must be filed on the appropriate form, no later than the next business day after the limit has been exceeded. If the application is rejected, the member shall reduce the position below the prescribed limit within the period set by the Exchange. The Exchange may modify any exemption which has been previously granted.

[…]

D. SPECIAL RULES FOR TRADING FUTURES CONTRACTS

Section 6801 - 6820
Terms of Trade Futures

[…]

6815 Exchanges for Related Products (EFRP)
(08.09.89, 17.10.91, 05.01.94, 19.01.95, 01.05.95, 07.09.99, 31.01.01, 03.05.04, 21.04.08,17.04.09, 12.02.16, 17.01.18, 00.00.00)

1) EFRP transactions in general. Exchanges for Related Product ("EFRP") transactions involving futures contracts listed and traded on the Bourse are permitted if such transactions are executed in accordance with the requirements of this article. An EFRP transaction is composed of the privately negotiated execution of a Bourse futures contract and the opposite, simultaneous execution of an approximately equivalent quantity or value of cash product, by-product, related product, or over-the-counter ("OTC") derivative instrument underlying the futures contract.

c) An EFRP transaction is permitted to be executed off of the Bourse's trading system pursuant to article 6380b if such transaction is conducted in accordance with each of the requirements and conditions of this article.

d) The following separate types of transactions are referred to collectively as EFRP transaction under this article, and are included under, and subject to, its provisions:

i) **Exchange for Physical ("EFP")** – the simultaneous execution of a Bourse futures contract and a corresponding spot or forward transaction.

ii) **Exchange for Risk ("EFR")** – the simultaneous execution of a Bourse futures contract and a corresponding OTC swap or other OTC derivative transaction.

iii) **Substitution for OTC Transaction ("Substitution")** – the substitution of an OTC derivative instrument for futures contract.

c) Each party to an EFRP transaction must be an accredited counterparty as defined in section 3 of the Quebec Derivatives Act, CQLR c I-14.01.

d) The accounts involved on each side of an EFRP transaction must:

i) have different beneficial ownership;

ii) have the same beneficial ownership, but are under separate control;

iii) have accounts that are commonly controlled, but involve separate legal entities which may or may not have the same beneficial ownership; or

(iv) when the parties to an EFRP transaction involve the same legal entity, same beneficial ownership, or separate legal entities under common control, the parties must be able to demonstrate that the exchange transaction was a legitimate arms-length transaction.

e) The cash market instrument leg of the EFRP transaction must provide for, and result in, the transfer of ownership of the cash market instrument within the time customary in the applicable cash market or in OTC practice. If the seller does not have actual possession of the cash market or OTC derivative instrument before execution of the EFRP, the seller must be able to demonstrate an ability to satisfy the delivery requirement.

f) With regard to the futures leg of an EFRP, if the minimum price fluctuation of transactions in the futures contract vary by strategy or otherwise, such as variation in the minimum price fluctuation for equity index futures contracts between outright and calendar spread transactions, the minimum price fluctuation of the EFRP futures component shall be the lowest minimum price fluctuation provided for in the Rules with regard to the futures contract.

g) The Approved Participants involved in an EFRP, upon request by the Bourse, must be able to demonstrate that:

i) the related futures and cash or OTC position are reasonably correlated, with a correlation of R=0.70 or greater, calculated using any generally accepted methodology, for all EFRP transactions except as otherwise specifically provided, each such correlation based on daily price data for a period of at least six (6) months or weekly price data for a period of at least one (1) year; and

ii) the quantity or value of the cash or OTC component of the EFRP transaction must be approximately equivalent to the quantity or value of the futures contract.

h) The price at which an EFRP transaction is arranged must be “fair and reasonable” in light of (i) the size of the transaction; (ii) currently traded prices and bid and ask prices in the same contract (iii) the underlying markets; and (iv) general market conditions, all at the relevant time. Although there is no requirement for an EFRP to be executed within the daily high and low prices, execution outside of that price range may result in a request by the Regulatory Division for additional information about the transaction.

i) It is prohibited to effect an EFRP transaction for the purpose of reporting, registering or recording a non-bona fide price or entering into a transaction which is a “wash sale”,” an accommodation trade or a fictitious sale.

j) Neither party to an EFRP transaction may enter into the transaction to circumvent the contract month roll in the corresponding security or derivative instrument.

k) **Reporting EFRP transactions**. Approved Participants for both the seller and buyer must report within one hour upon determination of all the relevant terms of the transaction to the Market Operations Department on the Special Terms Transaction Reporting Form available at http://sttrf-frots.m-x.ca/ each EFRP transaction executed during the trading hours of the applicable futures contract. For those EFRP transactions executed after such trading hours, the transaction shall be reported to the Bourse no later than 10:00 a.m. (Montréal time) on the trading day following execution. The Market Operations Department will validate the details of the report before accepting the transaction (which is not a confirmation by the Bourse that the EFRP transaction has been effected in accordance with this article).

l) **Books and records**. Each party to an EFRP transaction must maintain full and complete records and documentary evidence relating to the EFRP, including but not limited to all records relating to the purchase or sale of the cash market or OTC derivative component of the transaction and to any transfer of funds or ownership made in connection with such transaction. Such records include, but are not limited to, documentation customarily generated in accordance with market practice, such as cash account statements, trade confirmation statements, ISDA® Master Agreements or other documents of title; third party documentation supporting proof of payment or transfer of title, such as canceled checks, bank statements; cash account statements and cash instruments clearing corporation documents. In addition, futures contracts order tickets (which must clearly indicate the time of execution of the EFRP transaction) must be maintained. Records related to the transaction must be provided to the Bourse upon request and it is the responsibility of the Approved Participant to obtain and provide on a timely basis records of their clients as requested by the Bourse.

