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

CIRCULAR 034-16
March 23, 2016

REQUEST FOR COMMENTS

TRADE EXECUTION

AMENDMENTS TO ARTICLES 5201, 6004, 6005, 6007, 6310, 6375, 6379, 6380, 6381, 6383, 6384, 6385, 6388, 6393, 6393A, 6636.1, 6671, 6815, 6815A AND 6816 OF THE RULES OF BOURSE DE MONTREAL INC.

AMENDMENTS TO THE PROCEDURES APPLICABLE TO THE EXECUTION OF CROSS TRANSACTIONS AND THE EXECUTION OF PREARRANGED TRANSACTIONS,

THE PROCEDURES APPLICABLE TO THE EXECUTION OF BLOCK TRADES,

THE PROCEDURES APPLICABLE TO THE EXECUTION OF RISKLESS BASIS CROSS TRANSACTIONS ON FUTURES CONTRACTS ON S&P/TSX INDICES AND ON SHARE FUTURES,

THE PROCEDURES FOR THE CANCELLATION OR ADJUSTMENT OF TRADES, AND

THE PROCEDURES FOR THE EXECUTION AND REPORTING OF EXCHANGE FOR PHYSICAL (EFP), EXCHANGE FOR RISK (EFR) AND SUBSTITUTION OF OTC DERIVATIVE INSTRUMENTS FOR FUTURES CONTRACTS TRANSACTIONS

The Rules and Policies Committee of Bourse de Montréal Inc. (the "**Bourse**") has approved amendments to (i) articles 5201, 6004, 6005, 6007, 6310, 6375, 6379, 6380, 6381, 6383, 6384, 6385, 6388, 6393, 6393A, 6636.1, 6671, 6815, 6815A, 6816, (ii) the Procedures applicable to the execution of cross transactions and the execution of prearranged transactions, (iii) the Procedures applicable to the execution of block trades, (iv) the Procedures applicable to the execution of riskless basis cross transactions on futures contracts on S&P/TSX indices and on share futures, (v) the Procedures for the cancellation or adjustment of trades, and (vi) the Procedures for the execution and reporting of exchange for physical (EFP), exchange for risk (EFR) and substitution of OTC derivative instruments for futures contracts transactions of the Rules of the Bourse, and the Special Committee of the Regulatory Division of the Bourse has approved amendments to articles 5201 and 6310 in order to clarify the Rules, simplify the Rules by incorporating the aforementioned Procedures into the Rules, align the Rules with current Bourse practices and provide greater legal certainty to market participants as to various permitted and prohibited practices.

Comments on the proposed amendments must be submitted at the latest on **May 23, 2016**. Please submit your comments to:

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

Me 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
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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

For your information, you will find in the appendices an analysis of the proposed amendments 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 determined by the *Derivatives Act* (CQLR, chapter I-14.01).

Process for Changes to the Rules

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 and Procedures. The Rules of the Bourse are submitted to the Autorité in accordance to the self-certification process as determined by the *Derivatives Act* (CQLR, chapter I-14.01).

In its SRO capacity, the Bourse assumes market regulation and supervision responsibilities of its approved participants. The responsibility for regulating the market and the approved participants of the Bourse comes under the Regulatory Division of the Bourse (the Division). The Division carries on its activities as a distinct business unit separate from the other activities of the Bourse.

The Division is under the authority of a Special Committee appointed by the Board of Directors of the Bourse. The Special Committee is empowered to recommend to the Board of Directors the approval or amendment of some aspects of the Rules of the Bourse governing approved participants. The Board of Directors has delegated to the Rules and Policies Committee of the Bourse its powers to approve or amend these Rules upon recommendation from the Special Committee.

TRADE EXECUTION

AMENDMENTS TO ARTICLES 5201, 6004, 6005, 6007, 6310, 6375, 6379, 6380, 6381, 6383, 6384, 6385, 6388, 6393, 6393A, 6636.1, 6671, 6815, 6815A AND 6816 OF RULE SIX OF BOURSE DE MONTREAL INC.

AMENDMENTS TO THE PROCEDURES APPLICABLE TO THE EXECUTION OF CROSS TRANSACTIONS AND THE EXECUTION OF PREARRANGED TRANSACTIONS,

THE PROCEDURES APPLICABLE TO THE EXECUTION OF BLOCK TRADES,

THE PROCEDURES APPLICABLE TO THE EXECUTION OF RISKLESS BASIS CROSS TRANSACTIONS ON FUTURES CONTRACTS ON S&P/TSX INDICES AND ON SHARE FUTURES,

THE PROCEDURES FOR THE CANCELLATION OR ADJUSTMENT OF TRADES, AND

THE PROCEDURES FOR THE EXECUTION AND REPORTING OF EXCHANGE FOR PHYSICAL (EFP), EXCHANGE FOR RISK (EFR) AND SUBSTITUTION OF OTC DERIVATIVE INSTRUMENTS FOR FUTURES CONTRACTS TRANSACTIONS

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I. SUMMARY

Bourse de Montréal Inc. (the "Bourse") has undertaken a project to update and modernize its Rules. This project seeks to review the structure of the Rules, unify procedures into the Rules, remove outdated articles, align the Rules with current practices, and recommend substantive amendments as appropriate to adapt the Rules to the evolution of the market. The Bourse has identified a number of amendments which are intended either to update the Rules, align the Rules with current practices or to implement best practices. The proposed amendments are based on benchmarking with the rules and practices of other exchanges. In addition, the Bourse has sought preliminary and informal comments from industry and regulatory stakeholders before drafting the proposed amendments.

II. ANALYSIS

a. Background

The initial step of this project was to create an internal Working Group to discuss and issue recommendations on the scope of the project and to identify particular articles that needed to be amended or modernized. In the course of its deliberations, the Working Group identified a number of articles and issues to be addressed. Amendments were grouped for consideration in three categories: Trade Execution, Trade Practices and General Rules. This document discusses amendments relating to Trade Execution. Each of the proposed amendments is analyzed separately below, with additional detail included in the Appendixes.

b. Description and Analysis of Market Impacts

<u>Article 6004</u>

Article 6004 currently refers to article 6005. However, it is proposed in this analysis to repeal article 6005. The proposed amendments to article 6004 seek to introduce cross references to articles 6380 and 6816, where the content of article 6005 is incorporated.

<u>Article 6005 (Off-Exchange Transactions)</u>
<u>Article 6816 (Off-Exchange Transfers of Existing Futures Contracts)</u>
<u>Article 6671(Exercise of options)</u>

Article 6005 is abrogated and its content is incorporated in article 6816. Article 6816 is amended to permit back-office book-entry transfer of positions "in connection with, or as a result of, a merger, asset purchase, consolidation or similar non-recurring transaction between two or more entities." Such language is similar to the CME rule and provides greater flexibility than the current rule, which prohibits such transfers except where there is no change in beneficial ownership. This amendment brings the Rule into alignment with the rules of other major derivatives exchanges.

Article 6671 is amended to specify that the exercise of options or the delivery of futures contracts are not prohibited forms of non-competitive trading under article 6380a. This amendment is merely clarifying and not substantive.

Article 6310 (Best Price Execution)

Article 6310 currently assesses best execution on a single factor—price. The amendment specifies that in determining best execution, the Bourse will consider a number of factors in addition to price. They include trading strategy, speed of execution, certainty of execution, and overall cost. The rule further provides that in a strategy trade, the overall strategy should be considered, rather than each leg individually. The proposed amendments will align this article with IIROC's best execution requirements.

Article 6375 (Allocation of tradeable orders)
Article 6379 (Input of Orders)

Article 6375 is amended to clarify that stop limit orders are to be presented to the market as soon as their triggering limit is reached. Article 6379 is updated to provide that an approved participant shall not withhold or withdraw from the market any order, or any part of an order, for the benefit of any person other than the person placing the order. This amendment is intended to ensure that the language of article 6379 is not interpreted in a manner which impedes a broker from "working" an order while assuring proper treatment of customer orders.

Article 6380 (Prenegotiation Discussions)

Article 6380 is fully redrafted. The *Procedures applicable to the execution of cross transactions and the execution of prearranged transactions*, the *Procedures applicable to the execution of block trades*, the *Procedures applicable to the execution of riskless basis cross transactions on futures contracts on S&P/TSX Indices and on share futures* are incorporated in the new article 6380.

The proposed amendments will provide clarity with regard to the requirement that all transactions must occur through the trading system or pursuant to the Rules of the Bourse. They also provide clarity that all transactions must take place competitively, unless the transaction is included within a specific exception. The exceptions are specified in article 6380 and include pre-discussed trades, Block Trades, Riskless Basis Cross Trades, and Exchange for Related Positions. The amended rule also addresses when, and under what conditions, Cross Trades are permitted.

The Bourse recommends that the text of the article relating to pre-discussed trades be amended to provide clarity with respect to the required delay between entry of the pre-negotiated orders. It is also recommended that in a pre-discussed transaction the order belonging to the initiator of the discussion be entered into the matching engine first, unless the parties agree otherwise; *provided however*, in the case of an order for an equity option, the order of a customer shall always be entered first if the other order(s) is not for a customer. This amendment follows current practice in the Canadian market with regard to priority of orders. Formulating the priority in terms of the first person to initiate communication simplifies which order should be prioritized and provides greater clarity to the parties.

Furthermore, article 6380 is updated to permit under certain circumstance that the residual amount of a pre-discussed trade be filled even though the residual amount is below the required threshold. The Bourse recommends that the article be clarified that any residual amounts be executable as agreed between the parties, as long as the original amount discussed exceeded the required threshold and only after resting orders at the same price have been filled. This enables the liquidity provider to participate in the trade while maintaining the priority of resting orders in the order book.

With regard to Riskless Basis Cross transactions, the Bourse does not recommend any change, except to incorporate the current Procedures into the new rule 6380. Although the Bourse does not recommend that the futures leg of the transaction be required to be within the day's trading range, the Bourse will treat as a red flag for surveillance purposes any prices outside of the day's range on the Bourse, which would enable the Regulatory Division or Market Operations to obtain further information to ascertain that the conditions of the article have been met. Riskless Basis Cross transactions will also only be permitted for accredited counterparties, as defined in the Derivatives Act[1].

Article 5201 (Arbitration of disputes)
Article 6381(Cancellation or Adjustment of Trades)
Article 6383 (Acceptable Market Price)
Article 6384 (Decision by the Market Supervisor of the Bourse)
Article 6385 (Delays of Decision and Notifications)

The proposed amendment to article 5201 seeks to clarify the types of disputes which are subject to the arbitration process set forth in Rule 5 of the Bourse. Those include for instance a dispute over the cancellation or the adjustment of a transaction.

Article 6381 is fully redrafted. The *Procedures for the cancellation or adjustment of trades* are incorporated in the new article 6381. The article mentions those circumstances under which an executed order can be canceled in addition to input errors / fat fingers errors. Article 6381 also establishes a No-Review Range and exceptions to the non-cancellation of transactions.

The Bourse recommends that no trade be cancelled except if the trade threatens or impairs market integrity. Otherwise trade prices may be adjusted if there is consent and the adjustment only impacts the persons involved in the transaction.

New article 6381 provides for a 15 minutes period to report an erroneous trade except in the discretion of Market Operations where an additional period not to exceed one hour may be permitted "in extraordinary circumstances." Finally, the Bourse recommends that the market be notified when any trade adjustment/cancellation that is outside the no-review range is under consideration by Market Operations.

[1] CQLR, Chapter 1-14.01.

Articles 6383, 6384 and 6385 are abrogated since their content has been incorporated in the new article 6381.

Article 6007 (Trading Delays and Halts)
Article 6388 (Daily Price Limits)
Article 6636.1 (Triggering of a Circuit-Breaker on the Underlying Interest)

In order to increase transparency with regard to the effect and operation of the trading halt mechanisms, and to bring it in line with current market practices, the Bourse recommends to repeal article 6388 and to update article 6636.1 to provide that the Bourse will halt trading upon notice from the Toronto Stock Exchange (TSX) that a circuit-breaker (single-stock or market-wide) has been triggered or when IIROC imposes a regulatory halt in an underlying product on which the Bourse trades a derivative. Furthermore, the Bourse recommends the update of article 6007 to clarify the discretionary authority of Market Supervisors to halt trading and determine the conditions of reopening of trading.

Article 6393 (Trading Price Limits)
Article 6393A (Other Trading Price Limits)

The Bourse recommends updating the wording of article 6393 from a "Trading Price Limit" to an "Order Price Filter." This clarifies that this is a filter on the electronic order entry system to prevent inadvertent errors. The article should further make clear that Market Operations can upon request of a market participant or acting on its own discretion adjust the filter from the level at which it is automatically set as a result of market movements.

Article 6393A is abrogated since its content has been incorporated in article 6393.

Article 6815 (Exchange for Physicals (EFP) and Exchange for Risk Transactions (EFR))
Article 6815A (Substitution of OTC derivatives instruments for futures contracts)

Article 6815 is fully redrafted to incorporate the content of both article 6815A and the *Procedures for the execution and reporting of exchange for physical (EFP), exchange for risk (EFR) and substitution of OTC derivative instruments for futures contracts transactions*.

EFP, EFR and substitution transactions will also only be permitted for accredited counterparties, as defined in the Derivatives Act.[2] There are no other substantive changes to the requirements.

c. Comparative Analysis

Please see Appendix 1 which provides further details on other exchange's practices and the benchmarking made by the Bourse.

[2] *Ibid*.

d. Proposed Amendments

Please see Appendix 2 for the proposed amendments to the aforementioned articles and procedures.

III. AMENDMENT PROCESS

The Bourse undertook this project to align its Rules with international best practices and provide its clients with more certainty with regard to its regulations. Prior to undertaking these amendments, the Bourse consulted informally with market participants associations and the Autorité des Marchés Financiers to receive their preliminary comments on the proposed amendments.

IV. IMPACTS ON TECHNOLOGICAL SYSTEMS

None of the proposed amendments has an impact on the technological systems of the Bourse or those of its approved participants, except for the following amendment(s):

- Article 6381. The Bourse will work towards implementing systems that will facilitate the issuance of an alert once a trade priced outside the No-Review Range is under review.

V. OBJECTIVES OF THE PROPOSED ADMENDMENTS

The proposed amendments seek to:

- Provide greater clarity for market participants;
- Provide greater legal certainty to market participants as to various permitted and prohibited practices;
- Simplify the Rules by incorporating now separate Procedures and Policies into the Rules;
- Align the Rules with current Bourse practices;
- Align the Rules with other exchanges' practices as appropriate; and
- Modernize the language of the Rules.

In striving to achieve these goals, the work of the Regulatory Division in enforcing current exchange rules was considered. Providing greater clarity as to trading requirements and ensuring that the Rules are in alignment with market practice also assists the Regulatory Division in its mission.

VI. PUBLIC INTEREST

It is in the public interest that the Rules of the Bourse be clear and provide certainty to market participants regarding its application. The proposed amendments aim at making the Rules more transparent and ensuring there is no ambiguity in the application thereof. These amendments, clarifications and updates should also assist in the enforcement of the Rules. Other of the amendments are intended to bring market practice in alignment with international best practices. This should create greater uniformity of practice for market participants, increasing the commercial utility of certain trading mechanisms and assisting in their compliance efforts.

VII. EFFICIENCY

Certain of the proposed amendments will enhance market efficiency. In particular, the revised trade cancellation rule will provide the market with greater certainty regarding the handling of erroneous trades. This should provide market participants, with a greater understanding of, and reassurance concerning the finality of their trades, ultimately making the market more efficient. Those amendments which are mainly clarifying in nature may also enhance market efficiency by removing uncertainty as to the acceptability of various practices.

VIII. PROCESS

The proposed amendments 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

- Appendix 1: Recommendations and benchmarking;
- Appendix 2: Proposed amendments.

MX RULE ANALYSIS, BENCHMARK REVIEW AND RECOMMENDATION

Category 1 – Trade Execution

Rule	Issue	Current Rule Text[1]	Recommendation	Benchmarking
6005(d) Journal or transfer of positions from one clearing firm to another.	Under current MX Rule 6816, an off-exchange transfer of open futures contracts may be accomplished "only if there is no change in the beneficial ownership of the futures contracts" (subject to additional requirements). However, the practice on U.S. exchanges is to permit transfer of open positions based on common control.	**6005 Off-Exchange Transactions** (10.10.91, 19.11.93, 14.07.95, 22.11.99, 21.04.08, 30.05.08, 29.01.10) The only transactions in any securities or derivative instruments listed on the Bourse which an approved participant may make off the Bourse are the following: d) an off-exchange transfer of securities or derivative instruments pursuant to article 6816;	Revise Rule 6816 to match substance of CME Rule 853, which permits greater flexibility with respect to transfers of trades, such as transfers "in connection with, or as a result of, a merger, asset purchase, consolidation or similar non-recurring transaction between two or more entities."	CME: - Rule 853 - Rule 538 NYSE Arca: - Rule 6.18 CFTC: - Regulation 1.38 IIROC: - Market Integrity Notice ICE Futures Europe: - Rule F.8.1 - Guidance
6310 Best execution rules should operate within a larger framework (speed, size, guaranteed fill), not only best price execution.	Rule focuses exclusively on best price. Should the rule include other factors, and refer to best execution within a larger framework (speed, size, guaranteed fill, etc.)? Also is the rule ambiguous about whether strategies or package trades require every fill to be the best price, or is the relevant measure the overall spread price?	**6310 Best Price Execution** (03.07.87, 10.10.91, 11.03.92, 22.11.99) a) When receiving an order from a client, a Member, an Approved Person or an employee of a Member must use reasonable care consistent with just and equitable principles of trade, high standards of professional conduct and integrity to obtain for his client the best price. b) In order to meet such an obligation, a member has a duty to make reasonable effort to avail itself of existing facilities providing information or ability to execute orders.	The current rule is ambiguous with respect to how to measure best execution. In order to provide greater clarity and transparency and to ensure common understanding and treatment of customer transactions, we recommend to adopt language to align with IIROC's Best Execution requirement (UMIR 5.1) and related guidance. IIROC UMIR 5.1 (Best Execution) requires participants to "diligently pursue the execution of each client order on the most advantageous execution terms reasonably available under the circumstances." To assess "most advantageous execution terms reasonably available," participants generally must consider factors including: trade price, speed of	CME: - Rule 432 CBOE: - Rule 53.8 - Rule 4.1 NYSE Arca: - Rule 11.2 NFA: - Rule 2-4

[1] If not included in the table, the full text of each relevant current rule is set forth at the bottom of the respective table.

