



CIRCULAR
April 3, 2003

REQUEST FOR COMMENTS

AMENDMENTS TO ARTICLE 15508

POSITION LIMITS ON THE BAX FUTURES CONTRACT

Summary

The Executive Committee of Bourse de Montréal Inc. (the "Bourse") has approved amendments to article 15508 of the Rules of the Bourse concerning the position limits on the Three-Month Canadian Bankers' Acceptance Futures contract (the "BAX"). Considering that the position limits on the BAX futures contract were last revised in April 1994 and that since then the market conditions have evolved, the Bourse proposes to amend article 15508 in order to harmonize the position limits on the BAX with the limit positions of the Ten-Year Government of Canada Bond Futures contract (the "CGB") and to eliminate the distinction between the position limits of speculators and the position limits of hedgers.

Process for Changes to the Rules

The Bourse is recognized as a self-regulatory organization ("SRO") by the Commission des valeurs mobilières du Québec (the "Commission"). In accordance with this recognition, the Bourse carries on activities as an exchange and as a SRO in Québec. In its capacity as an exchange, the Bourse takes on responsibilities as a market regulator.

The Board of Directors of the Bourse has the power to approve the adoption or amendment of various Rules and Policies of the Bourse. The Board of Directors has delegated its powers of approval of Rules and Policies to its Executive Committee. The changes approved by the Executive Committee are submitted to the Commission for approval.

Circular no.: 034-2003

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Comments on the proposed amendments to article 15508 must be submitted within 30 days following the date of publication of the present notice in the bulletin of the Commission. Please submit your comments to:

Ms. Joëlle Saint-Arnault
Vice-President, Legal affairs and Secretary
Tour de la Bourse
P.O. Box 61, 800 Victoria Square
Montréal, Quebec H4Z 1A9
E-mail: legal@m-x.ca

A copy of these comments shall also be forwarded to the Commission to:

Ms. Denise Brosseau
Secretary
Commission des valeurs mobilières du Québec
800 Victoria Square, 22nd Floor
P.O. Box 246, Tour de la Bourse
Montréal (Quebec) H4Z 1G3
E-mail: consultation-en-cours@cvmq.com

Appendices

For your information, you will find in appendices an analysis document of the proposed rule amendments as well as the proposed regulatory text. The implementation date of the proposed amendments will be determined following approval by the Commission des valeurs mobilières du Québec.



**BOURSE DE MONTRÉAL INC.
AMENDMENTS TO ARTICLE 15508 -
POSITION LIMITS OF THE BAX
FUTURES CONTRACT**

I OVERVIEW

A -- Amendments

Amendments to article 15508 of the Rules of the Bourse that relate to the position limits of the Three-Month Canadian Bankers' Acceptance Futures contract ("BAX").

B -- The issue

Article 15508 of the Rules of the Bourse currently differentiates between speculators and hedgers the position limit applicable for the BAX futures contract. When the rule was last revised in April 1994, the position limit for speculators was fixed at 5,000 contracts whereas the position limit for hedgers was set as a variable limit based on the total open interest. The BAX market has since evolved and the limit set for speculator is no longer justified by current market conditions. As a result, the rule is viewed as very restrictive from a speculator's perspective. In addition, the rule for determining the position limits for the BAX is more restrictive than the rule which sets the position limits for the Ten-Year Government of Canada Bond Futures contract ("CGB") despite the fact that the BAX contract is a cash-settled instrument that benefits from a substantially higher open interest.

C -- Objectives

The proposed amendments to article 15508 of the Rules of the Bourse have the following objectives:

- i) To adapt the rule so that it better reflects the current market conditions that have evolved in the BAX futures contract; and
- ii) To harmonize the rule with the current position limit practice of the CGB futures contract.

II DETAILED ANALYSIS

A -- Actual Rule and Proposed Rule

Under current article 15508 of the applied Rules of the Bourse, the position limits for the BAX contract is fixed at a maximum of 5,000 contracts for speculators and the greater of 7,000 contracts or 20% of the average open interest during the preceding three-month period for hedgers.

The proposed modification to article 15508 of the Rules sets the position limits for the BAX contract at the same level than the CGB which is the greater of 4,000 contracts or 20% of the average open interest during the preceding three-month period for all participants.

B -- Conclusion

The amendments to article 15508 of the Rules of the Bourse are proposed so that the same position limits for the BAX contract apply to all participants and to harmonize the rule as per the current practice for the CGB contract.

C -- Public interest

The amendment has an impact on the maximum position that can be held in the BAX contract thus affecting the size and the liquidity of the market.

15508 Position Limits

(22.04.88, 08.09.89, 30.12.93, 07.04.94, 00.00.03)

The maximum number of net long or net short positions in all contract months combined in Canadian bankers' acceptance futures contracts which a person may own or control in accordance with article 14156 shall be as follows:

a) ~~for speculators — 5,000 contracts~~

b) ~~for hedgers~~ the greater of 74,000 contracts or of such a limit to be established and published on a monthly basis by the ~~Exchange~~ Bourse based on 20% of the average daily open interest for all Canadian bankers' acceptance futures contracts during the preceding three calendar months

or such other position limits as may be determined by the ~~Exchange~~ Bourse.

In establishing position limits, the ~~Exchange~~ Bourse may apply specific limits to one or more rather than all members approved participants or clients, if deemed necessary.

For positions involving options on Canadian Bankers' Acceptance Futures, this rule is superseded by article 6651.