2) EFPs

a) EFP transactions on the following futures contracts and the related physical or cash instrument are recognized by the Bourse:

Types of Futures Contracts	Acceptable physical or cash instrument
Interest rates Futures Contracts	Fixed income instruments with a correlation coefficient (R) of 0.70 or more, calculated using any generally accepted methodology, maturities and risk characteristics that parallel the underlying instrument of the futures contracts or the futures contract itself where the use of the underlying instrument is not practical due to a lack of available market data, including but not limited to: • Money market instruments including asset backed commercial paper, • Government of Canada and Federal Crown Corporation fixed income instruments • Provincials fixed income instruments, • Investment grade corporates including Maple Bonds and mortgage instruments including collateralized mortgage obligations (CMOs), or • Fixed income instruments denominated in the currency of a G7 member country
Futures Contracts on S&P/TSX indices Futures Contracts on the FTSE Emerging Markets index	• Stock baskets reasonably correlated with the underlying index with a correlation coefficient (R) of 0.90 or

	more, calculated using any generally accepted methodology, having a weight of at least 50% of the underlying index or including at least 50% of the securities of the underlying index. The notional value of the basket must be fairly equal to the value of the futures contract component of the exchange transaction, or • Exchange-traded funds that mirror the index futures contract
Futures Contracts on Carbon dioxide equivalent (CO_2e) units	• Regulated emitters' credits, and / or offset credits in eligible Canadian CO_2e units
Futures Contracts on Canadian crude oil	• Domestic crude oil streams with not less than 2.5% nor more than 3.5% sulfur by weight, not less than 19° API gravity nor more than 22° API gravity, such as. Western Canadian Select, Western Canadian Blend, Lloyd Blend, Bow River, Cold Lake Blend and Wabasca.
Share Futures Contracts	• Underlying interest of the futures contract

3) EFRs

a) EFR transactions on the following futures contracts and the related OTC derivative instrument are recognized by the Bourse:

Types of Futures Contracts	Acceptable Over-the-Counter Derivative Instrument
Bonds Futures Contracts	i) Interest Rate Swaps with the following characteristics: • Plain vanilla; • Written under the terms of an ISDA® Master Agreement, • Regular fixed against floating rate payments,

	• Denominated in currency of G7 country, and • Correlation R= 0.70 or greater, calculated using any generally accepted methodology. Or ii) Any individual or combination of OTC bond, interest rate swap or FRA options (e.g. caps, floors, collars).
Short-term interest rate Futures Contracts	i) Any OTC swap or options with characteristics noted above with respect to EFR for bonds; Or ii) Forward Rate Agreements (FRAs) with the following characteristics: • Conventional FRA, • Written under the terms of an ISDA® MasterAgreement, • Predetermined interest rate, • Agreed start/end date, and • Defined interest (repo) rate.
Stock index Futures Contracts	i) Index Swaps with the following characteristics: • Plain vanilla swap, • Written under the terms of an ISDA® Master Agreement, • Regular fixed against floating rate payments against the positive or negative performance of a stock, exchange-traded fund (ETF), basket of securities or a stock index, • Denominated in currency of G7 country, and • Correlation R= 0.90 or greater, using a generally accepted methodology; Or ii) Any individual or combination of OTC stock index option positions; Or iii) Index Forwards:

<table>
<tr><td></td><td>Standard equity forward contract between two counterparties to buy a specific quantity of a stock, exchange-traded fund (ETF), basket of securities or stock index at a predetermined price for settlement at a future date.</td></tr>
<tr><td>Shares Futures Contracts</td><td>i) Equity Swaps with the following characteristics:
Plain vanilla swap,
Written under the terms of an ISDA® Master Agreement,
Regular fixed against floating rate payments against the positive or negative performance of a stock, exchange-traded fund (ETF), trust unit, basket of securities or a stock index,
Denominated in currency of G7 country;
Or

ii) Any individual or combination of OTC equity option positions;

Or

iii) Equity Forwards:

Standard equity forward contract between two counterparties to buy a specific quantity of a stock, exchange-traded fund (ETF), trust unit, basket of securities or stock index at a predetermined price for settlement at a future date.</td></tr>
<tr><td>Commodities Futures Contracts</td><td>i) Commodities Swaps or Forwards with the following characteristics:
Written under the terms of an ISDA® Master Agreement,
Correlation R = 0.80 or greater, calculated using any generally accepted methodology.</td></tr>
</table>

4) Substitution for OTC

a) Substitution transactions on the following futures contracts and the related OTC derivative instrument are recognized by the Bourse:

Futures Contracts on:	Acceptable Over-the-Counter Derivative Instrument:
Carbon dioxide equivalent (CO2e)	Any swap on Carbon dioxide equivalent (CO2e) units, and Correlation R=0.80.