Rule	Issue	Current Rule Text[1]	Recommendation	Benchmarking
			execution, certainty of execution, and overall cost of execution. MX rule should specifically provide that the factors that determine best execution include, in the case of strategy or spread trades, the overall cost of execution, and should not consider each leg in isolation.	FINRA: - Rule 5310 IIROC: - Part 5 - Notice 11-0113
6379 Chronological priority of orders (clarification for equity derivatives).	The use of the term "without delay" in the rule is vague. The rule is ambiguous with respect to APs that are permitted by their customers to "work" their orders.	**6379 Input of Orders** (25.09.00, 24.09.01, 29.10.01, 01.04.04) Except as provided in paragraph b) of article 6375, the market orders and limit orders are entered into the trading system and presented to the market without delay in accordance with the chronology of their receipt. The other orders are presented to the market as soon as their time limit or triggering limit is reached. Any order which is entered into the trading system must indicate if the order is for the account of a firm, of a client or of a professional, as these terms are defined in article 6376. In addition, if the order is for the account of an insider or of a significant shareholder, as these terms are defined in article 6376, it must be identified as such. When these conditions are fulfilled, the input in the system triggers the recording of the order. Should the final receiver fail to be identified directly in the system, a time-stamped recording in accordance with article 6377 of the Rules must be completed. If a chronological ranking of receipt cannot be established between many orders, the client priority rules of article 6374 of the Rules apply.	We agree that the language of the rule is ambiguous. We recommend to revise language to align MX's rule with that of the CME, which provides that a member shall not withhold or withdraw from the market any order, or any part of an order, for the benefit of any person other than the person placing the order. This updates the rule to ensure that the rule language does not prevent a broker from "working" an order while assuring proper treatment of customer orders.	CME: - Rule 529 - Rule 530 - Rule 548 - Definitions CBOE: - Rule 6.73 NFA: - Compliance Rule 2-4 - Compliance Rule 2-36(e) IIROC: - Definitions - Rule 5.1 - Rule 5.3 - Rule 6.1 - Rule 6.3
6380 Cross Transactions: Priority of orders	Issue 1—The rule requires a 15 second pause in a cross trade or pre-discussed trade between the entry of the first and matching	See below.	We do not see a compelling reason to force consistency of market practice between equity options and futures. There are sound policy reasons for both practices. We recommend	CME: - Rule 526 - Rule 533

Rule	Issue	Current Rule Text[1]	Recommendation	Benchmarking
and unexecuted part of the order.	order. It appears that market practice diverges between the equity option market to always enter customer side first but in futures to enter the first firm order first. The market is unclear with respect to what is required.		that these two equally valid practices be incorporated respectively into MX rules to provide market certainty. However, with respect to futures, because it is difficult to determine over the course of a discussion who first establishes a firm offer, we recommend simplifying the rule to provide that the order of the first party to initiate the discussion be entered first in the market, unless otherwise agreed by the parties. Based on the above logic, we recommend that the text of the rule be amended to provide that in a pre-discussed transaction the order belonging to the initiator of the discussion (which at the time the discussion is initiated, need not include all elements of an order) be entered into the matching engine first, unless the parties agree otherwise; *provided however*, in the case of an order for an equity option, the order of a customer shall always be entered first if the other order(s) is not for a customer.	- Rule 539 Commodity Exchange Act: - 4(c)(a)(B) CFTC Regulations: - Rule 37.9(b) ICE Futures Europe: - Rule G2, G6A
6380 Pre-discussed transactions; Order priority and residual amounts.	Issue 2— In the situation where a partial amount of a pre-discussed trade is filled, should the residual be filled at the agreed upon price, even though the amount is below the required threshold for such a trade (100 contracts) ?	See below.	The policy behind the rule, which does not permit the residual fill if it is below the required threshold, is that resting orders in the Order Book at the same or a better price should take precedence over a pre-discussed transaction, encouraging depth in the Order Book. However, there is no reason to deny a Participant who is willing to provide liquidity for the full amount of a pre-discussed transaction to provide partial liquidity for the residual, unfilled amount of the initiating order once all resting orders at that price have been filled. Doing so strikes an appropriate balance between encouraging liquidity in the Order Book and otherwise ensuring that liquidity will be available. We recommend that the rule be clarified that any residual amounts be executable as agreed between the parties, as long as the original amount discussed exceeded the required threshold and only after resting orders at the same price have been filled.	

Rule	Issue	Current Rule Text[1]	Recommendation	Benchmarking
6380 Prearranged Transactions: MX Procedures for liquidity providers.	Issue 3—Review MX Procedures; consider integrating procedures into rule or, if too voluminous, appending to the rule.	See below.	We recommend integrating Procedures into the rule book wherever possible and in the text of the rule itself wherever possible.	
6380 (4)(ii) Block Trades: Limitations with respect to the nearest contract roll.	Issue 4—Should a roll trading strategy be able to be effectuated via a Block Trade Currently, the rule does not recognize effectuating a roll strategy as a Block Trade.	See below.	Block Trades are permitted when the large size of a transaction may be disruptive if done on the trading platform. There is typically sufficient volume during the roll period to roll out of positions without treating this trading strategy as a block trade. No change of the rule is recommended.	
6380 (5)(vi) Riskless Basis Cross: conditions regarding the reasonableness of the price.	Issue: MX previously removed the requirement that the futures price portion of the riskless basis cross be within day's high/low. The current rule includes factors relating to the reasonableness of the price of the futures leg of the transaction. The reason for the modification is unclear. It has been suggested that the conditions relating to price of the futures leg be deleted based on the reasoning that as long as the spread price is reflective of market conditions, the prices at which the individual legs are priced become irrelevant.	See below.	We recommend that the rule remain unchanged with respect to the requirement that pricing of the futures leg of the transaction be fair and reasonable in light of factors such as size, prevailing price, and market conditions. This requires that the over-all transaction be reflective of market values and is a bona fide use of the exchange facility. Although we do not recommend to require the futures leg price to be within the day's trading range, we also recommend to treat as a red flag for surveillance purposes any prices outside of the day's range on the Exchange, which would enable Market Regulation to obtain further information to ascertain that the conditions of the rule have been met. This is in accordance with other markets. As a separate matter, to align with other exchanges, we also recommend that riskless basis cross transactions be permitted only for "accredited counterparties" as defined under Canadian law and that this condition also apply to transactions under Rule 6815 (EFPs and EFRs). *See also* recommendation for Rule 6815 and 6815A.	CME: - *Ex-pit transactions* - Rule 526 Market Advisory - Rule 538 Market Advisory ICE Futures Europe: - Rule F.5 - EFRP FAQ.
6380	Issue 5—Differentiating Indications of Interest from orders for purposes of	See below.	See issue 1 above. Order that is given precedence shall be the order of the first party to initiate communication, absent agreement to the contrary by the parties (or for equity	

Rule	Issue	Current Rule Text[1]	Recommendation	Benchmarking
Article 6380 Cross & Prearranged Procedures. Include "Pre-execution communications."	establishing priority of orders under Rule 6380 is difficult. Should the rule provide greater guidance to more clearly establish the boundary between the two?		options, a customer Order). This change obviates the need to determine whether a communication is a firm offer or an indication of interest.	
6380 The language of Rule 6380 requires pre-negotiation in relation to both "cross" and "prearranged" transactions.	Issue 6—Should the rule differentiate pre-negotiated transactions from cross trades?	See below.	We recommend that for clarity cross trades by a broker of two customers be addressed in a separate rule. Final drafting should distinguish among "prearranged" and "pre-negotiated" transactions and other forms of off-facility transactions, including block, EFP and riskless basis cross transactions.	
6381 Back Office Adjustments: Delay.	The rule text does not fully align with MX Procedures.	**6381 Cancellation or Adjustment of Trades** (25.09.00, 24.09.01, 29.10.01, 24.04.09) a) A trade on the electronic trading system resulting from an input error can be cancelled by the parties agreeing to it within 15 minutes following its execution. The error and the request to cancel the resulting transaction must be verbally communicated (by telephone) by the approved participant to a Market Supervisor of the Bourse. b) The Bourse may at any time cancel or adjust a trade if it is judged to be detrimental to the normal operation or quality of the market or in any circumstance judged appropriate by a Market Supervisor. The decisions are final and cannot be appealed.	We recommend that Rule 6381 be amended to incorporate within the rule the current Procedures. The rule should include those circumstances under which an executed order can be canceled in addition to input errors / fat fingers errors. The rule should establish a No-Cancel range and exceptions to non-cancellation of transactions. We further recommend that the rule be clear that MX does not cancel trades except if the trade threatens or impairs market integrity. Otherwise trade prices may be adjusted if there is consent and the adjustment only impacts the persons involved in the transaction. We recommend that the period to report an erroneous trade be 15 minutes except in the discretion of Market Operations an additional period may be permitted "in extraordinary circumstances" not to exceed 1 hour. We recommend that the market be notified when any trade adjustment/cancellation is under consideration by Market Operations. MX will work toward making the systems changes necessary to issue automated alerts in such	CME: - Rule 578, 588 CBOE: - Section 6.25 CFTC: - Regulation 38.154 - Regulation 38.157 FINRA: - Rule 11891, 11892, 11894 IIROC: - Rule 7.6 - Rule 7.11
6381 Cancelled orders.	See above.			
6381 Article 6381 Cancellation or Adjustment of Trades. Review trade cancellation rule and time periods.	See above.			
6381 Cancelled Transactions:	See above.			

Rule	Issue	Current Rule Text[1]	Recommendation	Benchmarking
Oversight obligation.			circumstances. Until such systems are in place, we recommend that Market Operations issue an alert for all transactions being reviewed that are outside of the No-Cancel range.	- Guidance 12-0258 SEC: - Section 6 (b)(5) ICE Futures Europe: - Section G-15 - Trading Procedure 3.9, 11 Canadian Regulations: - Section 9(3)-23-101

Rule	Issue	Current Rule Text[1]	Recommendation	Benchmarking
6388 Daily Price Limit: Price.	MX market practice is no longer to impose strict daily price limits on all contracts. MX no longer publicizes what such limits would be.	**6388 Daily Price Limits** (25.09.00, 24.09.01, 29.10.01) The Bourse establishes for each derivative instrument a daily price limit, based on a percentage, with respect to the previous day's settlement price and there shall be no trading above or below that limit. The daily price limit percentage is established on a monthly basis in collaboration with the clearing corporation.	Current practice generally is to impose circuit breakers and trading halts with respect to equity options and equity index contracts, and to impose daily price limits mainly in physical commodity contracts. Accordingly, in order to increase transparency with regard to the effect and operation of the rule, and to bring it in line with current market practices, we recommend repeal of Rule 6388 and its replacement with a new rule providing that MX will halt trading upon notice from TSX that a circuit-breaker (single-stock or market-wide) has been triggered or when IIROC imposes a regulatory halt in an underlying product on which MX trades a derivative.	CME: - Rule 542, 589, 589C CBOE: - Rule 6.3, 6.3B CFTC: - Regulation 38.251 - Regulation 38.255 FINRA: - Rule 6121 - Rule 6190 IIROC: - Rule 9.1 - Rule 10.9 (1)(a) ICE Futures Europe: - Rule G.13 Canadian Regulations: - Section 8- 23-101
6393 Trading Price Limits: Clarification since rule doesn't reflect current practice.	Current market practice provides that the trading platform will reject an order outside established lower and upper limits. However, a market participant could ask that the order filter be adjusted by calling Market Operations and explaining reasons for the	**6393 Trading Price Limits** (25.09.00, 24.09.01, 29.10.01) In order to minimize errors of the approved participant during order entry in the electronic trading system, trading price limits are in place for each instrument. This will protect the approved participant from entering a wrong price, which could move the market dramatically.	In order to clarify the effect and operation of the rule and to bring it into alignment with MX market practice, we recommend changing the wording of the rule from a "Trading Price Limit" to an "Order Price Filter." This clarifies that this is a filter on the electronic order entry system to prevent inadvertent errors. The rule should further make clear that Market Operations can upon request of a market participant or acting on his own	CFTC: - Regulation 38.250 - Regulation 38-251 - Regulation 38.255

Rule	Issue	Current Rule Text[1]	Recommendation	Benchmarking
	request. The language of the rule does not clearly reflect that this is an order filter rather than a trading limit.	The approved participant who has placed an order which is not in the trading price limits, will receive a specific message that his order has been rejected. The trading price limits will be set at the start of trading based on the previous day's settlement price (plus or minus). These limits will be adjusted by the Market Supervisor of the Bourse during the trading day, based on the movement of the market. The Bourse will be responsible to make sure the limits will not affect trading in any way. The new limits will be broadcasted to the market. Once the trading price limit has reached the daily price limits, the daily price limits are effective. The Bourse will advise the approved participants of any change to the spread of the trading price limits.	discretion adjust the filter from the level at which it is automatically set as a result of market movements.	IIROC: - Notice 15-0186 ICE Futures Europe: - Guidance Canadian Regulations: - Section 8- 23-101
6815, 6815A and Procedures Special Terms Transactions: Execution, Reporting and Recordkeeping	Rule amendment already out for comment.	See below.	No further amendments needed for this subject. We also recommend that Rule 6815 (EFPs and EFRs) be amended to limit parties to "accredited counterparties" as defined under Canadian law and that the same red flag review standard apply as is recommended for Rule 6380 5)(vi). *See also* recommendation for Rule 6380 5)(vi).	Not applicable

6380 Prenegotiation Discussions, Cross Transactions, Prearranged Transactions, Block Trades, Riskless Basis Cross Transactions and Block Trades Priced at a Basis to the Index Close
(25.09.00, 24.09.01, 29.10.01, 31.01.05, 10.11.08, 29.01.10, 09.06.14)

For the purpose of this article, the terms hereunder are defined as follows:

1) Prenegotiation Discussions

Prenegotiation discussions are considered having occurred when approved participants engage in negotiations with each other or with other approved participants and/or clients prior to entering orders which may result in a cross transaction, a prearranged transaction, a block trade, an exchange-for-physical or exchange-for-risk transaction (according to the provisions of article 6815 of this Rule), a substitution transaction (according to the provisions of article 6815A of this Rule) or a riskless basis cross transaction. Clients must consent to allow approved participants to engage in prenegotiation discussions with other approved participants and/or clients with respect to an order.

2) Cross Transactions

A cross transaction is considered having occurred when two orders of opposite sides originating from the same approved participant are intentionally executed against each other in whole or in part as a result of prenegotiation discussions.

3) Prearranged Transactions

A prearranged transaction is considered having occurred when one or more approved participants engage in prenegotiation discussions in order to agree on the terms of a transaction before entering the orders in the electronic trading system of the Bourse.

Execution of cross transactions and prearranged transactions are permitted by the Bourse when:

i) they are on eligible securities or derivative instruments;

ii) the orders are for a volume equal to or greater than the minimum volume threshold established for that eligible security or derivative instrument;

iii) the prescribed time delay between the input of an order and its opposite side order is respected;

iv) the transactions are executed in accordance with the Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions.

The eligible securities or derivative instruments, the prescribed time delays and the minimum volume thresholds are determined by the Bourse and published in the Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions.

It is forbidden to use the hidden volume functionality of the electronic trading system of the Bourse to execute a cross transaction or a prearranged transaction.

4) Block Trades

A block trade is considered having occurred when one or more approved participants and/or clients engage in prenegotiation discussions to arrange large size transactions away from the electronic trading system of the Bourse (as permitted by article 6005 of this Rule) at prices mutually agreed upon, report to the Bourse the terms of their agreement and the Bourse agrees to them.