[…]

6819 Extraordinary Circumstances for shares futures contracts
(31.01.01, 22.01.16, 00.00.00)

In order to keep fair and orderly trading on the Bourse and for the protection of both share futures buyers and sellers, the Bourse may make special trading and settlement rules when an underlying interest is involved in:

a) a take-over bid under a circular;

b) a stock dividend, a share split or a consolidation;

c) any other unforeseen events.

Generally, no adjustments will be made for declared dividends, if any, on the underlying interest.

[…]

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

[…]

Section 9101 – 9200
Margin Requirements on Equity-Related Derivatives

[…]

9122 Simple or Spread Positions in Futures Contracts
(01.01.05)

a) Shares futures contracts positions

i) For simple positions in share futures contracts held in a client's account, the margin required must be the sum of:

A) the floating margin rate of the underlying interest;

and

B) the greater of:

I) 10% of the floating margin rate of the underlying interest; and

II) where the floating margin rate of the underlying interest is:

a)less than 10%, 5%;
b)less than 20% but greater or equal to 10%, 4%; or
c)greater or equal to 20%, 3%;

multiplied by the daily settlement value of the futures contracts.

ii) For spread positions in share futures contracts held in a client’s account, the margin requirements are determined by the Bourse in collaboration with the clearing corporation, from time to time.

b) Index futures contracts positions

The margin requirements which must be applied on all positions in index futures contracts held in a client's account are determined by the Bourse, in collaboration with the clearing corporation, from time to time.

9123 Share Futures Contracts and Security Combinations
(01.01.05, 14.01.16, 00.00.00)

a) Share futures contracts – underlying interest combinations

Where a client account contains one of the following combinations:

- long share futures contract and short an equivalent position in the underlying interest; or
- short share futures contract and long an equivalent position in the underlying interest;

the minimum margin required must be the published tracking error margin rate for a spread between the futures contract and the related underlying interest, multiplied by the market value of the underlying interest.

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

Where a client holds a short share futures contract on the underlying interests 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 underlying interests of the same issuer, the margin required must be equal to the difference between the market value of the long position and the settlement value of the short share futures contract, plus the aggregate of the subscription price or other cost or charge payable in connection with the acquisition of underlying interests to the relevant warrant, right, share, instalment receipt or other security.

c) Short share futures contracts – long capital shares

For the purposes of this section:

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

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

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

d) “retraction value”, for capital shares, means:

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

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

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

Where a client holds a long position in capital shares and a short share futures contract, the margin required is the sum of:the capital share conversion loss, if any; and the normal margin required in the case of client account positions on the equivalent number of preferred shares.

The market value of the underlying security to be used for the calculation of the required margin pursuant to the preceding paragraph is the settlement value of the share futures contract.

In no case the margin required may be less than 3% of the settlement value of the share futures contract.

9124 Share Futures Contracts Combinations with Options
(01.01.05, 00.00.00)

With respect to options and share futures contracts held in clients accounts, where the option contracts and the futures contracts have the same settlement date and underlying interest, 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 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 interest, 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 interest, multiplied by the market value of the underlying interest.

b) Short 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 interest, 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 interest, multiplied by the market value of the underlying interest.

c) Long 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 interest, 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 interest, multiplied by the market value of the underlying interest;

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 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 interest, 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 interest, multiplied by the market value of the underlying interest;

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 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 interest 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 interest, multiplied by the market value of the underlying interest.

f) Reconversion or short tripo combination involving 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 interest 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 interest, multiplied by the market value of the underlying interest.

[…]

Section 9201 - 9300
Capital Requirements on Equity-Related Derivatives

[…]

9221 Exchange Traded Futures Contracts – General
(01.01.05, 23.01.06, 01.12.17)

a) With respect to an account of an approved participant or market maker, the Bourse may establish certain charges against the capital of the approved participant carrying the account, which charges may be less onerous than margin requirements applicable to clients but for which the approved participant must maintain adequate capital resources at all times;

b) positions of approved participants and customers must be marked to market daily and the required capital must be determined by using the greatest of:

i) the rate required by the futures contract exchange on which the contract is entered into or its clearing corporation; or

ii) the rate required by the broker through which the approved participant ensures the clearing of the futures contract;

c) in the case of a futures contract exchange or its clearing corporation that prescribes margin requirements based on initial and maintenance rates, initial capital is required at the time the contract is entered into and the amount of such capital must not be less than the prescribed initial rate. Subsequently, the approved participant must maintain, for each position held, a capital amount equivalent to the prescribed maintenance rate;

d) capital requirements established by the Bourse may be made applicable to one or more rather than all approved participants if deemed necessary by the Bourse;

e) specific capital requirements may be applicable on spread positions when an approved participant account holds such positions. Every approved participant must clearly identify such spread positions in its records relating to margin calculations;

f) from time to time the Bourse may impose special capital requirements with respect to particular futures contracts or particular positions in futures contracts.

9222 Simple or Spread Positions in Futures Contracts
(01.01.05, 23.11.16)

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 equal to either the floating margin rate of the underlying interest multiplied by the daily settlement value of the futures contracts or the result of the methodology outlined under article 9122 a) i), at the Bourse's discretion;

ii) for spread positions in shares futures contracts held in an approved participant's account, the capital requirements are determined by the Bourse, in collaboration with the clearing corporation, from time to time.

b) Index futures contracts positions

The capital requirements which must be applied on all positions in index futures contracts held in an approved participant's account are determined by the Bourse, in collaboration with the clearing corporation, from time to time

9223 Share Futures Contracts and Security Combinations
(01.01.05, 14.01.16, 00.00.00)

a) Share futures contracts – underlying interest combinations

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

- long share futures contract and short an equivalent position in the underlying interest; or
- short share futures contract and long an equivalent position in the underlying interest;

the minimum capital required must be the published tracking error margin rate for a spread between the futures contract and the related underlying interest, multiplied by the market value of the underlying interest.

b) Short share futures contracts – long convertible security combination

Where an approved participant holds a short share futures contract on the underlying interests of an issuer and a long position in securities which are currently convertible or exchangeable into the same class and at least the same number of underlying interests of the same issuer, the capital required must be the excess of the market value of the long position over the settlement value of the short share futures contracts.

Any residual net credit money balance between the market value and settlement value of the positions which are paired cannot be used to reduce capital otherwise required on the long or short position remaining unhedged after applying the pairing described above.

Where the securities representing the long position held by the approved participant are not convertible or exchangeable until the expiry of a specific period of time but the approved participant has entered into a written, legally enforceable agreement, pursuant to which it has borrowed securities of the same class as those of the short position which do not have to be returned until the expiration of the period of time until conversion or exchange, the above-mentioned pairing may be done as if the securities representing the long position were currently convertible or exchangeable.

c) Short share futures contracts – long warrants, rights, instalment receipts combination

Where an approved participant holds a short share futures contract on the underlying interests 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 underlying interests 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 interests pursuant to the warrant, right, share, instalment receipt or other security plus (or minus, if the result is negative) the difference between the aggregate market value of the warrant, right, share, instalment receipt or other security and the settlement value of the share futures contracts.

d) Short share futures contracts – long capital shares

For the purpose of this section:

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

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

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

e) “retraction value”, for capital shares, means:

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

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

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

Where an approved participant holds a long position in capital shares and a short share futures contract, the capital required is equal to the sum of the conversion loss, if any, and the normal capital required on the equivalent number of preferred shares.

The market value of the underlying security to be used for the calculation of the required capital pursuant to the preceding paragraph is the settlement value of the share futures contract.

In no case, the capital required shall be less than 3% of the settlement value of the share futures contract.

9224 Share Futures Contracts Combinations with Options
(01.01.05, 00.00.00)

With respect to options and share futures contracts held in approved participants accounts, where the option contracts and the futures contracts have the same settlement date and underlying interest, 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 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 interest, 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 underlying interest, multiplied by the market value of the underlying interest.

b) Short 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 interest, 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 interest, multiplied by the market value of the underlying interest.

c) Long 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 interest, 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 interest, multiplied by the market value of the underlying interest;

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 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 interest, 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 interest, multiplied by the market value of the underlying interest;

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 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 interest 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 interest, multiplied by the market value of the underlying interest.

f) Reconversion or short tripo combination involving 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 s interest 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 interest, multiplied by the market value of the underlying interest.

[…]

RULE FOURTEEN
DERIVATIVE INSTRUMENTS – MISCELLANEOUS RULES

(11.03.80, 13.09.05, 04.03.08, 01.04.13, 09.06.14, 01.10.15)

[…]

Section 14101 – 14150
(04.03.08, 01.04.13, 09.06.14, 01.10.15)
Reports for Derivative Instruments

[…]

14102 Reports Pertaining to the Accumulation of Positions for Derivative Instruments
(24.04.84, 01.06.84, 13.09.05, 04.03.08, 01.04.13, 09.06.14, 01.10.15, 23.11.16, 00.00.00)

1) Each approved participant must file daily with the Bourse, in the prescribed manner, a report detailing all gross positions held for its own account or for an account or group of accounts which are all owned by the same beneficial owner in derivative instruments listed on the Bourse when these gross positions exceed the reporting thresholds prescribed by the Bourse for each of these derivative instruments or a report confirming that there are no positions to be reported when none of the reporting thresholds prescribed by the Bourse have been exceeded for each of these derivative instruments.

2) Any report transmitted to the Bourse pursuant to this Rule must be transmitted within the reporting hours prescribed by the Bourse and not later than 9:00 a.m. (ET) on the business day following the one for which positions must be reported.

3) For each account subject to a positions report to the Bourse, each approved participant must provide to the Bourse all the information necessary to the Bourse to allow it to adequately identify and classify this account. The information that must be provided to the Bourse is the following:

   a) the name and complete coordinates of the account beneficial owner;

   b) the full account number as it appears in the approved participant records;

   c) the account type (client, firm, market-maker, professional or omnibus);

   d) the beneficial account owner classification according to the typology established by the Bourse; and

   e) the identification of the nature of transactions made by the account (speculation or hedging). If it is impossible to clearly determine if the account is used for speculative or hedging purposes, it must then, by default, be identified as being a speculative account.