An approved participant of the Bourse may execute a block trade for a volume equal to or greater than the applicable minimum volume threshold in a security or derivative instrument, other than an equity option or a share futures contract, designated by the Bourse pursuant to the following conditions:

i) A block trade may be arranged in a designated security or derivative instrument only during the trading hours and business days authorized by the Bourse. Once a block trade has been arranged, an approved participant must submit details of the block trade to the Bourse as soon as practicable and in any event within the period of time prescribed by the Bourse.

ii) A block trade may be arranged only in a security or derivative instrument that has been designated by the Bourse for that purpose. Such designations will be published by the Bourse, together with the minimum volume thresholds applying to those designated securities or derivative instruments. Approved participants are permitted to enter into block trades in any strategy recognized by the Bourse.

iii) Where a strategy involves the trading of two or more different securities or derivative instruments, the smaller of the minimum volume thresholds of the securities or derivative instruments comprised in the block trade will be applied to each of these securities or derivative instruments. Where the strategy involves the trading of two or more different contract months and/or strike prices of the same contract month, the minimum volume threshold will apply to each leg of the trade, except where specific provision has been made within the published minimum thresholds.

iv) Approved participants may not aggregate separate orders in order to meet the minimum volume thresholds.

v) The price at which a block trade is arranged must be "fair and reasonable" in light of (i) the size of such a block trade; (ii) currently traded prices and bid and ask prices in the same contract, at the relevant time; (iii) currently traded prices and bid and ask prices in other contract months for futures contracts or other option series for options contracts; (iv) currently traded prices and bid and ask prices in other relevant markets, including without limitation the underlying markets; (v) the volatility and liquidity of the relevant market; and (vi) general market conditions.

vi) Block trades shall not set off special terms orders or otherwise affect orders in the regular market.

vii) With the exception of futures contracts on the FTSE Emerging Markets Index, it is strictly prohibited for an approved participant, for both the buyer and the seller, to enter into a block trade to circumvent the contract month roll in the corresponding security or derivative instrument.

The eligible securities or derivative instruments and the minimum volume thresholds are determined by the Bourse and published in the Procedures for the Execution of Block Trades.

5) Riskless Basis Cross Transactions

A riskless basis cross transaction occurs when an approved participant and a client engage in pre negotiation discussions to conclude a riskless basis cross transaction outside of the posted order book (as permitted by article 6005 of this Rule) at a pre-determined price. The futures contract price is comprised of an average price resulting from a preliminary transaction in the cash market plus a prenegotiated basis spread mutually agreed upon between the approved participant and the client.

A riskless basis cross transaction can be executed on the Bourse once the approved participant has acquired market exposure using cash instruments as prescribed in the procedures established by the Bourse.

In order to qualify as a riskless basis cross transaction, the following conditions must be respected:

i) Riskless basis cross transactions must at all times be executed in accordance with such other procedures, terms and conditions that the Bourse may prescribe from time to time.

ii) The futures contracts that are eligible to riskless basis cross transactions, and the last day and time for executing such transactions shall be determined by the Bourse.

iii) The cash components acceptable for the purpose of a riskless basis cross transaction are those specified in the procedures set by the Bourse.

iv) Each party to a riskless basis cross transaction must satisfy the Bourse, upon request, that the transaction is a bona fide transaction. To this effect, parties to such a transaction must maintain and must provide to the Bourse upon request complete records and documentary evidence relating to such transaction including all records relating to the purchase or sale of securities and futures contracts and to any transfer of positions made in connection with such transaction.

v) It is prohibited for any party to a riskless basis cross transaction to effect a transaction which is contrary to the requirements and practices prescribed by the rules, policies and procedures of the Bourse or to effect such a transaction for the sole purpose of reporting, registering or recording a price that is not a bona fide price or of making a transaction which is a "wash trade", an accommodation trade or a fictitious sale.

vi) A riskless basis cross transaction may be made at such prices that are mutually agreed upon by the two parties to this transaction. However, the price at which the futures contract leg of the transaction is arranged must be fair and reasonable in light of factors such as, but not limited to, the size of the transaction, the currently traded prices and bid and ask prices in the same contract at the relevant time, the volatility and liquidity of the relevant market as well as the general market conditions.

vii) 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.

viii) Each riskless basis cross transaction must be immediately disseminated by the Bourse once it has validated it.

ix) It is strictly prohibited for any party, for both the buyer and the seller, to enter into a riskless basis cross trade to circumvent the contract month roll in the corresponding security or derivative instrument.

6) Block Trades Priced at a Basis to the Index Close (BICs) on FTSE Emerging Markets Index Futures Contracts

Block trade priced at a basis to the index close (BICs) are block trade transactions on **FTSE Emerging Markets** Index Futures Contracts which are priced in reference to the closing price of the underlying index and the basis as determined during prenegotiation discussions.

The futures price assigned to a BIC is based on a prospective index price or on the applicable closing price of the relevant index, adjusted by a valid price increment ("basis").

The basis and final price of the BIC must be fair and reasonable taking into consideration, but without limitation to the consideration of, the following factors: financing rates, expected dividend income, time remaining until the index futures contract expiration, and any factors set forth in article 6380 4) v) of this Rule, as applicable.

A BIC is considered having occurred when one or more approved participants and/or clients engage in prenegotiation discussions to arrange large size transactions, in accordance with the minimum volume thresholds determined by the Bourse, away from the electronic trading system of the Bourse (as set forth by article 6005 of this Rule) at a basis that has been mutually agreed upon, report to the Bourse the terms of their agreement and the Bourse agrees to them.

While the basis to a prospective index price or the applicable closing price of the relevant index is established during prenegotiation discussions, the outright price for the transaction will only be established once the applicable closing price of the relevant index has been established.

An approved participant of the Bourse may execute a BIC for a volume equal to or greater than the applicable minimum volume threshold in a security or derivative instrument designated by the Bourse pursuant to the conditions set forth in article 6380 4) of this Rule.

6815 Exchanges for Physicals (EFP) and Exchanges for Risk Transactions (EFR)

(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)

Exchanges for physicals (EFP) or exchanges for risk (EFR) 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 and of the procedures established by the Bourse.

1) Exchanges for physicals (EFP)

a) An EFP may be concluded between two parties if one of the parties is the buyer of a physical or cash component that is acceptable to the Bourse for the purpose of the EFP transaction and the seller of the futures contract, and the other party is the seller of such physical or cash component and the buyer of the futures contract.

b) The purchase and sale of the futures contract must be simultaneous with the sale and purchase of a corresponding quantity of the physical or cash component acceptable to the Bourse for the purpose of the EFP transaction.

c) The physical or cash component of the EFP transaction must involve a physical or cash instrument that is related to and that has a reasonable price correlation with the underlying interest of the futures contract being exchanged. The quantity or value covered by the physical or cash component of the EFP transaction must be approximately equivalent to the quantity or value covered by the futures contract.

2) Exchange for Risk Transactions

An exchange of a futures contract for an over-the-counter (OTC) derivative instrument and/or swap agreement (an Exchange for Risk (EFR) transaction) consists of two discrete, but related simultaneous transactions: a risk transaction and a futures contract transaction. At the time such transaction is effected, the parties to the futures contract transaction must be the same parties to the risk transaction and the buyer and the seller of the futures contract must be, respectively, the seller and the buyer of the OTC derivative instrument and/or swap agreement. The risk component of the EFR transaction must involve an OTC derivative instrument and/or swap agreement that is related to and that has a reasonable price correlation with the underlying interest of the futures contract being exchanged. The quantity or value covered by the risk component of the EFR transaction must be approximately equivalent to the quantity or value covered by the futures contract.

3) General Provision

a) EFP and EFR transactions must at all times be executed in accordance with such other procedures, terms and conditions that the Bourse may prescribe from time to time.

b) The futures contracts that are eligible to EFP or EFR transactions, and the last day and time for executing such transactions shall be determined by the Bourse.

c) The cash components acceptable for the purpose of an EFP transaction and the over the counter derivative instruments acceptable for the purpose of an EFR transaction are those specified in the procedures set by the Bourse.

d) Each party to an EFP or EFR transaction must satisfy the Bourse, upon request, that the transaction is a bona fide EFP or EFR transaction. To this effect, parties to such a transaction must maintain and must provide to the Bourse upon request complete records and documentary evidence relating to such transaction including all records relating to the purchase or sale of securities, physical underlyings, sub-instruments of these physical underlyings, instruments related thereto or over the counter derivative instruments and to any transfer of funds or ownership made in connection with such transaction.

e) It is prohibited for any party to an EFP or an EFR transaction to effect a transaction which is contrary to the requirements and practices prescribed by the rules, policies and procedures of the Bourse or to effect such a transaction for the sole purpose of reporting, registering or recording a price that is not a bona fide price or of making a transaction which is a "wash sale", an accommodation trade or a fictitious sale.

f) An EFP or an EFR transaction may be made at such prices that are mutually agreed upon by the two parties to this transaction. However, the price at which the futures contract leg of the transaction is arranged must be fair and reasonable in light of factors such as, but not limited to, the size of the transaction, the currently traded prices and bid and ask prices in the same contract at the relevant time, the volatility and liquidity of the relevant market as well as the general market conditions.

g) Each EFP or EFR 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.

h) Each EFP or EFR transaction executed during the usual trading hours of the futures contract to which the transaction applies must be immediately reported to the Bourse. Each EFP or EFR transaction executed after the usual trading hours of the futures contract to which the transaction applies must be reported to the Bourse no later than 10:00 a.m. (Montréal time) on the next trading day following the execution of the transaction.

i) The accounts involved on each side of an EFP or EFR transaction must satisfy at least one of the following conditions:

i) they have different beneficial ownership;

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

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

In cases where the parties to an EFP or EFR 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.

j) It is strictly prohibited for any party, for both the buyer and the seller, to enter into an EFP or EFR transaction to circumvent the contract month roll in the corresponding security or derivative instrument.

6815A Substitution of over-the-counter derivative instruments for futures contracts
(30.05.08)

a) Transactions allowing to substitute an over-the-counter derivative instrument and/or a swap agreement for futures contracts listed and traded on the Bourse are permitted if such transactions are executed in accordance with the requirements of this article and of the procedures established by the Bourse.

b) A substitution of an over-the-counter (OTC) derivative instrument and/or swap agreement for futures contracts consists of two discrete transactions: a risk transaction and a futures contract transaction. At the time such transaction is effected, the parties to the futures contract transaction must be the same parties to the risk transaction and the buyer and the seller of the futures contract must be, respectively, the buyer and the seller of the OTC derivative instrument and/or swap agreement. The risk component of the substitution transaction must involve the interest underlying the futures contracts (or a derivative, by-product or related product of such underlying interest) and must have a reasonable price correlation with the underlying interest of the futures contract involved in the substitution transaction. The quantity or value covered by the risk component of the substitution of over-the-counter derivative instruments for futures contracts must be approximately equivalent to the quantity or value covered by the futures contract transaction.

c) Substitution transactions involving over-the-counter derivative instruments must at all times be executed in accordance with such other procedures, terms and conditions that the Bourse may prescribe from time to time.

d) The futures contracts that are eligible to substitution transactions, and the last day and time for executing such transactions shall be determined by the Bourse.

e) The risk components acceptable for the purpose of a substitution transaction are those specified in the procedures set by the Bourse.

f) Each party to a substitution transaction must satisfy the Bourse, upon request, that the transaction is a bona fide substitution transaction. To this effect, parties to such a transaction must maintain and must provide to the Bourse upon request complete records and documentary evidence relating to such transaction including all records relating to the purchase or sale of securities, physical underlyings, sub-instruments of these physical underlyings, instruments related thereto or over the counter derivative instruments and to any transfer of funds or ownership made in connection with such transaction.

g) It is prohibited for any party to a substitution transaction to effect a transaction which is contrary to the requirements and practices prescribed by the rules, policies and procedures of the Bourse or to effect such a transaction for the sole purpose of reporting, registering or recording a price that is not a bona fide price or of making a transaction which is a "wash sale", an accommodation trade or a fictitious sale.

h) A substitution transaction may be made at such prices that are mutually agreed upon by the two parties to this transaction. However, the price at which the futures contract leg of the transaction is arranged must be fair and reasonable in light of factors such as, but not limited to, the size of the transaction, the currently traded prices and bid and ask prices in the same contract at the relevant time, the volatility and liquidity of the relevant market as well as the general market conditions.

i) Each substitution 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.

j) Each substitution transaction executed during the usual trading hours of the futures contract to which the transaction applies must be immediately reported to the Bourse. Each substitution transaction executed after the usual trading hours of the futures contract to which the transaction applies must be reported to the Bourse no later than 10:00 a.m. (Montréal time) on the next trading day following the execution of the transaction.

k) The accounts involved on each side of a substitution transaction must satisfy at least one of the following conditions:
   i) they have different beneficial ownership;
   ii) they have the same beneficial ownership, but are under separate control;
   iii) the accounts are commonly controlled, but involve separate legal entities which may or may not have the same beneficial ownership.

In cases where the parties to a substitution 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 transaction was a legitimate arms-length transaction.

l) It is strictly prohibited for any party, for both the buyer and the seller, to enter into a substitution transaction to circumvent the contract month roll in the corresponding security or derivative instrument.

5201 Arbitration of Disputes
(07.05.97, 15.03.05, 02.09.11, 00.00.00)

Any dispute arising between ~~approved participants~~ Approved Participants regarding ~~an exchange contract~~ a Listed Product traded on or subject to the rules of the Bourse must be submitted to the majority decision of three arbitrators appointed as hereinafter provided.

5201 Arbitration of Disputes
(07.05.97, 15.03.05, 02.09.11, 00.00.00)

Any dispute arising between Approved Participants regarding a Listed Product traded on or subject to the rules of the Bourse must be submitted to the majority decision of three arbitrators appointed as hereinafter provided.

6004 Trading Restricted to the Bourse~~Exchange~~
(11.03.85, 11.03.92, 22.11.99, 00.00.00)

Subject to the exceptions set out in article 6380 and 6816~~6005~~, all purchases and sales of ~~Exchange listings~~ Listed Products made by Approved Participants, ~~members, permit holders and~~ an affiliated corporations or a Person must take place on the Bourse~~Exchange~~ during a trading session thereof.

6004 Trading Restricted to the Bourse
(11.03.85, 11.03.92, 22.11.99, 00.00.00)

Subject to the exceptions set out in article 6380 and 6816, all purchases and sales of Listed Products made by Approved Participants, an affiliated corporations or a Person must take place on the Bourse during a trading session thereof.

6005 Off-Exchange Transactions

(10.10.91, 19.11.93, 14.07.95, 22.11.99, 21.04.08, 30.05.08, 29.01.10, 14.01.16, abr. 00.00.00)

~~The only transactions in any securities or derivative instruments listed on the Bourse which an approved participant may make off the Bourse are the following:~~

~~a) a transaction made to adjust an execution error on a client's order;~~

~~b) a transaction made as a result of the exercise of an option or of a delivery pursuant to a futures contract;~~

~~c) an Exchange for Physicals (EFP) transaction or an Exchange for Risk (EFR) transaction pursuant to article 6815 or a Substitution of over-the-counter derivative instruments for futures contracts pursuant to article 6815A;~~

~~d) an off-exchange transfer of securities or derivative instruments pursuant to article 6816;~~

~~e) a block trade in a security or derivative instrument designated by the Bourse and executed according to the provisions of article 6380;~~

~~f) a riskless basis cross transaction in a security or derivative instrument designated by the Bourse and executed according to provisions of article 6380.~~

~~g) an over-the-counter trade in any put or call option, provided that such option:~~

~~i) does not relate to underlying securities which are the object of options issued by the Canadian Derivatives Clearing Corporation; or~~

~~ii) does relate to underlying securities which are the object of options issued by the Canadian Derivatives Clearing Corporation, but whose terms are materially different from those of any series of options issued by the Canadian Derivatives Clearing Corporation.~~

~~For the purposes of this paragraph g), writing over-the-counter options means the distribution of securities for which a prospectus may be required or for which specific or blanket exemptions may be\ necessary under the applicable securities legislation. The writer of over-the-counter options may, in effect, be an issuer distributing securities and so must, accordingly, ensure that such distribution complies with applicable securities legislation.~~

6005 Off-Exchange Transactions

(10.10.91, 19.11.93, 14.07.95, 22.11.99, 21.04.08, 30.05.08, 29.01.10, 14.01.16, abr. 00.00.00)

6007 Trading Delays and Interruptions ~~Halts~~
(10.10.91, 22.11.99, 00.00.00)

a) In order to assist in the orderly opening or re-opening of a Listed Product, a Market Supervisor of the Bourse has the authority to delay the opening or to interrupt trading in any Listed Product for any period of less than two hours. Such two hour period can be extended at the Market Supervisor's discretion in order to assist in re-establishing orderly trading.

~~a) An official of the Exchange has the authority to take such decisions as may be required to delay the opening in any listed security or to interrupt trading in any such security for any period of less than two hours, to assist in the orderly opening or re-opening of such security.~~

~~b) An official of the Exchange has the authority to extend a delayed opening or a halt of trading for any period of time in order to assist in re-establishing orderly trading.~~

~~c~~b) ~~An official of the Exchange may halt trading in a listed security and~~ A Market Supervisor of the Bourse may determine the conditions and time ~~of resumption of~~at which trading in any Listed Product will resume.

6007 Trading Delays and Interruptions
(10.10.91, 22.11.99, 00.00.00)

a) In order to assist in the orderly opening or re-opening of a Listed Product, a Market Supervisor of the Bourse has the authority to delay the opening or to interrupt trading in any Listed Product for any period of less than two hours. Such two hour period can be extended at the Market Supervisor's discretion in order to assist in re-establishing orderly trading.

b) A Market Supervisor of the Bourse may determine the conditions and time at which trading in any Listed Product will resume.