4) In addition to providing the above-mentioned information to the Bourse, each approved participant must provide, for each account being reported, a unique identifier complying with the following requirements;

   a) for any account opened in the name of a natural person or of a corporation or other type of commercial entity wholly-owned by this natural person:

      i) a unique identifier allowing to link together all the accounts having the same beneficial owner. The unique identifier used in such a case must be created by the approved participant in a format that it deems to be appropriate. This unique identifier, once created and used, must not be modified or replaced by a new identifier without having provided prior notice to the Bourse.

   b) for any account owned by many natural persons such as a joint account, an investment club account, partnership or holding company:

      i) if one of the natural persons owning this account has an ownership interest of more than 50% in the account, the unique identifier used must be the identifier of this person and must be set as specified in subparagraph 3) a) i) above;

      ii) if none of the persons owning the account has an ownership interest of more than 50%, the unique identifier must be the account name.

c) for any account opened in the name of a corporation other than a corporation wholly-owned by a natural person:

i) if one of the natural persons owning shares of this corporation holds an ownership interest of more than 50% in the account, the unique identifier used must be the identifier of this person and must be set as specified in subparagraph 3) a) i) above;

ii) if more than 50% of the corporation shares are owned by another corporation, the unique identifier must be the Legal Entity Identifier of this other corporation as attributed by the organization responsible for the attribution of such an identifier;

iii) in all other cases, the unique identifier must be the Legal Entity Identifier of the corporation in whose name the account has been opened;

iv) if, for corporations mentioned in subparagraphs c) ii) and c) iii), no Legal Entity identifier is available, the identifier to be used shall be the incorporation number of the corporation as attributed by the government authority having issued the incorporation certificate of such corporation.

In the case where neither the Legal Entity Identifier nor the incorporation number of a corporation are available or can be obtained or communicated by the approved participant in reason of legal or regulatory restrictions, the approved participant shall use a unique identifier that permits to link together all the accounts having the same corporation as beneficial owner. The unique identifier used in such a case can be either the name of the corporation owning the account or be created by the approved participant in a format that it deems appropriate.

Any unique identifier, be it or not created by the approved participant, must not be changed or replaced by a new identifier without prior notice having been given to the Bourse.

For the purposes of this paragraph c), the term "Legal Entity identifier" means the unique identification number attributed to a legal entity by any organization accredited to this effect pursuant to the ISO 17442 standard of the International Standardization Organization, as approved by the Financial Stability Board and the G-20 and aiming at implementing a universal and mandatory identification system for legal entities trading any type of derivative instrument.

5) In order to determine if the reporting thresholds are attained, approved participants must aggregate positions held or controlled by the same account beneficial owner.

For the purposes of this article, the term "control" means a beneficial ownership interest greater than 50%.

6) The reporting thresholds established by the Bourse are as follows:

a) For each options class, other than options on futures contracts, and each share futures contracts on a given underlying interest:

vii) 250 contracts, in the case of trust units options and share futures contracts (for all contract months combined of each share future contract) having the same underlying interest, by aggregating positions on trust units options and share futures contracts, one option contract being equal to one share futures contract. While options and share futures contracts must be considered in the aggregate for purposes of the reporting threshold (on a gross basis), positions in options and share futures contracts shall be reported each separately;

viii) 250 contracts, in the case of stock options and share futures contracts (for all contract months combined of each share future contract) having the same underlying interest, by aggregating positions on stock options and share futures contracts, one option contract being equal to one share futures contract. While options and share futures contracts must be considered in the aggregate for purposes of the reporting threshold (on a gross basis), positions in options and share futures contracts shall be reported each separately;

ix) 500 contracts, in the case of options on Exchange Traded Fund options and share futures contracts (for all contract months combined of each share future contract) having the same underlying interest, by aggregating positions on Exchange Traded Fund options and share futures contracts, one option contract being equal to one share futures contract. While options and share futures contracts must be considered in the aggregate for purposes of the reporting threshold (on a gross basis), positions in options and share futures contracts shall be reported each separately;

x) 500 contracts, in the case of currency options;

xi) 15,000 contracts, in the case of index options;

xii) 1,000 contracts, in the case of sector index options.

b) For futures contracts and the related options on futures contracts:

i) 300 contracts, in the case of futures contracts and options on futures contracts on Three-Month Canadian Bankers' Acceptance Futures (BAX and OBX), by aggregating positions on options on futures contracts and positions in the underlying futures contract. In this case, one options contract (OBX) is equal to one futures contract (BAX);

ii) 250 contracts, in the case of 30-Year Government of Canada Bond Futures (LGB);

iii) 250 contracts, in the case of futures and options on futures contracts on Ten-Year Government of Canada Bond Futures (CGB and OGB), by aggregating positions on options on futures contracts and positions in the underlying futures contract. For the purposes of aggregating positions, one options contract (OGB) is equal to one futures contract (CGB);

iv) 250 contracts, in the case of Five-Year Government of Canada Bond Futures (CGF);

v) 250 contracts, in the case of Two-Year Government of Canada Bond Futures (CGZ);

vi) 1,000 contracts, in the case of S&P/TSX 60 Index Standard Futures (SXF) and S&P/TSX 60 Index Mini Futures (SXM), by aggregating positions on both futures contracts. For the purposes of aggregating positions, one standard contract (SXF) is equal to one mini contract (SXM);

vii) 1,000 contracts, in the case of S&P/TSX Composite Index Mini Futures (SCF);

viii) 300 contracts, in the case of 30-Day Overnight Repo Rate Futures (ONX) and Overnight Index Swap Futures (OIS);

ix) 500 contracts, in the case of S&P/TSX Sector Index Futures (SXA, SXB, SXH, SXY, SXK, SXU);

x) 250 contracts, in the case of futures contracts on Canada carbon dioxide equivalent (CO_2e) units with physical settlement (MCX);

xi) 1,000 contracts, in the case of futures contracts on the FTSE Emerging Markets Index;

The Bourse may, at its discretion, impose the application of any other reporting threshold that is more severe and lower than those provided in this Rule.

7) in addition to the reports required under the provisions of the present article, each approved participant must report immediately to the Vice-President of the Regulatory Division of the Bourse any situation in which the approved participant has reason to believe that itself or a client, acting alone or in concert with others, has exceeded or is attempting to exceed the position limits established by the Bourse;

8) An approved participant of the Bourse which does not trade or does not hold or manage any trading accounts for its clients or itself for the purposes of transactions in any of the derivative instruments listed on the Bourse may be exempted from complying with the requirements as provided for in paragraph 1) of the present article, under the following conditions:

i) the approved participant must submit an exemption request in writing to the Regulatory Division, confirming that it has not traded any of the derivative instruments listed on the Bourse in the last calendar year and that it does not plan to trade any of them in a foreseeable future;

ii) all exemptions granted will be valid as long as all conditions relative to such exemptions are complied with;

iii) any exemption can be cancelled by the Regulatory Division at any time and, in any case, ends when an approved participant executes a transaction on any of the derivative instruments listed on the Bourse;

9) An approved participant may, with prior approval of the Bourse, delegate to a third party the transmission of position reports required under the provisions of paragraph 1) of the present Rule. In order for such an exemption to be granted, the following conditions must be met:

i) the approved participant which wishes to delegate the task of producing and submitting position reports to a third party rather than doing so by itself must divulge to this third party all information necessary for the production of such reports, as is required by the Bourse;

ii) any delegation established in accordance with the present paragraph must first be approved in writing by the Regulatory Division. An approved participant wishing to delegate the submission of positions reports required by the Bourse to a third party must therefore submit a request for approval in writing to the Regulatory Division;

iii) all approvals of delegation granted by the Regulatory Division will be valid as long as all conditions relative to such approvals are complied with;

iv) any approval of delegation can be cancelled by the Regulatory Division at any time and, in any case, ends when the third party delegate ceases to produce reports or is no longer able to submit position reports on behalf of the approved participant having delegated such task, pursuant to the requirements of the Bourse;

v) an approved participant having chosen to delegate the submission position reports to a third party nevertheless remains responsible for the obligations provided in the present article and must ensure that all the information transmitted to the Bourse by the delegatee is complete and accurate.

[…]

RULE FIFTEEN
FUTURES CONTRACTS SPECIFICATIONS

Section 15001 - 15050
General Provisions

15001 Scope of Rule
(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 14.06.02, 03.05.04, 16.11.07, 30.05.08, 15.05.09, 18.06.10, 09.06.14, 18.01.16, 00.00.00)

This Rule is limited in application to futures trading of the following instruments:

a) the overnight repo rate;

b) 1-month Canadian Bankers' Acceptance;

c) 3-month Canadian Bankers' Acceptance;

d) 2-year Government of Canada Bond;

e) 5-year Government of Canada Bond;

f) 10-year Government of Canada Bond;

g) 30-year Government of Canada Bond;

h) the S&P/TSX 60 Index;

i) the S&P/TSX Composite Index;

j) designated S&P/TSX sectorial indices;

k) Canadian and International stocks, exchange-traded funds and trust units;

l) Carbon dioxide equivalent (CO_2e) units;

m) Canadian Crude Oil;

n) FTSE Emerging Markets Index;

o) Overnight Index Swap

The procedures for dealing with clients, trading, clearing, settlement, delivery and any other matters not specifically covered herein shall be governed by the regulations of the Bourse and the General Regulations of the Clearing Corporation.

[…]

CANADIAN AND INTERNATIONAL SHARE FUTURES CONTRACTS

15801 Underlying
(23.11.16, 00.00.00)

The underlying issue for a Canadian or international share futures contract is an underlying interest eligible under article 15801.1.

15801.1 Eligibility criteria
(31.01.01, 23.11.16, 00.00.00)

In order for a Canadian or international share futures contract to be traded on the Exchange, the underlying interest shall be a share, exchange-traded fund or trust unit which is currently traded on a recognized exchange, on which an option or futures contract is listed on this same exchange or on any other recognized exchange and which meet the criteria of the Canadian Derivatives Clearing Corporation.

15802 Expiry Cycle
(31.01.01, 18.01.16)

The expiry months for Canadian and international share futures contracts are as follows:

Quarterly cycle: March, June, September and December.

Other selected expiry cycles: January, February, April, May, July, August, October and November.

15803 Trading Hours
(23.11.16)

Trading hours will be determined and published by the Exchange.

15804 Trading Unit
(31.01.01, 29.04.02, 23.11.16, 00.00.00)

The Bourse, in consultation with the Canadian Derivatives Clearing Corporation, shall establish the trading unit for each share futures contract that has been approved for trading.

15805 Currency
(31.01.01, 18.01.16, 23.11.16)

Trading, clearing and settlement are in Canadian dollars for Canadian share futures contracts.

Trading, clearing and settlement are in foreign currency for international share futures contracts.

15806 Price Quotation
(31.01.01, 18.01.16, 00.00.00)

Bids and offers on share futures contracts on Canadian underlying interests are quoted in Canadian dollars and cents per share.