6310 Best ~~Price~~ Execution
(03.07.87, 10.10.91, 11.03.92, 22.11.99, 00.00.00)

~~a) When receiving an order from a client, a Member, an Approved Person or an employee of a Member must use reasonable care consistent with just and equitable principles of trade, high standards of professional conduct and integrity to obtain for his client the best price.~~

a) Approved Participants shall take reasonable care consistent with just and equitable principles of trade and diligently pursue the execution of each client order on the most advantageous execution terms reasonably available under all of the circumstances relating to the trade or trading strategy and the then current market conditions.

b) To assess the most advantageous execution terms reasonably available, Approved Participants should consider general factors including: trading strategy, trade price, speed of execution, certainty of execution, and overall cost of execution. In the case of strategy or spread trades, Approved Participants shall consider these factors as they relate to the execution of the overall strategy, rather than the cost of each individual leg.

~~b) In order to meet such an obligation, a member has a duty to make reasonable effort to avail itself of existing facilities providing information or ability to execute orders.~~

6310 Best Execution
(03.07.87, 10.10.91, 11.03.92, 22.11.99, 00.00.00)

a) Approved Participants shall take reasonable care consistent with just and equitable principles of trade and diligently pursue the execution of each client order on the most advantageous execution terms reasonably available under all of the circumstances relating to the trade or trading strategy and the then current market conditions.

b) To assess the most advantageous execution terms reasonably available, Approved Participants should consider general factors including: trading strategy, trade price, speed of execution, certainty of execution, and overall cost of execution. In the case of strategy or spread trades, Approved Participants shall consider these factors as they relate to the execution of the overall strategy, rather than the cost of each individual leg.

6375 Allocation of tradeable orders
(25.09.00, 24.09.01, 29.10.01, 22.01.16, 00.00.00)

a) Pre-opening / Pre-closing

During the pre-opening and pre-closing stages of the trading day, orders are entered but no trades are generated until the end of the stage. The electronic trading system will calculate the opening/ closing price.

The Calculated Theoretical-Opening price (CTO) represents the overlapping bid/ask price range that results in the maximum possible trade volume.

When there is more than one possible CTO at which the maximum volume is reached, the price with the lowest residual is used. Furthermore under the following conditions:

- if there is an imbalance on the buy side, the highest price is taken;

- if there is an imbalance on the sell side, the lowest price is taken;

- where the residuals are the same, the price which is closest to the previous settlement is taken.

Stop limit orders do not enter into the CTO calculation.

b) Market Session (Continuous Trading)

The electronic trading system allocates the tradeable orders first on a price basis, and then on a first in, first out basis (FIFO) except when part of the allocation is subject to an execution guarantee as defined by the Bourse. Stop limit orders shall be presented to the market as soon as their triggering limit is reached.

6375 Allocation of tradeable orders
(25.09.00, 24.09.01, 29.10.01, 22.01.16, 00.00.00)

a) Pre-opening / Pre-closing

During the pre-opening and pre-closing stages of the trading day, orders are entered but no trades are generated until the end of the stage. The electronic trading system will calculate the opening/ closing price.

The Calculated Theoretical-Opening price (CTO) represents the overlapping bid/ask price range that results in the maximum possible trade volume.

When there is more than one possible CTO at which the maximum volume is reached, the price with the lowest residual is used. Furthermore under the following conditions:

- if there is an imbalance on the buy side, the highest price is taken;

- if there is an imbalance on the sell side, the lowest price is taken;

- where the residuals are the same, the price which is closest to the previous settlement is taken.

Stop limit orders do not enter into the CTO calculation.

b) Market Session (Continuous Trading)

The electronic trading system allocates the tradeable orders first on a price basis, and then on a first in, first out basis (FIFO) except when part of the allocation is subject to an execution guarantee as defined by the Bourse. Stop limit orders shall be presented to the market as soon as their triggering limit is reached.

6379 Input of Orders
(25.09.00, 24.09.01, 29.10.01, 01.04.04, 00.00.00)

a) An Approved Participant shall not withhold or withdraw from the market any order, or any part of an order, for the benefit of any person other than the Person placing the order.~~Except as provided in paragraph b) of article 6375, the market orders and limit orders are entered into the trading system and presented to the market without delay in accordance with the chronology of their receipt. The other orders are presented to the market as soon as their time limit or triggering limit is reached.~~

b) Any order which is entered into the trading system must indicate if the order is for the account of a firm, of a client or of a professional, as these terms are defined in article 6376. In addition, if the order is for the account of an insider or of a significant shareholder, as these terms are defined in article 6376, it must be identified as such. When these conditions are ~~fulfilled, the input in the system triggers the recording of the order. Should the final receiver fail to be identified directly in the system, a time-stamped recording in accordance with article 6377 of the Rules must be completed.~~met, the system automatically records the order.

If a chronological ranking of receipt cannot be established between many orders, the client priority rules of article 6374 of the Rules apply.

6379 Input of Orders
(25.09.00, 24.09.01, 29.10.01, 01.04.04, 00.00.00)

a) An Approved Participant shall not withhold or withdraw from the market any order, or any part of an order, for the benefit of any person other than the Person placing the order.

b) Any order which is entered into the trading system must indicate if the order is for the account of a firm, of a client or of a professional, as these terms are defined in article 6376. In addition, if the order is for the account of an insider or of a significant shareholder, as these terms are defined in article 6376, it must be identified as such. When these conditions are met, the system automatically records the order.

   If a chronological ranking of receipt cannot be established between many orders, the client priority rules of article 6374 of the Rules apply.

~~**6380 Prenegotiation Discussions, Cross Transactions, Prearranged Transactions, Block Trades, Riskless Basis Cross Transactions and Block Trades Priced at a Basis to the Index Close**~~

~~**6380** (25.09.00, 24.09.01, 29.10.01, 31.01.05, 10.11.08, 29.01.10, 09.06.14, 21.01.16)~~

~~For the purpose of this article, the terms hereunder are defined as follows:~~

~~**1) Prenegotiation**~~

~~Discussions Prenegotiation discussions are considered having occurred when approved participants engage in negotiations with each other or with other approved participants and/or clients prior to entering orders which may result in a cross transaction, a prearranged transaction, a block trade, an exchange-forphysical or exchange-for-risk transaction (according to the provisions of article 6815 of this Rule), a substitution transaction (according to the provisions of article 6815A of this Rule) or a riskless basis cross transaction. Clients must consent to allow approved participants to engage in prenegotiation discussions with other approved participants and/or clients with respect to an order.~~

6380 Transactions Required on Bourse Facilities

(00.00.00)

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

6380a. Prearranged Transactions Prohibited. No Person shall prearrange, pre-negotiate or execute noncompetitively any transaction on or through the facilities of the Bourse, except as permitted by, and in accordance with, the procedures of article 6380b.

6380b. Exceptions to Prohibition on Prearranged Transactions.

The prohibition in article 6380a shall not apply to pre-discussed transactions pursuant to article 6380c; Block Trades pursuant to article 6380d; Riskless Basis Cross Trades pursuant to article 6380e; Exchange of Futures for Risk pursuant to articles 6815 and 6815A.; and transfers of open positions under article 6816; *provided however*, no transaction under any of the exceptions included in this article may be executed using a hidden volume functionality.

6380c. Pre-discussed trades.

1. **In general.** The parties to a transaction may engage in discussions to prearrange a transaction on the electronic trading system in an eligible security or derivative in the minimum amount specified where one party wishes to be assured that there will be a counterparty willing to take the opposite side of the transaction, in accordance with the following conditions:

i) A customer must consent to the Approved Participant engaging in prearranging communications on the customer's behalf;

ii) After the first order for the prearranged transaction is entered into the electronic trading system the parties may not enter the second order for the prearranged transaction until the following specified time period has elapsed as follows:

ELIGIBLE INSTRUMENT	PRESCRIBED TIME PERIOD	MINIMUM VOLUME THRESHOLD
Three-Month Canadian Bankers' Acceptance Futures Contracts (BAX):		
1st four quarterly months – not including serial months	5 seconds	No threshold
Remaining expiry months and strategies	15 seconds	No threshold
Thirty-Day Overnight "Repo" Rate Futures Contracts (ONX):		
Front month	5 seconds	No threshold
Remaining expiry months and strategies	15 seconds	No threshold
Overnight Index Swap (OIS):		
Front month	5 seconds	No threshold
Remaining expiry months and strategies	15 seconds	No threshold
Government of Canada Bond Futures Contracts:		
All expiry months and strategies	5 seconds	No threshold
Futures Contracts on S&P/TSX Indices:		
All expiry months	0 second	≥ 100 contracts
All expiry months and strategies	5 seconds	< 100 contracts
Futures Contracts on the FTSE Emerging Markets Index:		
All expiry months	0 second	≥ 100 contracts
All expiry months and strategies	5 seconds	< 100 contracts
Futures Contracts on Canada Carbon Dioxide Equivalent (CO_2e) Units:		
All expiry months and strategies	5 seconds	No threshold
Futures Contracts on Canadian Crude Oil:		
All expiry months and strategies	5 seconds	No threshold
Options on Three-Month Canadian Bankers' Acceptance Futures Contracts:		
All expiry months and strategies	0 second	≥ 250 contracts
All expiry months and strategies	5 seconds	< 250 contracts

Options on Ten-Year Government of Canada Bond Futures Contracts (OGB):		
All expiry months and strategies	0 second	≥ 250 contracts
All expiry months and strategies	5 seconds	< 250 contracts
Equity and Currency Options:		
All expiry months	0 second	≥ 100 contracts
All expiry months	5 seconds	< 100 contracts
All UDS Strategies	5 seconds	No Threshold
Index Options:		
All expiry months	0 second	≥ 50 contracts
All expiry months	5 seconds	< 50 contracts
All UDS Strategies	5 seconds	No Threshold
Canadian Share Futures Contracts:		
All expiry months and strategies	0 seconds	≥ 100 contracts
All expiry months and strategies	5 seconds	< 100 contracts
Futures and Options on Futures Inter-Group Strategies		
All strategies	5 seconds	No threshold

iii)The party that initiates communication regarding a prearranged transaction shall have his or her order entered into the trading system first, unless the parties as part of their negotiation agree otherwise; *provided however*, that in a transaction between an Approved Participant and a customer for a prearranged transaction in an equity, ETF or index option, the customer's order shall always be entered into the electronic trading system first, regardless of which party initiated the communication.

iv) Limit orders resting in the electronic trading system at the time that the first order of the prearranged transaction is entered at or better than the price of the first order shall be matched with the first order entered. Any residual, unfilled amount of the first order may be matched against the second order of the prearranged transaction when the second order is entered.

(v) Parties may not aggregate unrelated orders to meet the minimum threshold for a prearranged transaction.

vi) The parties to the prearranging communications shall not disclose to any other party details of the negotiation or otherwise enter an order to take advantage of the negotiation during such communications except as permitted in this article.

2.) ~~Cross Transactions~~ Committed Orders

~~A cross transaction is considered having occurred when two orders of opposite sides originating from the same approved participant are intentionally executed against each other in whole or in part as a result of prenegotiation discussions.~~

~~A prearranged transaction is considered having occurred when one or more approved participants engage in prenegotiation discussions in order to agree on the terms of a transaction before entering the orders in the electronic trading system of the Bourse. Execution of cross transactions and prearranged transactions are permitted by the Bourse when:~~

Committed orders may not be used to execute any transaction under article 6380c or article 6380f having a prescribed time delay and may be used for such transactions only for the following products subject to the minimum quantity threshold:
~~) they are on eligible securities or derivative instruments;~~

ELIGIBLE INSTRUMENTS FOR COMMITTED ORDERS	**MINIMUM VOLUME THRESHOLD**
Futures Contracts on S&P/TSX Indices	100 contracts
Options on Three-Month Canadian Bankers Acceptance Futures Contracts	250 contracts
Options on Ten-Year Government of Canada Bond Futures Contracts	250 contracts
Equity, ETF and Currency Options	100 contracts
Index Options	50 contracts
Canadian Share Futures Contracts	100 contracts

3) Transactions on eligible products with a prescribed time delay. The parties may engage in discussions to prearrange a transaction on the electronic trading system or via the User Defined Strategy Facility (UDS) where one party wishes to be assured that there will be a counterparty willing to take the opposite side of the transaction, in accordance with the conditions in paragraph 1 of this article 6380c; *provided however*:

(i) in the case of a prearranged transaction that is between the bid and ask on the electronic trading system and for an amount at or greater than the minimum threshold, the parties in their discretion may enter the prearranged transaction as a committed order with no delay, or

(ii) in the case of a prearranged transaction that is on or between the bid and ask on the electronic trading system and for an amount at or greater than the minimum threshold, the parties enter the first and second orders of the prearranged transaction with no delay between the two, but nevertheless subject to execution risk (including the priority given resting limit orders at or better than the prearranged price).

4) Equity, ETF, Index and Currency Option Transactions With 50% Guaranteed Minimum

The parties to an option strategy transaction may engage in discussions to prearrange the transaction where one party wishes to be assured that there will be a counterparty willing to take the opposite side of the transaction, in accordance with the following conditions:

(i) market makers are permitted to participate on the transaction up to a total maximum of 50% of the quantity of the intended transaction;

(ii) the ~~orders are for a volume equal to or greater than the minimum volume threshold established for that eligible security or derivative instrument;~~Approved Participant does not have the ability to trade the strategy on the electronic trading system;

(iii) each Approved Participant must contact a Market Supervisor and provide details of the intended transaction including total quantity, price, side(s) of the transaction, a description of the legs comprising the strategy and identification of the agreed counterparty; and

(iv) the Approved Participant will be permitted to execute the transaction for the remaining volume (a minimum of 50% plus any volume not taken of the 50% that had been offered to the market makers).

~~iii) the prescribed time delay between the input of an order and its opposite side order is respected;~~

~~iv) the transactions are executed in accordance with the Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions.~~

~~The eligible securities or derivative instruments, the prescribed time delays and the minimum volume thresholds are determined by the Bourse and published in the Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions. It is forbidden to use the hidden volume functionality of the electronic trading system of the Bourse to execute a cross transaction or a prearranged transaction.~~

~~)~~6380d. Block Trades

~~A block trade is considered having occurred when one or more approved participants and/or clients engage in prenegotiation discussions to arrange large size transactions away from the electronic trading system of the Bourse (as permitted by article 6005 of this Rule) at prices mutually agreed upon, report to the Bourse the terms of their agreement and the Bourse agrees to them.~~

~~An approved participant of the Bourse may execute a block trade for a volume equal to or greater than the applicable minimum volume threshold in a security or derivative instrument, other than an equity option or a share futures contract, designated by the Bourse pursuant to the following conditions and those of article 6380 6) of this Rule, if applicable:~~

1) In general. Approved Participants of the Bourse may negotiate and execute a transaction off of the electronic trading system pursuant to the following conditions:

i~~i~~) A block trade transaction may be arranged ~~in a designated security or derivative instrument~~and executed only during ~~the~~ trading hours ~~and business days authorized by the Bourse. Once a block trade has been arranged, an approved participant must submit details of the block trade to the Bourse as soon as practicable and in any event within the period of time prescribed by the Bourse.~~on the Bourse for the eligible derivative.

ii) Block trades are only permitted in the derivative instruments and for a quantity which meets or exceeds the minimum volume thresholds as follows:

~~ii) A block trade may be arranged only in a security or derivative instrument that has been designated by the Bourse for that purpose. Such designations will be published by the Bourse, together with the minimum volume thresholds applying to those designated securities or derivative instruments. Approved participants are permitted to enter into block trades in any strategy recognized by the Bourse.~~

ELIGIBLE INSTRUMENT	**MINIMUM VOLUME THRESHOLD**
30-Day Overnight Repo Rate Futures Contracts (ONX)	1,000 contracts
Overnight Index Swap Futures Contracts (OIS)	200 contracts
Ten-Year Government of Canada Bond Futures Contracts (CGB)	1,500 contracts
Two-Year Government of Canada Bond Futures Contracts (CGZ)	500 contracts
30-Year Government of Canada Bond Futures Contracts (LGB)	500 contracts
Five-Year Government of Canada Bond Futures Contracts (CGF)	500 contracts
Options on Three-Month Canadian Bankers Acceptance Futures Contracts	2,000 contracts
Canadian Crude Oil Futures Contracts	100 contracts

Futures contracts on the FTSE Emerging Markets Index	100 contracts
Three-Month Canadian Bankers' Acceptance Futures Contracts quarterlies five through eight (BAX Reds)	1,000 contracts
Three-Month Canadian Bankers' Acceptance Futures Contracts quarterlies nine through twelve (BAX Greens)	500 contracts

~~i~~ii) Where a block strategy involves the trading of ~~two or more~~ different ~~securities or~~ derivative instruments, ~~the smaller of the minimum volume thresholds of the securities or derivative instruments comprised in the block trade will be applied to each of these securities or derivative instruments. Where the strategy involves the trading of two or more~~or different contract months ~~and/or strike prices of the same contract month, the minimum volume threshold will apply to each leg of the trade, except where specific provision has been made within the published minimum thresholds.~~or premiums of the same instrument, each of the component securities or derivatives of the strategy need meet only the lowest applicable threshold.

iv) Approved ~~participants~~Participants may not aggregate separate orders in order to meet the minimum volume thresholds.

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

~~v~~vi) The price at which a block trade is arranged must be "fair and reasonable" in light of (~~i~~a) the size of ~~such a~~the block trade; (~~ii~~b) currently traded prices and bid and ask prices in the same ~~contract, at the relevant time; (iii) currently traded prices and bid and ask prices in other contract months for futures contracts or other option series for options contracts; (iv) currently traded prices and bid and ask prices in other relevant markets, including without limitations~~ derivative instrument; (c) the underlying markets; ~~(v) the volatility and liquidity of the relevant market;~~ and (~~vi~~d) general market conditions~~.~~, all at the relevant time. The fairness and reasonableness of the price of a block trade priced at a basis to an index as permitted under paragraph 2 of this article may also take into account the following additional considerations: (e) financing rates, (f) expected dividend income, and (g) time remaining until the index futures contract expiration, all at the relevant time. Although there is no requirement for a block trade 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.

v~~i~~ii) Block trades shall not ~~set off~~trigger special terms orders or otherwise affect orders ~~in~~on the ~~regular market~~electronic trading system.

~~vii) With the exception of futures contracts on the FTSE Emerging Markets Index, it is strictly prohibited for an approved participant, for both the buyer and the seller, to enter into a block trade to circumvent the contract month roll in the corresponding security or derivative instrument.~~

~~he eligible securities or derivative instruments and the minimum volume thresholds are determined by the Bourse and published in the Procedures for the Execution of Block Trades.~~

viii) A block trade on a contract roll strategy is not permitted, except for the FTSE Emerging Markets Index futures contract.

ix) The details of a block trade must be reported by Approved Participants for both the buyer and seller to the Market Operations Department by telephone at 1-888-696-6366 or at 514-871-7871 and on a Block Trade Reporting Form, available on the Bourse's web site at http://www.m-x.ca/rob_formulaire_en.php, within 15 minutes of the Block Trade's execution.

x) Following validation of the trade details by the Bourse (which is not a confirmation by the Bourse that the block trade has been effected in accordance with this Article), the Bourse shall disseminate the trade and price information relating to the block trade.

xi) Upon request, the Approved Participant shall provide evidence that the block trade transaction has been effected in accordance with these Rules.

2. Block Trades Priced at a Basis to Index Close. Approved Participants may mutually agree to price a block trade at a positive or negative increment ("basis") to the price at which the index underlying an eligible contract will close ("BIC"), for any trading day except the last trading day of an expiring contract month, subject to the conditions in paragraph (1) of article 6380d and the following additional condition:

i) The Approved Participants shall report the basis along with other trade details in accordance with the requirements of paragraph 1) ix) of this article, and shall submit to the Bourse's Market Operations Department a second Block Trade Reporting Form which includes the agreed-upon basis, the closing level of the underlying index and the price of the block trade to the nearest 0.01 index point increment within the time required as follows:

ELIGIBLE INSTRUMENTS	**MINIMUM VOLUME THRESHOLD**	**PRESCRIBED TIME BY WHICH TO FILE BLOCK TRADE REPORTING FORM**	**PRESCRIBED TIME BY WHICH TO FILE SECOND BLOCK TRADE REPORTING FORM** No sooner than
Futures contracts on the FTSE Emerging Markets Index	100 contracts	Within 15 minutes	9:30 p.m. GMT on the next trading day
Futures contracts on S&P/TSX indices and sectorial indices	100 contracts	Within 15 minutes	4:00 p.m. ET on the same trading

6380e. Riskless Basis Cross ~~Transactions~~Trades.

~~A riskless basis cross transaction occurs when an approved participant and a client engage in pre negotiation discussions to conclude a riskless basis cross transaction outside of the posted order book (as permitted by article 6005 of this Rule) at a pre-determined price. The futures contract price is comprised of an average price resulting from a preliminary transaction in the cash market plus a prenegotiated basis spread mutually agreed upon between the approved participant and the client.~~

~~A riskless basis cross transaction can be executed on the Bourse once the approved participant has acquired market exposure using cash instruments as prescribed in the procedures established by the Bourse.~~

~~n order to qualify as a riskless basis cross transaction, the following conditions must be respected:~~

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:

~~i) Riskless basis cross transactions must at all times be executed in accordance with such other procedures, terms and conditions that the Bourse may prescribe from time to time.~~

~~ii) The futures contracts that are eligible to riskless basis cross transactions, and the last day and time for executing such transactions shall be determined by the Bourse.~~

~~ii) The cash components acceptable for the purpose of a riskless basis cross transaction are those specified in the procedures set by the Bourse.~~

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.

~~iv) Each party to a riskless basis cross transaction must satisfy the Bourse, upon request, that the transaction is a bona fide transaction. To this effect, parties to such a transaction must maintain and must provide to the Bourse upon request complete records and documentary evidence relating to such transaction including all records relating to the purchase or sale of securities and futures contracts and to any transfer of positions made in connection with such transaction.~~

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

~~v) It is prohibited for any party to a riskless basis cross transaction to effect a transaction which is contrary to the requirements and practices prescribed by the rules, policies and procedures of the Bourse or to effect such a transaction for the sole purpose of reporting, registering or recording a price that is not a bona fide price or of making a transaction which is a "wash trade", an accommodation trade or a fictitious sale.~~

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. 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 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 contacts 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.

~~i) A riskless basis cross transaction may be made at such prices that are mutually agreed upon by the two parties to this transaction. However, the~~g. The price at which the futures contract leg of the transaction is arranged must be “fair and reasonable” in light of ~~factors such as, but not limited to,~~(i) the size of the transaction~~, the currently~~; (ii) traded prices and bid and ask prices in the same contract~~ at the relevant time,~~; (iii) the volatility and liquidity of the relevant market~~ as well as the~~; and general market conditions~~.~~

~~,~~ all at the relevant time. Although there is no requirement for the futures contract leg of a ~~vii) 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.~~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.

~~viii) Each riskless basis cross transaction must be immediately disseminated by the Bourse once it has validated it.~~

~~ix) It is strictly prohibited for any party, for both the buyer and the seller, to enter into a riskless basis cross trade to circumvent the contract month roll in the corresponding security or derivative instrument.~~

~~**) Block Trades Priced at a Basis to the Index Close (BICs)**~~

~~Block trade priced at a basis to the index close (BICs) are block trade transactions on a security or derivative instrument designated by the Bourse that are priced in reference to the closing price of the relevant underlying index and the basis as determined during prenegotiation discussions.~~

h. Each party to a riskless basis cross transaction must keep full and complete records relating to the riskless basis cross transaction and must provide to the Bourse upon request complete records and documentary evidence relating to such transaction demonstrating that the transaction is a bona fide transaction and that it has been carried out in accordance with the conditions of this article.

~~he futures price assigned to a BIC is based on the applicable closing price of the relevant index adjusted by a valid price increment ("basis").~~

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.

~~The basis and final price of the BIC must be fair and reasonable taking into consideration, but without limitation to the consideration of, the following factors: financing rates, expected dividend income, time remaining until the index futures contract expiration, and any factors set forth in article 6380 4) v) of this Rule, as applicable.~~

~~A BIC is considered having occurred when one or more approved participants and/or clients engage in prenegotiation discussions to arrange large size transactions, in accordance with the minimum volume thresholds determined by the Bourse, away from the electronic trading system of the Bourse (as set forth by article 6005 of this Rule) at a basis that has been mutually agreed upon, report to the Bourse the terms of their agreement and the Bourse agrees to them.~~

~~While the basis to a prospective index price or the applicable closing price of the relevant index is established during prenegotiation discussions, the outright price for the transaction will only be established once the applicable closing price of the relevant underlying index has been established.~~

6380f. Trading Against Customer Orders (Cross-Trades).

An Approved Participant may not knowingly, directly or indirectly, take the opposite side of a customer order for the Approved Participant's own account, an account in which the Approved Participant has a direct or indirect financial interest or an account over which the Approved Participant has discretionary trading authority, unless:

a) the customer order has first been entered on the trading system and exposed to the market for a minimum period of 5 seconds for futures and options; or

b) the transaction is otherwise, and explicitly permitted by, and carried out in accordance with, a rule of the Bourse; including, but not limited to pre-discussed trades pursuant to article 6380c.

~~On all trading days up to but excluding the last trading day of an expiring contract month, an approved participant of the Bourse may execute a BIC for a volume equal to or greater than the applicable minimum volume threshold in a security or derivative instrument designated by the Bourse pursuant to the conditions set forth in article 6380 4) of this Rule.~~

6380 Transactions Required on Bourse Facilities
(00.00.00)
All trading in Listed Products must occur on or through the Trading System or in accordance with the rules of the Bourse.

6380a. Prearranged Transactions Prohibited. No Person shall prearrange, pre-negotiate or execute noncompetitively any transaction on or through the facilities of the Bourse, except as permitted by, and in accordance with, the procedures of article 6380b.

6380b. Exceptions to Prohibition on Prearranged Transactions.

The prohibition in article 6380a shall not apply to pre-discussed transactions pursuant to article 6380c; Block Trades pursuant to article 6380d; Riskless Basis Cross Trades pursuant to article 6380e; Exchange of Futures for Risk pursuant to articles 6815 and 6815A.; and transfers of open positions under article 6816; *provided however,* no transaction under any of the exceptions included in this article may be executed using a hidden volume functionality.

6380c. Pre-discussed trades.

1. **In general.** The parties to a transaction may engage in discussions to prearrange a transaction on the electronic trading system in an eligible security or derivative in the minimum amount specified where one party wishes to be assured that there will be a counterparty willing to take the opposite side of the transaction, in accordance with the following conditions:

i) A customer must consent to the Approved Participant engaging in prearranging communications on the customer's behalf;

ii) After the first order for the prearranged transaction is entered into the electronic trading system the parties may not enter the second order for the prearranged transaction until the following specified time period has elapsed as follows:

ELIGIBLE INSTRUMENT	**PRESCRIBED TIME PERIOD**	**MINIMUM VOLUME THRESHOLD**
Three-Month Canadian Bankers' Acceptance Futures Contracts (BAX):		
1st four quarterly months – not including serial months	5 seconds	No threshold
Remaining expiry months and strategies	15 seconds	No threshold
Thirty-Day Overnight "Repo" Rate Futures Contracts (ONX):		

Front month	5 seconds	No threshold
Remaining expiry months and strategies	15 seconds	No threshold
Overnight Index Swap (OIS):		
Front month	5 seconds	No threshold
Remaining expiry months and strategies	15 seconds	No threshold
Government of Canada Bond Futures Contracts:		
All expiry months and strategies	5 seconds	No threshold
Futures Contracts on S&P/TSX Indices:		
All expiry months	0 second	≥ 100 contracts
All expiry months and strategies	5 seconds	< 100 contracts
Futures Contracts on the FTSE Emerging Markets Index:		
All expiry months	0 second	≥ 100 contracts
All expiry months and strategies	5 seconds	< 100 contracts
Futures Contracts on Canada Carbon Dioxide Equivalent (CO_2e) Units:		
All expiry months and strategies	5 seconds	No threshold
Futures Contracts on Canadian Crude Oil:		
All expiry months and strategies	5 seconds	No threshold
Options on Three-Month Canadian Bankers' Acceptance Futures Contracts:		
All expiry months and strategies	0 second	≥ 250 contracts
All expiry months and strategies	5 seconds	< 250 contracts
Options on Ten-Year Government of Canada Bond Futures Contracts (OGB):		
All expiry months and strategies	0 second	≥ 250 contracts
All expiry months and strategies	5 seconds	< 250 contracts
Equity and Currency Options:		
All expiry months	0 second	≥ 100 contracts
All expiry months	5 seconds	< 100 contracts
All UDS Strategies	5 seconds	No Threshold
Index Options:		
All expiry months	0 second	≥ 50 contracts
All expiry months	5 seconds	< 50 contracts
All UDS Strategies	5 seconds	No Threshold
Canadian Share Futures Contracts:		
All expiry months and strategies	0 seconds	≥ 100 contracts

All expiry months and strategies	5 seconds	< 100 contracts
Futures and Options on Futures Inter-Group Strategies		
All strategies	5 seconds	No threshold

iii)The party that initiates communication regarding a prearranged transaction shall have his or her order entered into the trading system first, unless the parties as part of their negotiation agree otherwise; *provided however*, that in a transaction between an Approved Participant and a customer for a prearranged transaction in an equity, ETF or index option, the customer's order shall always be entered into the electronic trading system first, regardless of which party initiated the communication.

iv) Limit orders resting in the electronic trading system at the time that the first order of the prearranged transaction is entered at or better than the price of the first order shall be matched with the first order entered. Any residual, unfilled amount of the first order may be matched against the second order of the prearranged transaction when the second order is entered.

(v) Parties may not aggregate unrelated orders to meet the minimum threshold for a prearranged transaction.

vi) The parties to the prearranging communications shall not disclose to any other party details of the negotiation or otherwise enter an order to take advantage of the negotiation during such communications except as permitted in this article.

2.) Committed Orders

Committed orders may not be used to execute any transaction under article 6380c or article 6380f having a prescribed time delay and may be used for such transactions only for the following products subject to the minimum quantity threshold:

ELIGIBLE INSTRUMENTS FOR COMMITTED ORDERS	MINIMUM VOLUME THRESHOLD
Futures Contracts on S&P/TSX Indices	100 contracts
Options on Three-Month Canadian Bankers Acceptance Futures Contracts	250 contracts
Options on Ten-Year Government of Canada Bond Futures Contracts	250 contracts
Equity, ETF and Currency Options	100 contracts
Index Options	50 contracts
Canadian Share Futures Contracts	100 contracts

3) Transactions on eligible products with a prescribed time delay. The parties may engage in discussions to prearrange a transaction on the electronic trading system or via the User Defined Strategy Facility (UDS) where one party wishes to be assured that there will be a counterparty willing to take the opposite side of the transaction, in accordance with the conditions in paragraph 1 of this article 6380c; *provided however*:

(i) in the case of a prearranged transaction that is between the bid and ask on the electronic trading system and for an amount at or greater than the minimum threshold, the parties in their discretion may enter the prearranged transaction as a committed order with no delay, or

(ii) in the case of a prearranged transaction that is on or between the bid and ask on the electronic trading system and for an amount at or greater than the minimum threshold, the parties enter the first and second orders of the prearranged transaction with no delay between the two, but nevertheless subject to execution risk (including the priority given resting limit orders at or better than the prearranged price).

4) Equity, ETF, Index and Currency Option Transactions With 50% Guaranteed Minimum

The parties to an option strategy transaction may engage in discussions to prearrange the transaction where one party wishes to be assured that there will be a counterparty willing to take the opposite side of the transaction, in accordance with the following conditions:

(i) market makers are permitted to participate on the transaction up to a total maximum of 50% of the quantity of the intended transaction;

(ii) the Approved Participant does not have the ability to trade the strategy on the electronic trading system;

(iii) each Approved Participant must contact a Market Supervisor and provide details of the intended transaction including total quantity, price, side(s) of the transaction, a description of the legs comprising the strategy and identification of the agreed counterparty; and

(iv) the Approved Participant will be permitted to execute the transaction for the remaining volume (a minimum of 50% plus any volume not taken of the 50% that had been offered to the market makers).

6380d. Block Trades

1) In general. Approved Participants of the Bourse may negotiate and execute a transaction off of the electronic trading system pursuant to the following conditions:

i) A block trade transaction may be arranged and executed only during trading hours on the Bourse for the eligible derivative.

ii) Block trades are only permitted in the derivative instruments and for a quantity which meets or exceeds the minimum volume thresholds as follows:

ELIGIBLE INSTRUMENT	MINIMUM VOLUME THRESHOLD
30-Day Overnight Repo Rate Futures Contracts (ONX)	1,000 contracts
Overnight Index Swap Futures Contracts (OIS)	200 contracts
Ten-Year Government of Canada Bond Futures Contracts (CGB)	1,500 contracts
Two-Year Government of Canada Bond Futures Contracts (CGZ)	500 contracts
30-Year Government of Canada Bond Futures Contracts (LGB)	500 contracts
Five-Year Government of Canada Bond Futures Contracts (CGF)	500 contracts
Options on Three-Month Canadian Bankers Acceptance Futures Contracts	2,000 contracts
Canadian Crude Oil Futures Contracts	100 contracts
Futures contracts on the FTSE Emerging Markets Index	100 contracts
Three-Month Canadian Bankers' Acceptance Futures Contracts quarterlies five through eight (BAX Reds)	1,000 contracts
Three-Month Canadian Bankers' Acceptance Futures Contracts quarterlies nine through twelve (BAX Greens)	500 contracts

ii) Where a block strategy involves the trading of different derivative instruments, or different contract months or premiums of the same instrument, each of the component securities or derivatives of the strategy need meet only the lowest applicable threshold.

iv) Approved Participants may not aggregate separate orders in order to meet the minimum volume thresholds.