Bids and offers on share futures contracts on international underlying interests are quoted in foreign currency units per share.

15807 Minimum Price Fluctuation
(31.01.01, 18.01.16, 00.00.00)

Unless otherwise determined by the Bourse, the minimum price fluctuation for share futures contracts on Canadian underlying interests is CAN $0.01 per share.

Unless otherwise determined by the Bourse, the minimum price fluctuation for share futures contracts on international underlying interests, is the unit of fluctuation used by the market on which the underlying interest is being traded.

15808 Price Limit/Trading Halts
(31.01.01, 18.01.16, 23.11.16)

Trading halts shall be coordinated with the triggering of the trading halt mechanism of the underlying interest (circuit breaker).

In the event that a recognized exchange suspends trading in the underlying interest of an international share futures contract, then the Bourse may take certain measures regarding the futures contract concerned, including suspending or halting trading in the futures contract.

15809 Position Limits
(31.01.01, 29.04.02, 15.05.09, 23.11.16)

The maximum net long or net short positions in share futures contracts which a person may own or control in accordance with article 14157 of the Rules of the Bourse shall be as provided for under article 6651.

15810 Position Reporting Threshold
(31.01.01, 29.04.02, 18.01.16, 23.11.16)

The position reporting threshold is set pursuant to article 14102.

15811 Delivery or settlement
(31.01.01, 00.00.00)

Delivery of Canadian underlying interests shall be made in the manner prescribed in articles 15813 to 15818 of the Rules or by the Clearing Corporation.

Settlement of International underlying interests shall be by cash through the Clearing Corporation. The settlement procedures are those provided for in articles 15821 to 15830 of the Rules.

15812 Last Trading Day
(31.01.01, 18.01.16, 00.00.00)

Trading in Canadian share futures contracts ends at 4:00 p.m. on the third Friday of the contract month or, if not a business day, the first preceding business day.

Except as determined otherwise by the Bourse, trading in international share futures contracts ends at the official closing time of the recognized exchange on which the underlying interest is listed, on the third Friday of the contract month or, if not a business day, the first preceding business day.

15813 Delivery Standards for Canadian underlying interests
(31.01.01, 00.00.00)

Shall be deliverable only those Canadian underlying interests that are the direct underlying security of the futures contract being subject to delivery.

15814 Delivery Procedure
(31.01.01)

a) Members must apply the assignment process used by the Clearing Corporation to assign delivery to each of their accounts;

b) Only a member holding a seller's position can initiate the delivery process;

c) All buyers' and sellers' positions still open in a contract after trading has ceased in the contract shall be settled by delivery;

d) In the case where a seller's position is still open in a contract after trading has ceased in that contract, and where the member does not initiate the delivery process, the Clearing Corporation shall substitute itself for the member in initiating the delivery process.

15815 Submission of Delivery Notice
(31.01.01)

To initiate the delivery process, a member holding a seller's position must submit a delivery notice to the Clearing Corporation before the time limit set by the Clearing Corporation after the close of the last trading day.

15816 Assignment of Delivery Notice
(31.01.01)

a) The assignment of a delivery notice to a member holding a long position shall be done by the Clearing Corporation, in the manner set forth by the Clearing Corporation;

b) The member holding an assigned long position shall receive a delivery notice from the Clearing Corporation on the business day following the submission of the delivery notice by the member holding the seller's position.

15817 Delivery Day
(31.01.01, 00.00.00)

Delivery in respect to futures contracts on Canadian underlying interests must be done in the manner prescribed by the Exchange and the Clearing Corporation following the submission of the delivery notice by the member holding a seller's position.

15818 Execution Default
(31.01.01)

All defaults from members in respect to delivery procedures shall carry the imposition of a penalty, as determined from time to time by the Exchange.

15819 Emergencies, Acts of God, Actions of Governments
(31.01.01, 22.01.16, 00.00.00)

a) In the event that a delivery operation cannot be carried because of a strike, a fire, an accident, a Government action, an act of God or any other emergency situation, the holder of a buyer's position or a seller's position shall immediately notify the Exchange and the Clearing Corporation. In the event that the Exchange or the Clearing Corporation finds that an immediate action is necessary, a special meeting of the Board of Directors shall be called on the matter and any decision rendered in such circumstances shall be binding on all parties to futures contracts. If the Board of Directors decides that an Emergency situation is in progress, the Board of Directors shall take all necessary actions in the circumstances, and the decision of the Board of Directors shall bind all parties to the futures contract. The Board of Directors could, for instance, extend the delivery period or indicate a different location for delivery operations.

b) In the event the Board of Directors decides that a shortage of deliverable of Canadian underlying interests issues exists or might exist, it shall take all necessary action to correct, prevent or alleviate the situation. The Board of Directors may, for instance:

   i) designate as a deliverable issue any other issue of the same issuer that does not meet the criteria in this Rule;

   ii) in addition to the normal delivery procedures, decide of a cash settlement based on the cash value of a Canadian underlying interest on the last day of trading.

15820 Adjustment to Terms of Contract
(31.01.01)

The terms of a share futures contract are subject to adjustment in accordance with the By-Laws and Rules of the Exchange, or with General Conditions of the Clearing Corporation. When adjustments are made, a notice thereof shall be promptly given to members.

15821 Settlement Procedures
(31.01.01, 00.00.00)

a) Canadian shares futures contracts are subject to settlement after the close of the last trading day by the delivery of the underlying interest on the final settlement day pursuant to the rules of the Clearing Corporation.

b) For International shares futures contracts, all open positions at the close of the last trading day are marked-to-market using the final settlement price on the final settlement day and terminated by cash settlement pursuant to the rules of the Clearing Corporation.

15822 Final Settlement Day
(31.01.01, 05.09.17)

a) For the Canadian share futures contract, the final settlement day shall be the second business day after the last trading day.

b) For International share futures contracts, the final settlement day of a given contract month shall be the first business day following the last day of trading in the contract month.

15823 Final Settlement Price
(31.01.01, 23.11.16, 00.00.00)

a) For Canadian shares futures contracts, the final settlement price shall be the trading unit of the futures contract times the closing price of the underlying interest of the futures contract posted by the Toronto Stock Exchange on the last trading day.

b) Except as determined otherwise by the Bourse, for International shares futures contracts, the final settlement price shall be the trading unit of the futures contract times the closing price of the underlying interest of the futures contract on the last trading day, as posted by the recognized exchange on which such underlying interest is listed.

PROCEDURES APPLICABLE TO THE EXECUTION OF STRATEGIES INVOLVING SHARE FUTURES

1. OBJECTIVE

The objective of these procedures is to provide and facilitate the trading of strategies involving share futures and the underlying ~~share~~ interest for approved participants. Approved participants may request the execution of customized strategies by contacting the Bourse de Montréal Inc.'s ("**Bourse**") Market Operations Department ("**MOD**") at 1 866 576-8836 or 514 871-7877 for assistance in presenting a share futures strategy to designated market makers and ensuring its manual execution in the Bourse's trading system.

2. DESCRIPTION

Execution by MOD

A strategy involving a share futures contract and the underlying ~~shares~~ interests must be submitted by an approved participant using the following procedure:

A. The approved participant must contact the MOD and indicate its Share Futures strategy. The information provided must include the Share futures instrument and the equity leg involved, the quantity ratio, the price and the total quantity of the order. Approved participants must have received and time-registered their order prior to contacting the MOD.

B. The MOD will contact qualifying market makers assigned to the Share Futures class. A qualifying market maker is defined as a market maker that is showing a bid/ask market, with a minimum of ten contracts per side. The MOD will respect the following procedure:

i. For strategies involving less than 50 contracts, market makers will be contacted individually in order starting with the market maker quoting the tightest market;

ii. For strategies involving between 50 and 99 contracts per leg, market makers will be contacted by groups of two in order, starting with the two market makers quoting the tightest market;

iii. For strategies involving 100 contracts or more per leg, all qualifying market makers will be contacted. Qualifying market makers will be contacted and shown the strategy as submitted by the approved participant. If the market maker(s) accepts the prices provided by the MOD, the transaction will be entered and broadcast to all relevant parties (approved participants, market makers, and stock exchange, if necessary).

C. The market makers may provide responding bids, offers and quantities:

i. If market makers choose to participate on the strategy, they must be willing to trade all parts inherent to the transaction (both share futures and ~~shares~~underlying interests) but they will not be obligated to trade the entire quantity;

ii. If a particular market maker is not available within 15 seconds of the market supervisor of the MOD initiating the telephone call, no additional attempts to contact him will be made. The market maker should provide an answer to the MOD within approximately 30 seconds of the strategy description given by the MOD.

D. In some situations where the strategy cannot be executed, the MOD may inform the approved participant of the best corresponding bid/offer as well as the corresponding quantities obtained by market makers. Once the details of the transaction are negotiated and confirmed, information on the transaction will be entered into the Bourse's trading system by the MOD and broadcast to the marketplace. The strategy trade will be broadcast via the Bourse's Web site and the share futures leg prices and volumes will be disseminated via the Bourse's data feed. The equity leg will be submitted by the MOD to the venue where the equity is traded, for entry into the trading system

PROCEDURES APPLICABLE TO THE EXECUTION OF STRATEGIES INVOLVING SHARE FUTURES

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   iii. For strategies involving 100 contracts or more per leg, all qualifying market makers will be contacted. Qualifying market makers will be contacted and shown the strategy as submitted by the approved participant. If the market maker(s) accepts the prices provided by the MOD, the transaction will be entered and broadcast to all relevant parties (approved participants, market makers, and stock exchange, if necessary).

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   i. If market makers choose to participate on the strategy, they must be willing to trade all parts inherent to the transaction (both share futures and underlying interests) but they will not be obligated to trade the entire quantity;

   ii. If a particular market maker is not available within 15 seconds of the market supervisor of the MOD initiating the telephone call, no additional attempts to contact him will be made. The market maker should provide an answer to the MOD within approximately 30 seconds of the strategy description given by the MOD.

D. In some situations where the strategy cannot be executed, the MOD may inform the approved participant of the best corresponding bid/offer as well as the corresponding quantities obtained by market makers. Once the details of the transaction are negotiated and confirmed, information on the transaction will be entered into the Bourse's trading system by the MOD and broadcast to the marketplace. The strategy trade will be broadcast via the Bourse's Web site and the share futures leg prices and volumes will be disseminated via the Bourse's data feed. The equity leg will be submitted by the MOD to the venue where the equity is traded, for entry into the trading system