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

vi) The price at which a block trade is arranged must be “fair and reasonable” in light of (a) the size of the block trade; (b) currently traded prices and bid and ask prices in the same derivative instrument; (c) the underlying markets; and (d) general market conditions, all at the relevant time. The fairness and reasonableness of the price of a block trade priced at a basis to an index as permitted under paragraph 2 of this article may also take into account the following additional considerations: (e) financing rates, (f) expected dividend income, and (g) time remaining until the index futures contract expiration, all at the relevant time. Although there is no requirement for a block trade 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.

vii) Block trades shall not trigger special terms orders or otherwise affect orders on the electronic trading system.

viii) A block trade on a contract roll strategy is not permitted, except for the FTSE Emerging Markets Index futures contract.

ix) The details of a block trade must be reported by Approved Participants for both the buyer and seller to the Market Operations Department by telephone at 1-888-696-6366 or at 514-871-7871 and on a Block Trade Reporting Form, available on the Bourse’s web site at http://www.m-x.ca/rob_formulaire_en.php, within 15 minutes of the Block Trade’s execution.

x) Following validation of the trade details by the Bourse (which is not a confirmation by the Bourse that the block trade has been effected in accordance with this Article), the Bourse shall disseminate the trade and price information relating to the block trade.

xi) Upon request, the Approved Participant shall provide evidence that the block trade transaction has been effected in accordance with these Rules.

2. **Block Trades Priced at a Basis to Index Close.** Approved Participants may mutually agree to price a block trade at a positive or negative increment (“basis”) to the price at which the index underlying an eligible contract will close (“BIC”), for any trading day except the last trading day of an expiring contract month, subject to the conditions in paragraph (1) of article 6380d and the following additional condition:

i) The Approved Participants shall report the basis along with other trade details in accordance with the requirements of paragraph 1) ix) of this article, and shall submit to the Bourse’s Market Operations Department a second Block Trade Reporting Form which includes the agreed-upon basis, the closing level of the underlying index and the price of the block trade to the nearest 0.01 index point increment within the time required as follows:

ELIGIBLE INSTRUMENTS	**MINIMUM VOLUME THRESHOLD**	**PRESCRIBED TIME BY WHICH TO FILE BLOCK TRADE REPORTING FORM**	**PRESCRIBED TIME BY WHICH TO FILE SECOND BLOCK TRADE REPORTING FORM** No sooner than
Futures contracts on the FTSE Emerging Markets Index	100 contracts	Within 15 minutes	9:30 p.m. GMT on the next trading day
Futures contracts on S&P/TSX indices and sectorial indices	100 contracts	Within 15 minutes	4:00 p.m. ET on the same trading

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 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. 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 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 contacts 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 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 party to a riskless basis cross transaction must keep full and complete records relating to the riskless basis cross transaction and must provide to the Bourse upon request complete records and documentary evidence relating to such transaction demonstrating that the transaction is a bona fide transaction and that it has been carried out in accordance with the conditions of this article.

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.

6380f. Trading Against Customer Orders (Cross-Trades).

An Approved Participant may not knowingly, directly or indirectly, take the opposite side of a customer order for the Approved Participant's own account, an account in which the Approved Participant has a direct or indirect financial interest or an account over which the Approved Participant has discretionary trading authority, unless:

a) the customer order has first been entered on the trading system and exposed to the market for a minimum period of 5 seconds for futures and options; or

b) the transaction is otherwise, and explicitly permitted by, and carried out in accordance with, a rule of the Bourse; including, but not limited to pre-discussed trades pursuant to article 6380c.

6381 Trade Cancellations and ~~or~~ Price Adjustments ~~of Trades~~
(25.09.00, 24.09.01, 29.10.01, 24.04.09, 00.00.00)

~~a) A trade on the electronic trading system resulting from an input error can be cancelled by the parties agreeing to it within 15 minutes following its execution. The error and the request to cancel the resulting transaction must be verbally communicated (by telephone) by the approved participant to a Market Supervisor of the Bourse.~~

~~b) The Bourse may at any time cancel or adjust a trade if it is judged to be detrimental to the normal operation or quality of the market or in any circumstance judged appropriate by a Market Supervisor.~~

~~The decisions are final and cannot be appealed.~~

a) **Price Adjustment and Trade Cancellation and Price.** Market Supervisors of the Bourse are authorized to adjust prices or cancel trades when such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the trading system. Notwithstanding any other provision of this article, the Market Supervisor may adjust trade prices or cancel any trade executed through the trading system if the Market Supervisor determines in his or her sole discretion that allowing the trade to stand as executed may have a material, adverse effect on the integrity of the market or the market's orderly operation. The decision of the Market Supervisor in such matters shall be final.

b) **Review of Trades, Requests for Review.** Market Operations may review a trade or trades based upon its analysis of market conditions, including but not limited to market volatility, prices in related markets, or in response to a request for review of a specific trade by an Approved Participant. An Approved Participant must request review of a trade by calling the Market Operations Department of the Bourse at 514 871-7871 or 1-888-693-6366 within 15 minutes of execution; *provided however*, the Market Supervisor, in his or her sole discretion, may extend the period in which an Approved Participant may request review of a trade up to one hour following execution in extraordinary circumstances.

c) **Notice to Market.** Where Market Operations on its own analysis determines to review a trade or trades for adjustment or cancellation, or where an Approved Participant has requested review of a specific trade and that trade is outside of the No Review Range provided under paragraph g of this article, the Bourse will notify the market that the trade or trades are under review by the Market Supervisor.

d) **Price Adjustments and Cancellations.** Upon making a determination to review a trade, the Market Supervisor initially determines whether the price of the trade is within or outside of the No Review Range as provided under paragraph g of this article. The Market Supervisor shall in his or her sole discretion determine the limits of the No Review Range and whether the trade is within the No Review

Range or Outside the No Review Range. The Market Supervisor's determination shall be final.

i) **Trade Price Inside the No-Review Range.** If the Market Supervisor determines that the trade price is inside the No Review Range, the Market Supervisor will notify the two Approved Participant counterparties to the trade that the trade shall stand as executed; *provided however*, the Market Supervisor may cancel such a trade within 15 minutes of the trade's execution and within the trading session during which the trade was executed (early, regular or extended), if both Approved Participant counterparties to the trade voluntarily consent to cancellation of the trade.

ii) Trade Price Outside the No Review Range.

If the Market Supervisor determines that the trade price is outside of the No-Review Range, the Market Supervisor, after endeavoring to contact the Approved Participant counterparties, shall adjust the price to the limit of the No Review Range. The policy of the Bourse is to favor price adjustment as a remedy over trade cancellation and to adjust trades in order to minimize the impact for all market participants involved in the erroneous trades and particularly those who had a regular order in the order book. However, the Market Supervisor, in his or her discretion, may cancel a trade rather than adjust the price if:

A) Both parties to the trade can be contacted within a reasonable delay and agree to the cancellation of the trade; and

B) Neither party to the trade is either an Approved Participant or the registered holder of a SAM ID.

iii) **Implied Orders, Implied Strategy Orders.**

(A) An order generated by the implied pricing algorithm (using regular orders) and registered in the order book by the trading engine will be considered by the Market Supervisor as though it were a regular order entered into the trading system by an Approved Participant.

(B) An implied or regular strategy trade, whether an implied or regular, will be considered by the Market Supervisor, as being composed of two regular orders, one for each leg of the strategy trade. If the erroneous trade involves a linked implied order(s) and is priced outside the No Review Range, the initiator of the original error trade will be responsible for the trade resulting from the linked implied order(s).

(C) The adjustment relating to an erroneous strategy trade will equal at least the increment between the No Review range and the traded price on one of the individual legs, and no more than the sum of each individual legs' increments.

iv) **Stop Orders.** Trades that have occurred as a result of "stop orders" in the Trading System being triggered by an erroneous trade are also subject to cancellation by the Market Supervisor acting in his or her sole discretion. The determination of the Market Supervisor shall be final.

e) **Decision of the Market Supervisor**. The Market Supervisor shall endeavor to determine to adjust or cancel a trade within 30 minutes following a request to review the trade, or, as applicable, notice to the market that a trade or trades were being reviewed.

i). If the decision is to cancel the trade, the Market Supervisor will remove the transaction as an executed trade from the records of the Bourse.

ii) Upon cancelation of a trade, the parties, if they choose, may reenter new orders into the trading system.

f) If the Market Supervisor determines that a trade should not be adjusted or cancelled, the parties to the trade shall not themselves decide to cancel it by making a position transfer through the Canadian Derivatives Clearing Corporation.

g) **No Review Range.** The Market Supervisor will determine the limits of the No Review Range by determining what was the acceptable market price for the derivative instrument before the trade under review occurred based upon all relevant information, including the last trade price, a better bid or offer, a more recent price for a related derivative instrument (for example a different expiry month) and the prices of similar derivative instruments trading on other markets; and shall make the following adjustment above or below that price:

DERIVATIVE INSTRUMENT	**INCREMENT**
Three-Month Canadian Banker's Acceptance Futures – BAX (all quarterly and serial months)	5 basis points
Three-Month Canadian Banker's Acceptance Futures – BAX Strategies: - Regular strategy orders - Implied strategy orders	 5 basis points Sum of the strategy's individual legs' increments.
Options on Three-Month Canadian Banker's Acceptance Futures	5 basis points
Two-Year Government of Canada Bond Futures (CGZ) - Regular strategy orders - Implied Strategy orders	 20 basis points 20 basis points Sum of strategy's individual legs' increments

DERIVATIVE INSTRUMENT	INCREMENT
Five-Year Government of Canada Bond Futures (CGF) - Regular strategy orders - Implied Strategy orders	20 basis points 20 basis points Sum of strategy's individual legs' increments
Ten-Year Government of Canada Bond Futures (CGB) - Regular strategy orders	40 basis points 20 basis points
30-Year Government of Canada Bond Futures (LGB) - Regular strategy orders - Implied Strategy orders	40 basis points 40 basis points Sum of strategy's individual legs' increments
Options on Government of Canada Bond Futures	40 basis points
Futures Contracts on S&P/TSX Indices and on the FTSE Emerging Markets Index - Regular strategy orders	1% of the acceptable market price of these futures contracts 5% of the increments for the outright month
30-Day Overnight Repo Rate Futures Regular strategy orders	5 basis points 5 basis points
Overnight Index Swap Futures	5 basis points
Overnight Index Swap Futures – OIS Strategies: - Regular strategy orders - Implied strategy orders	5 basis points Sum of the strategy's individual legs' increments.
Futures and Options on Futures Inter-Group Strategies: - Regular strategy orders - Implied Strategy orders	Sum of strategy's individual legs' increments
Equity, Currency, ETF and Index Options Price ranges: $0.00 to $5.00 $5.01 to $10.00 $10.01 to $20.00 $20.00 up	$0.10 $0.25 $0.50 $0.75
Equity, Currency, ETF and Index Options Strategies: - Regular strategy orders - Implied strategy orders	Sum of the strategy's individual legs' increments
Sponsored Options Price ranges: $0.001 to $0.99 $1.00 up	$0.25 $0.50

DERIVATIVE INSTRUMENT	INCREMENT
Canadian Share Futures Contracts Regular and extended sessions: Early session:	1. 0.50$, if the acceptable market price of these futures contracts is less than 25$; 2. 1.00$, if the acceptable market price of these futures contracts is equal to or higher than 25$ but less than 100$; 3. 1% of the acceptable market price of these futures contracts if the acceptable market price of these futures contracts is equal to or higher than 100$. 5% of the acceptable market price of these futures contracts
Futures Contracts on Canadian Crude Oil	5% of the acceptable market price of these futures contracts.

6381 Trade Cancellations and Price Adjustments
(25.09.00, 24.09.01, 29.10.01, 24.04.09, 00.00.00)

a) **Price Adjustment and Trade Cancellation and Price.** Market Supervisors of the Bourse are authorized to adjust prices or cancel trades when such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the trading system. Notwithstanding any other provision of this article, the Market Supervisor may adjust trade prices or cancel any trade executed through the trading system if the Market Supervisor determines in his or her sole discretion that allowing the trade to stand as executed may have a material, adverse effect on the integrity of the market or the market's orderly operation. The decision of the Market Supervisor in such matters shall be final.

b) **Review of Trades, Requests for Review.** Market Operations may review a trade or trades based upon its analysis of market conditions, including but not limited to market volatility, prices in related markets, or in response to a request for review of a specific trade by an Approved Participant. An Approved Participant must request review of a trade by calling the Market Operations Department of the Bourse at 514 871-7871 or 1-888-693-6366 within 15 minutes of execution; *provided however,* the Market Supervisor, in his or her sole discretion, may extend the period in which an Approved Participant may request review of a trade up to one hour following execution in extraordinary circumstances.

c) **Notice to Market.** Where Market Operations on its own analysis determines to review a trade or trades for adjustment or cancellation, or where an Approved Participant has requested review of a specific trade and that trade is outside of the No Review Range provided under paragraph g of this article, the Bourse will notify the market that the trade or trades are under review by the Market Supervisor.

d) **Price Adjustments and Cancellations.** Upon making a determination to review a trade, the Market Supervisor initially determines whether the price of the trade is within or outside of the No Review Range as provided under paragraph g of this article. The Market Supervisor shall in his or her sole discretion determine the limits of the No Review Range and whether the trade is within the No Review Range or Outside the No Review Range. The Market Supervisor's determination shall be final.

  i) **Trade Price Inside the No-Review Range.** If the Market Supervisor determines that the trade price is inside the No Review Range, the Market Supervisor will notify the two Approved Participant counterparties to the trade that the trade shall stand as executed; *provided however,* the Market Supervisor may cancel such a trade within 15 minutes of the trade's execution and within the trading session during which the trade was executed (early, regular or extended), if both Approved Participant counterparties to the trade voluntarily consent to cancellation of the trade.

ii) Trade Price Outside the No Review Range.

If the Market Supervisor determines that the trade price is outside of the No-Review Range, the Market Supervisor, after endeavoring to contact the Approved Participant counterparties, shall adjust the price to the limit of the No Review Range. The policy of the Bourse is to favor price adjustment as a remedy over trade cancellation and to adjust trades in order to minimize the impact for all market participants involved in the erroneous trades and particularly those who had a regular order in the order book. However, the Market Supervisor, in his or her discretion, may cancel a trade rather than adjust the price if:

A) Both parties to the trade can be contacted within a reasonable delay and agree to the cancellation of the trade; and

B) Neither party to the trade is either an Approved Participant or the registered holder of a SAM ID.

iii) **Implied Orders, Implied Strategy Orders.**

(A) An order generated by the implied pricing algorithm (using regular orders) and registered in the order book by the trading engine will be considered by the Market Supervisor as though it were a regular order entered into the trading system by an Approved Participant.

(B) An implied or regular strategy trade, whether an implied or regular, will be considered by the Market Supervisor, as being composed of two regular orders, one for each leg of the strategy trade. If the erroneous trade involves a linked implied order(s) and is priced outside the No Review Range, the initiator of the original error trade will be responsible for the trade resulting from the linked implied order(s).

(C) The adjustment relating to an erroneous strategy trade will equal at least the increment between the No Review range and the traded price on one of the individual legs, and no more than the sum of each individual legs' increments.

iv) **Stop Orders.** Trades that have occurred as a result of "stop orders" in the Trading System being triggered by an erroneous trade are also subject to cancellation by the Market Supervisor acting in his or her sole discretion. The determination of the Market Supervisor shall be final.

e) **Decision of the Market Supervisor**. The Market Supervisor shall endeavor to determine to adjust or cancel a trade within 30 minutes following a request to review the trade, or, as applicable, notice to the market that a trade or trades were being reviewed.

i). If the decision is to cancel the trade, the Market Supervisor will remove the transaction as an executed trade from the records of the Bourse.

ii) Upon cancelation of a trade, the parties, if they choose, may reenter new orders into the trading system.

f) If the Market Supervisor determines that a trade should not be adjusted or cancelled, the parties to the trade shall not themselves decide to cancel it by making a position transfer through the Canadian Derivatives Clearing Corporation.

g) **No Review Range.** The Market Supervisor will determine the limits of the No Review Range by determining what was the acceptable market price for the derivative instrument before the trade under review occurred based upon all relevant information, including the last trade price, a better bid or offer, a more recent price for a related derivative instrument (for example a different expiry month) and the prices of similar derivative instruments trading on other markets; and shall make the following adjustment above or below that price:

DERIVATIVE INSTRUMENT	INCREMENT
Three-Month Canadian Banker's Acceptance Futures – BAX (all quarterly and serial months)	5 basis points
Three-Month Canadian Banker's Acceptance Futures – BAX Strategies: - Regular strategy orders - Implied strategy orders	 5 basis points Sum of the strategy's individual legs' increments.
Options on Three-Month Canadian Banker's Acceptance Futures	5 basis points
Two-Year Government of Canada Bond Futures (CGZ) - Regular strategy orders - Implied Strategy orders	 20 basis points 20 basis points Sum of strategy's individual legs' increments
Five-Year Government of Canada Bond Futures (CGF) - Regular strategy orders - Implied Strategy orders	 20 basis points 20 basis points Sum of strategy's individual legs' increments
Ten-Year Government of Canada Bond Futures (CGB) - Regular strategy orders	 40 basis points 20 basis points

DERIVATIVE INSTRUMENT	INCREMENT
30-Year Government of Canada Bond Futures (LGB) - Regular strategy orders - Implied Strategy orders	 40 basis points 40 basis points Sum of strategy's individual legs' increments
Options on Government of Canada Bond Futures	40 basis points
Futures Contracts on S&P/TSX Indices and on the FTSE Emerging Markets Index - Regular strategy orders	1% of the acceptable market price of these futures contracts 5% of the increments for the outright month
30-Day Overnight Repo Rate Futures Regular strategy orders	5 basis points 5 basis points
Overnight Index Swap Futures	5 basis points
Overnight Index Swap Futures – OIS Strategies: - Regular strategy orders - Implied strategy orders	 5 basis points Sum of the strategy's individual legs' increments.
Futures and Options on Futures Inter-Group Strategies: - Regular strategy orders - Implied Strategy orders	Sum of strategy's individual legs' increments
Equity, Currency, ETF and Index Options Price ranges: $0.00 to $5.00 $5.01 to $10.00 $10.01 to $20.00 $20.00 up	 $0.10 $0.25 $0.50 $0.75
Equity, Currency, ETF and Index Options Strategies: - Regular strategy orders - Implied strategy orders	 Sum of the strategy's individual legs' increments
Sponsored Options Price ranges: $0.001 to $0.99 $1.00 up	 $0.25 $0.50

DERIVATIVE INSTRUMENT	**INCREMENT**
Canadian Share Futures Contracts Regular and extended sessions:	1. 0.50$, if the acceptable market price of these futures contracts is less than 25$; 2. 1.00$, if the acceptable market price of these futures contracts is equal to or higher than 25$ but less than 100$; 3. 1% of the acceptable market price of these futures contracts if the acceptable market price of these futures contracts is equal to or higher than 100$.
Early session:	5% of the acceptable market price of these futures contracts
Futures Contracts on Canadian Crude Oil	5% of the acceptable market price of these futures contracts.

6383 Acceptable Market Price
(25.09.00, 24.09.01, 29.10.01, 24.04.09, abr. 00.00.00)

~~Before the cancellation of a trade, the Market Supervisor of the Bourse notes the spread between the price execution of the trade that is requested to be cancelled and the acceptable market price and determines the estimated price at which the trade should have been done in normal execution conditions.~~

~~The acceptable market price is determined by the Market Supervisor of the Bourse on the basis of available market information at the time the trade, requested to be cancelled was executed.~~

6383 Acceptable Market Price
(25.09.00, 24.09.01, 29.10.01, 24.04.09, abr. 00.00.00)

6384 Decision by the Market Supervisor of the Bourse
(25.09.00, 24.09.01, 29.10.01, 24.04.09, abr. 00.00.00)

~~A trade will not be cancelled:~~

~~- if the error and the request to cancel the resulting trade have been communicated to the Bourse by the approved participant outside the prescribed delay;~~

~~- if the spread between the execution price of the trade to be cancelled and the acceptable market price is inferior to the spread determined by a Market Supervisor of the Bourse;~~

~~- if a Market Supervisor of the Bourse considers that he does not have sufficient information to determine the acceptable market price;~~

~~- if the information communicated to the Bourse by the approved participant is incomplete or insufficient.~~

~~The Market Supervisor's decision is final and cannot be appealed.~~

6384 Decision by the Market Supervisor of the Bourse
(25.09.00, 24.09.01, 29.10.01, 24.04.09, abr. 00.00.00)

6385 Delays of Decision and Notifications
(25.09.00, 24.09.01, 29.10.01, 24.04.09, abr. 00.00.00)

~~The Market Supervisor of the Bourse will decide to cancel or refuse to cancel a transaction and will inform each party to the trade of this decision. This will be done within thirty minutes following the communication of the error and of the cancellation request to the Bourse by the approved participant within the same delay.~~

6385 Delays of Decision and Notifications
(25.09.00, 24.09.01, 29.10.01, 24.04.09, abr. 00.00.00)

6388 Daily Price Limits
(25.09.00, 24.09.01, 29.10.01, abr. 00.00.00)

~~The Bourse establishes for each derivative instrument a daily price limit, based on a percentage, with respect to the previous day's settlement price and there shall be no trading above or below that limit. The daily price limit percentage is established on a monthly basis in collaboration with the clearing corporation.~~

6388 Daily Price Limits
(25.09.00, 24.09.01, 29.10.01, abr. 00.00.00)

6393 ~~Trading~~Order Price ~~Limits~~Filter
(25.09.00, 24.09.01, 29.10.01, 00.00.00)

In order to minimize errors ~~of the approved participant~~ during order entry in the ~~electronic trading system, trading price limits are in place for each instrument. This will protect the approved participant from entering a wrong price, which could move the market dramatically.~~trading system that may affect orderly trading, the Bourse establishes an order price filter for each Listed Product.

~~The approved participant who has placed an order which is not in the trading price limits, will receive a specific message that his order has been rejected.~~

~~The trading price limits will be set at~~ Any order exceeding the order price filter automatically will be rejected by the trading system and the Person entering the rejected order will be notified. The order price filter is determined by the Bourse before the start of trading on every business day based ~~on~~upon the previous day's settlement price ~~(plus or minus). These limits will~~and may be adjusted at any time by the Market Supervisor ~~of the Bourse during the trading day, based on the movement of the market. The Bourse will be responsible to make sure the limits will not affect trading in any way. The new limits will be broadcasted to the market. Once the trading price limit has reached the daily price limits, the daily price limits are effective.~~acting in his or her discretion and upon his or her own initiative or upon request. Any changes in the level of the order price filter shall be broadcast to the market.

The order price filter will not be re-adjusted intra-session for trading sessions during which the underlying exchange-traded products are not open for trading.

~~The Bourse will advise the approved participants of any change to the spread of the trading price limits.~~

6393A Other Trading Price Limits
(18.09.09, abr. 00.00.00)

~~A range of trading price limits (up and down) will also be established in trading sessions during which the underlying exchange-traded products are not open for trading. Such a trading range will be established by the Bourse based on the previous day's settlement price at the beginning of that particular trading session and will not be readjusted intra-session.~~

6393 Order Price Filter
(25.09.00, 24.09.01, 29.10.01, 00.00.00)

In order to minimize errors during order entry in the trading system that may affect orderly trading, the Bourse establishes an order price filter for each Listed Product.

Any order exceeding the order price filter automatically will be rejected by the trading system and the Person entering the rejected order will be notified. The order price filter is determined by the Bourse before the start of trading on every business day based upon the previous day's settlement price and may be adjusted at any time by the Market Supervisor acting in his or her discretion and upon his or her own initiative or upon request. Any changes in the level of the order price filter shall be broadcast to the market.

The order price filter will not be re-adjusted intra-session for trading sessions during which the underlying exchange-traded products are not open for trading.

6393A Other Trading Price Limits
(18.09.09, abr. 00.00.00)

6636.1 ~~Triggering of a Circuit-Breaker on the Underlying Interest~~Trading Halts
(28.07.14, 00.00.00)

a) Trading on equity options, index options, exchange-traded funds and stock index futures will automatically be halted upon notice from the Toronto Stock Exchange (TSX) that a single-stock or market-wide circuit breaker has been triggered or when IIROC imposes a regulatory trading halt in the security underlying a Listed Product traded on the Bourse.

~~Trading halts on equity, exchange-traded funds or income trust units options shall be coordinated with the trading halt mechanism of the underlying interest.~~

b) With respect to any Listed Product not within the scope of paragraph a) of this article, the Market Supervisor may halt trading on the Bourse in his or her sole discretion whenever and for such time as the exchange on which an instrument underlying a Listed Product halts trading in that instrument due to market volatility or otherwise.

6636.1 Trading Halts
(28.07.14, 00.00.00)

a) Trading on equity options, index options, exchange-traded funds and stock index futures will automatically be halted upon notice from the Toronto Stock Exchange (TSX) that a single-stock or market-wide circuit breaker has been triggered or when IIROC imposes a regulatory trading halt in the security underlying a Listed Product traded on the Bourse.

b) With respect to any Listed Product not within the scope of paragraph a) of this article, the Market Supervisor may halt trading on the Bourse in his or her sole discretion whenever and for such time as the exchange on which an instrument underlying a Listed Product halts trading in that instrument due to market volatility or otherwise.

6671 Exercise of Options and Delivery of Futures Contracts
(06.08.86, 10.11.92, 07.09.99, 00.00.00)

Options shall be exercised by clearing members in accordance with the b~~B~~y-laws and ~~R~~rules and g~~G~~eneral c~~C~~onditions of the designated Clearing Corporation. Options may be exercised only in a unit of trading or in an integral multiple thereof. The prohibition in article 6380a shall not apply to transactions made as a result of the exercise of an option or of a delivery pursuant to a futures contract.

6671 Exercise of Options and Delivery of Futures Contracts
(06.08.86, 10.11.92, 07.09.99, 00.00.00)

Options shall be exercised by clearing members in accordance with the by-laws and rules and general conditions of the designated Clearing Corporation. Options may be exercised only in a unit of trading or in an integral multiple thereof. The prohibition in article 6380a shall not apply to transactions made as a result of the exercise of an option or of a delivery pursuant to a futures contract.

6815 Exchanges for ~~Physicals (EFP) and Exchanges for Risk Transactions (EFR)~~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, 00.00.00)

~~Exchanges for physicals (EFP) or exchanges for risk (EFR) 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 and of the procedures established by the Bourse.~~

~~**1) Exchanges for physicals (EFP)**~~

~~a) An EFP may be concluded between two parties if one of the parties is the buyer of a physical or cash component that is acceptable to the Bourse for the purpose of the EFP transaction and the seller of the futures contract, and the other party is the seller of such physical or cash component and the buyer of the futures contract.~~

~~b) The purchase and sale of the futures contract must be simultaneous with the sale and purchase of a corresponding quantity of the physical or cash component acceptable to the Bourse for the purpose of the EFP transaction.~~

~~c) The physical or cash component of the EFP transaction must involve a physical or cash instrument that is related to and that has a reasonable price correlation with the underlying interest of the futures contract being exchanged or the futures contract itself where the use of the underlying interest is not practical. The quantity or value covered by the physical or cash component of the EFP transaction must be approximately equivalent to the quantity or value covered by the futures contract.~~

~~**2) Exchange for Risk Transactions**~~

~~An exchange of a futures contract for an over-the-counter (OTC) derivative instrument and/or swap agreement (an Exchange for Risk (EFR) transaction) consists of two discrete, but related simultaneous transactions: a risk transaction and a futures contract transaction. At the time such transaction is effected, the parties to the futures contract transaction must be the same parties to the risk transaction and the buyer and the seller of the futures contract must be, respectively, the seller and the buyer of the OTC derivative instrument and/or swap agreement. The risk component of the EFR transaction must involve an OTC derivative instrument and/or swap agreement that is related to and that has a reasonable price correlation with the underlying interest of the futures contract being exchanged or the futures contract itself where the use of the underlying interest is not practical. The quantity or value covered by the risk component of the EFR transaction must be approximately equivalent to the quantity or value covered by the futures contract.~~

~~**) General Provision**~~

~~a) EFP and EFR transactions must at all times be executed in accordance with such other procedures, terms and conditions that the Bourse may prescribe from time to time.~~

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 and procedures 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 ~~futures contracts that are eligible to EFP or EFR transactions, and the last day and time for executing such transactions shall be determined by the Bourse.~~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.

~~c) The cash components acceptable for the purpose of an EFP transaction and the over the counter derivative instruments acceptable for the purpose of an EFR transaction are those specified in the procedures set by the Bourse.~~

~~d) Each party to an EFP or EFR transaction must satisfy the Bourse, upon request, that the transaction is a bona fide EFP or EFR transaction. To this effect, parties to such a transaction must maintain and must provide to the Bourse upon request complete records and documentary evidence relating to such transaction including all records relating to the purchase or sale of securities, physical underlyings, sub-instruments of these physical underlyings, instruments related thereto or over the counter derivative instruments and to any transfer of funds or ownership made in connection with such transaction.~~

~~e) It is prohibited for any party to an EFP or an EFR transaction to effect a transaction which is contrary to the requirements and practices prescribed by the rules, policies and procedures of the Bourse or to effect such a transaction for the sole purpose of reporting, registering or recording a price that is not a bona fide price or of making a transaction which is a "wash sale", an accommodation trade or a fictitious sale.~~

~~f) An EFP or an EFR transaction may be made at such prices that are mutually agreed upon by the two parties to this transaction. However, the price at which the futures contract leg of the transaction is arranged must be fair and reasonable in light of factors such as, but not limited to, the size of the transaction, the currently traded prices and bid and ask prices in the same contract at the relevant time, the volatility and liquidity of the relevant market as well as the general market conditions.~~

~~g) Each EFP or EFR 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.~~

~~h) Each EFP or EFR transaction executed during the trading hours of the futures contract to which the transaction applies must be reported to the Bourse within one hour upon determination of all the relevant terms of the trade. Each EFP or EFR transaction executed after the trading hours of the futures contract to which the transaction applies must be reported to the Bourse no later than 10:00 a.m. (Montréal time) on the next trading day following the execution of the transaction.~~

~~i~~d) The accounts involved on each side of an ~~EFP or EFR~~EFRP transaction must ~~satisfy at least one of the following conditions~~:

i) ~~they~~ have different beneficial ownership; or

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

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

(iv)~~In cases where~~ when the parties to an ~~EFP or EFR~~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.

~~j) It is strictly prohibited for any party, for both the buyer and the seller, to enter into an EFP or EFR transaction to circumvent the contract month roll in the corresponding security or derivative instrument.~~

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 strategy 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, 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 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.

~~**6815A Substitution of over-the-counter derivative instruments for futures contracts**~~
~~(30.05.08, 12.02.16)~~

~~a) Transactions allowing to substitute an over-the-counter derivative instrument and/or a swap agreement for futures contracts listed and traded on the Bourse are permitted if such transactions are executed in accordance with the requirements of this article and of the procedures established by the Bourse.~~

~~b) A substitution of an over-the-counter (OTC) derivative instrument and/or swap agreement for futures contracts consists of two discrete transactions: a risk transaction and a futures contract transaction. At the time such transaction is effected, the parties to the futures contract transaction must be the same parties to the risk transaction and the buyer and the seller of the futures contract must be, respectively, the buyer and the seller of the OTC derivative instrument and/or swap agreement. The risk component of the substitution transaction must involve the interest underlying the futures contracts (or a derivative, by-product or related product of such underlying interest) and must have a reasonable price correlation with the underlying interest of the futures contract involved in the substitution transaction or the futures contract itself where the use of the underlying interest is not practical. The quantity or value covered by the risk component of the substitution of over-the-counter derivative instruments for futures contracts must be approximately equivalent to the quantity or value covered by the futures contract transaction.~~

~~c) Substitution transactions involving over-the-counter derivative instruments must at all times be executed in accordance with such other procedures, terms and conditions that the Bourse may prescribe from time to time.~~

~~d) The futures contracts that are eligible to substitution transactions, and the last day and time for executing such transactions shall be determined by the Bourse.~~

~~e) The risk components acceptable for the purpose of a substitution transaction are those specified in the procedures set by the Bourse.~~

~~f) Each party to a substitution transaction must satisfy the Bourse, upon request, that the transaction is a bona fide substitution transaction. To this effect, parties to such a transaction must maintain and must provide to the Bourse upon request complete records and documentary evidence relating to such transaction including all records relating to the purchase or sale of securities, physical underlyings, sub-instruments of these physical underlyings, instruments related thereto or over the counter derivative instruments and to any transfer of funds or ownership made in connection with such transaction.~~

~~g~~i) It is prohibited ~~for any party to a substitution transaction to effect a transaction which is contrary to the requirements and practices prescribed by the rules, policies and procedures of the Bourse or to effect such a~~to effect an EFRP transaction for the ~~sole~~ purpose of reporting, registering or recording a ~~price that is not a bona~~non-bona fide price or ~~of making~~entering into a transaction which is a "wash sale~~"~~," an accommodation trade or a fictitious sale.

~~h) A substitution transaction may be made at such prices that are mutually agreed upon by the two parties to this transaction. However, the price at which the futures contract leg of the transaction is arranged must be fair and reasonable in light of factors such as, but not limited to, the size of the transaction, the currently traded prices and bid and ask prices in the same contract at the relevant time, the volatility and liquidity of the relevant market as well as the general market conditions.~~

~~i) Each substitution 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.~~

~~j) Each substitution transaction executed during the usual trading hours of the futures contract to which the transaction applies must be immediately reported to the Bourse. Each substitution transaction executed after the usual trading hours of the futures contract to which the transaction applies must be reported to the Bourse no later than 10:00 a.m. (Montréal time) on the next trading day following the execution of the transaction.~~

~~k) The accounts involved on each side of a substitution transaction must satisfy at least one of the following conditions:~~

~~i) they have different beneficial ownership;~~

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

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

~~In cases where the parties to a substitution 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 transaction was a legitimate arms-length transaction.~~

~~l) It is strictly prohibited for any party, for both the buyer and the seller, to enter into a substitution transaction to circumvent the contract month roll in the corresponding security or derivative instrument.~~

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:

Futures Contracts on:	Acceptable physical or cash instrument
Interest rates	Fixed income instruments that are correlated in price, and parallel tenors and risk characteristics, 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
S&P/TSX indices FTSE Emerging Markets index	stock baskets with an R=90 or more, having a weight of at least 50% of the underlying index or including at least 50% of the securities of the underlying index; and having a notional value fairly equal to the value of the futures contract component of the exchange transaction, or exchange-traded funds that mirror the index futures contract
Carbon dioxide equivalent (CO_2e) units	regulated emitters' credits, and / or offset credits in eligible Canadian CO_2e units
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	the underlying stock 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:

Futures Contracts on:	Acceptable Over-the-Counter Derivative Instrument
Bonds	Interest Rate Swaps: Plain vanilla,

	documented under ISDA® Master Agreement, regular fixed against floating rate payments, denominated in currency of G7 country, and correlation R= 0.70 or greater; or Any individual or combination of OTC bond, interest rate swap or FRA options (e.g. caps, floors, collars).
Short-term interest rate	Any OTC swap or options with characteristics noted above with respect to EFR for bonds; or Forward Rate Agreements (FRAs): conventional FRA , documented under ISDA® Master Agreement, predetermined interest rate, agreed start/end date, and defined interest (repo) rate.
Stock index and share futures	Equity and Index Swaps: Plain vanilla swap, documented under ISDA® Master Agreement, regular fixed against floating rate payments, denominated in currency of G7 country, and correlation R= 0.90 or greater; or Any individual or combination of OTC equity or stock index option positions.
Commodities	Commodities Swaps or Forwards:

	Written under the terms of an ISDA® Master Agreement, and Correlation R-0.80.

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 OTC swap OTC on Carbon dioxide equivalent (CO2e) units, and Correlation R=0.80.

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, 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 and procedures 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; or

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

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 strategy 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, 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 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:

Futures Contracts on:	Acceptable physical or cash instrument
Interest rates	Fixed income instruments that are correlated in price, and parallel tenors and risk characteristics, 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
S&P/TSX indices FTSE Emerging Markets index	stock baskets with an R=90 or more, having a weight of at least 50% of the underlying index or including at least 50% of the securities of the underlying index; and having a notional value fairly equal to the value of the futures contract component of the exchange transaction, or exchange-traded funds that mirror the index futures contract
Carbon dioxide equivalent (CO_2e) units	regulated emitters' credits, and / or offset credits in eligible Canadian CO_2e units
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	the underlying stock 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:

Futures Contracts on:	Acceptable Over-the-Counter Derivative Instrument

Bonds	Interest Rate Swaps: Plain vanilla, documented under ISDA® Master Agreement, regular fixed against floating rate payments, denominated in currency of G7 country, and correlation R= 0.70 or greater; or Any individual or combination of OTC bond, interest rate swap or FRA options (e.g. caps, floors, collars).
Short-term interest rate	Any OTC swap or options with characteristics noted above with respect to EFR for bonds; or Forward Rate Agreements (FRAs): conventional FRA , documented under ISDA® Master Agreement, predetermined interest rate, agreed start/end date, and defined interest (repo) rate.
Stock index and share futures	Equity and Index Swaps: Plain vanilla swap, documented under ISDA® Master Agreement, regular fixed against floating rate payments, denominated in currency of G7 country, and correlation R= 0.90 or greater; or Any individual or combination of OTC equity or stock index option positions.

Commodities	Commodities Swaps or Forwards: Written under the terms of an ISDA® Master Agreement, and Correlation R-0.80.

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 OTC swap OTC on Carbon dioxide equivalent (CO2e) units, and Correlation R=0.80.

6815A Substitution of over-the-counter derivative instruments for futures contracts
(30.05.08, 12.02.16, abr. 00.00.00)

~~a) Transactions allowing to substitute an over-the-counter derivative instrument and/or a swap agreement for futures contracts listed and traded on the Bourse are permitted if such transactions are executed in accordance with the requirements of this article and of the procedures established by the Bourse.~~

~~b) A substitution of an over-the-counter (OTC) derivative instrument and/or swap agreement for futures contracts consists of two discrete transactions: a risk transaction and a futures contract transaction. At the time such transaction is effected, the parties to the futures contract transaction must be the same parties to the risk transaction and the buyer and the seller of the futures contract must be, respectively, the buyer and the seller of the OTC derivative instrument and/or swap agreement. The risk component of the substitution transaction must involve the interest underlying the futures contracts (or a derivative, by-product or related product of such underlying interest) and must have a reasonable price correlation with the underlying interest of the futures contract involved in the substitution transaction or the futures contract itself where the use of the underlying interest is not practical. The quantity or value covered by the risk component of the substitution of over-the-counter derivative instruments for futures contracts must be approximately equivalent to the quantity or value covered by the futures contract transaction.~~

~~c) Substitution transactions involving over-the-counter derivative instruments must at all times be executed in accordance with such other procedures, terms and conditions that the Bourse may prescribe from time to time.~~

~~d) The futures contracts that are eligible to substitution transactions, and the last day and time for executing such transactions shall be determined by the Bourse.~~

~~e) The risk components acceptable for the purpose of a substitution transaction are those specified in the procedures set by the Bourse.~~

~~f) Each party to a substitution transaction must satisfy the Bourse, upon request, that the transaction is a bona fide substitution transaction. To this effect, parties to such a transaction must maintain and must provide to the Bourse upon request complete records and documentary evidence relating to such transaction including all records relating to the purchase or sale of securities, physical underlyings, sub-instruments of these physical underlyings, instruments related thereto or over the counter derivative instruments and to any transfer of funds or ownership made in connection with such transaction.~~

~~g) It is prohibited for any party to a substitution transaction to effect a transaction which is contrary to the requirements and practices prescribed by the rules, policies and procedures of the Bourse or to effect such a transaction for the sole purpose of reporting, registering or recording a price that is not a bona fide price or of making a transaction which is a "wash sale", an accommodation trade or a fictitious sale.~~

~~h) A substitution transaction may be made at such prices that are mutually agreed upon by the two parties to this transaction. However, the price at which the futures contract leg of the transaction is arranged must be fair and reasonable in light of factors such as, but not limited to, the size of the transaction, the currently traded prices and bid and ask prices in the same~~

~~contract at the relevant time, the volatility and liquidity of the relevant market as well as the general market conditions.~~

~~i) Each substitution 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.~~

~~j) Each substitution transaction executed during the usual trading hours of the futures contract to which the transaction applies must be immediately reported to the Bourse. Each substitution transaction executed after the usual trading hours of the futures contract to which the transaction applies must be reported to the Bourse no later than 10:00 a.m. (Montréal time) on the next trading day following the execution of the transaction.~~

~~k) The accounts involved on each side of a substitution transaction must satisfy at least one of the following conditions:~~

~~i) they have different beneficial ownership;~~

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

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

~~In cases where the parties to a substitution 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 transaction was a legitimate arms-length transaction.~~

~~l) It is strictly prohibited for any party, for both the buyer and the seller, to enter into a substitution transaction to circumvent the contract month roll in the corresponding security or derivative instrument.~~

6815A Substitution of over-the-counter derivative instruments for futures contracts
(30.05.08, 12.02.16, abr. 00.00.00)

6816 Off-Exchange Transfers of Existing Futures Contracts
(08.09.89, 07.09.99, 22.01.16, 00.00.00)

a) ~~Off-Exchange~~Notwithstanding article 6380, off-exchange transfers of open futures contracts may be accomplished only if there is no change in the beneficial ownership of the futures contracts, the ~~member~~Approved Participants involved in the transfer are able to produce to the Bourse upon request, all orders, records and memoranda pertaining thereto and the transfer either

i) is made at the request of the beneficial owner of the futures contracts from one ~~member~~Approved Participant to another; or

ii) is made at the request of a ~~member~~Approved Participant to another ~~member~~Approved Participant; or

iii) is made to correct an error in clearing; or

iv) is made to correct an error in the recording of transactions in the ~~member~~Approved Participants~~'~~' books.

b) Both ~~member~~Approved Participants which are parties to an off-exchange transfer pursuant to this article shall complete and submit to the designated Clearing Corporation such information evidencing the terms of the ~~offexchange~~off-exchange transfer as may be prescribed by the Clearing Corporation on the day on which such ~~offexchange~~off-exchange transfer is ~~affected~~effected.

c) Notwithstanding the provisions of paragraph (a), a transfer of a position either on the books of an Approved Participant, or from one Approved Participant to another, may be permitted at the discretion of the Bourse if the transfer:

i) is in connection with, or results from, a merger, asset purchase, consolidation or similar non-recurring transaction between two or more entities; or

ii) involves a partnership, investment fund, or commodity pool and the purpose of the transfer is to facilitate a restructuring or consolidation of such partnership, investment fund, or pool, provided that the managing partner or pool operator remains the same, the transfer does not result in the liquidation of any open positions, and the pro rata allocation of interests in the consolidating account does not result in more than a *de minimis* change in the value of the interest of any party; or

iii) is in the best interests of the market and the situation so requires.

6816 Off-Exchange Transfers of Existing Futures Contracts
(08.09.89, 07.09.99, 22.01.16, 00.00.00)

a) Notwithstanding article 6380, off-exchange transfers of open futures contracts may be accomplished only if there is no change in the beneficial ownership of the futures contracts, the Approved Participants involved in the transfer are able to produce to the Bourse upon request, all orders, records and memoranda pertaining thereto and the transfer either

i) is made at the request of the beneficial owner of the futures contracts from one Approved Participant to another; or

ii) is made at the request of a Approved Participant to another Approved Participant; or

iii) is made to correct an error in clearing; or

iv) is made to correct an error in the recording of transactions in the Approved Participants' books.

b) Both Approved Participants which are parties to an off-exchange transfer pursuant to this article shall complete and submit to the designated Clearing Corporation such information evidencing the terms of the off-exchange transfer as may be prescribed by the Clearing Corporation on the day on which such off-exchange transfer is effected.

c) Notwithstanding the provisions of paragraph (a), a transfer of a position either on the books of an Approved Participant, or from one Approved Participant to another, may be permitted at the discretion of the Bourse if the transfer:

i) is in connection with, or results from, a merger, asset purchase, consolidation or similar non-recurring transaction between two or more entities; or

ii) involves a partnership, investment fund, or commodity pool and the purpose of the transfer is to facilitate a restructuring or consolidation of such partnership, investment fund, or pool, provided that the managing partner or pool operator remains the same, the transfer does not result in the liquidation of any open positions, and the pro rata allocation of interests in the consolidating account does not result in more than a *de minimis* change in the value of the interest of any party; or

iii) is in the best interests of the market and the situation so requires.

~~**PROCEDURES FOR THE EXECUTION OF BLOCK TRADES**~~

~~**1. Block Trades**~~

~~a) Once a block trade has been arranged, in accordance with the predetermined minimum volume threshold level as determined and published by the Bourse, details of the block trade must be reported to the Bourse by contacting a market official of the Bourse's Market Operations Department at 1-888-693-6366 or at 514 871-7871 within the period of time prescribed by the Bourse.~~

~~b) Approved participants for both the seller and buyer must complete and electronically submit the Block Trade Reporting Form, available on the Bourse's web site at http://www.m-x.ca/rob_formulaire_en.php, to the Bourse's Market Operations Department for validation.~~

~~c) A market official will check the validity of the block trade details submitted by the approved participant(s).~~

~~d) Confirmation by a market official of a block trade transaction will not preclude the Bourse from initiating disciplinary procedures in the event that the transaction is subsequently found to have been made other than in compliance with the rules.~~

~~e) Once the block trade has been validated and processed, the following information with respect to the block trade will be disseminated by the Bourse:~~

~~i) date and time of transaction;~~
~~ii) security(ies) or derivative instrument(s) and contract month(s);~~
~~iii) price of each contract month(s) and strike price(s) (as applicable); and~~
~~iv) volume of each contract month.~~

~~f) Upon the Bourse's request, the approved participant who arranges a block trade must provide satisfactory evidence that the block trade has been arranged in accordance with the Rules of the Bourse. Failure to provide satisfactory evidence of compliance with these Rules may result in the initiation of disciplinary action.~~

~~In accordance with article 6380 4) of the Rules of the Bourse, the following are the eligible securities and derivative instruments, the relevant prescribed time delays and the minimum volume thresholds for the execution of block trades.~~

~~Table 1: Prescribed time delays and minimum volume thresholds for eligible securities and derivative instruments for the execution of block trades~~

~~ELIGIBLE SECURITIES AND DERIVATIVE INSTRUMENTS~~	**~~PRESCRIBED TIME DELAY~~**	**~~MINIMUM VOLUME THRESHOLD~~**
	~~(As soon as practicable and in any event within the following time delay)~~	
~~30-Day Overnight Repo Rate Futures Contracts (ONX)~~	~~15 minutes~~	~~1,000 contracts~~
~~Overnight Index Swap Futures Contracts (OIS)~~	~~15 minutes~~	~~200 contracts~~
~~Ten-Year Government of Canada Bond Futures Contracts (CGB)~~	~~15 minutes~~	~~1,500 contracts~~
~~Two-Year Government of Canada Bond Futures Contracts (CGZ)~~	~~15 minutes~~	~~500 contracts~~
~~30-Year Government of Canada Bond Futures Contracts (LGB)~~	~~15 minutes~~	~~500 contracts~~
~~Five-Year Government of Canada Bond Futures Contracts (CGF)~~	~~15 minutes~~	~~500 contracts~~
~~Options on Three-Month Canadian Bankers Acceptance Futures Contracts~~	~~15 minutes~~	~~2,000 contracts~~
~~Canadian Crude Oil Futures Contracts~~	~~15 minutes~~	~~100 contracts~~
~~Futures contracts on the FTSE Emerging Markets Index~~	~~15 minutes~~	~~100 contracts~~
~~Three-Month Canadian Bankers' Acceptance Futures Contracts quarterlies five through eight (BAX Reds)~~	~~15 minutes~~	~~1,000 contracts~~
~~Three-Month Canadian Bankers' Acceptance Futures Contracts quarterlies nine through twelve (BAX Greens)~~	~~15 minutes~~	~~500 contracts~~

~~2. Block trades priced at a basis to the index close (BIC)~~

~~a) Once a BIC has been arranged, in accordance with the predetermined minimum volume threshold level as determined and published by the Bourse, details of the BIC must be reported to the Bourse by contacting a market official of the Bourse's Market Operations Department at 1-888-693-6366 or at 514 871-7871 within the period of time prescribed by the Bourse. Approved participants for both the seller and buyer must subsequently complete and submit a Block Trade Reporting Form as stipulated above, specifying the agreed-upon basis in lieu of the price. The Bourse will disseminate the relevant information through its website at www.m-x.ca.~~

~~b) Approved participants for both the seller and buyer must also complete and submit a second Block Trade Reporting Form to the Bourse's Market Operations Department once the closing price of the relevant index has been published.~~

~~c) In addition to the agreed-upon basis, this second form must specify both the closing level of the index and the price of the BIC to the nearest 0.01 index point increment. The Bourse will disseminate the relevant information both through its website at www.m-x.ca and also through its High Speed Vendor Feed.~~

~~In accordance with article 6380 6) of the Rules of the Bourse, the following are the eligible securities and derivative instruments, the relevant prescribed time delays, the minimum volume thresholds and the second Block Trade Reporting Form filing requirements for the BIC.~~

~~Table 2: Prescribed time delays, minimum volume thresholds and second Block Trade Reporting Form filing requirements for eligible securities and derivative instruments for the execution of block trades priced at a basis to the index close (BIC)~~

~~**ELIGIBLE SECURITIES AND DERIVATIVE INSTRUMENTS**~~	~~**PRESCRIBED TIME DELAY**~~	~~**MINIMUM VOLUME THRESHOLD**~~	~~**FILING OF SECOND BLOCK TRADE REPORTING FORM**~~
	~~(As soon as practicable and in any event within the following time delay)~~		
~~**Futures contracts on the FTSE Emerging Markets Index**~~	~~15 minutes~~	~~100 contracts~~	~~After 9:30 p.m. GMT on the next trading day~~
~~**Futures contracts on S&P/TSX indices and sectorial indices**~~	~~15 minutes~~	~~100 contracts~~	~~After 4:00 p.m. ET on the same trading day~~

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~~PROCEDURES FOR THE CANCELLATION OR ADJUSTMENT OF TRADES~~

~~1.APPLICABLE RULES~~

~~The procedures herein are consistent with and refer to the following Rule Six articles of the Bourse:~~

~~6303 - Validation, Alteration or Cancellation of a Trade~~
~~6381 - Cancellation of Trades~~
~~6383 - Acceptable Market Price~~
~~6384 - Decision by the Market Supervisor of the Bourse~~
~~6385 - Delays of Decision and Notifications~~

~~2.SUMMARY OF THE RELATED RULES~~

~~In order to maintain a fair and equitable market, trades may be cancelled by the Bourse if such transactions are detrimental to the normal operation or quality of the market or in any other circumstance deemed appropriate considering market conditions at the time of the trade or if the parties involved in the trade agree to the cancellation.~~

~~3.OBJECTIVE~~

~~The objective of the procedures described herein is:~~

- ~~To ensure that all transactions are executed at a price coherent with prevailing market conditions (integrity) and to ensure that input errors can be corrected.~~

~~4. LIMITATIONS FOR TRADING SESSIONS DURING WHICH THE UNDERLYING IS NOT OPEN FOR TRADING~~

~~The present procedures have a limited application in the case of trading sessions during which the underlying exchange-traded products are not open for trading.~~

~~4.1 ORDER ENTRY ERROR TRADES~~

~~During such trading sessions, the Market Operations Department of the Bourse ("Market Operations") will not establish a No Cancel Range. As a result, during such trading sessions, no trade shall be adjusted by the Market Operations and all trades will stand at the traded price level unless one of the parties to the trade reports an order entry error ("error trade") and both parties consent to cancel the resulting trade. Therefore, an error trade identified as such by a party to the trade and which both parties consent to cancel shall be cancelled by the Market Operations. The Market Operations shall proceed with the agreed upon cancellation of the error trade within the 15 minutes that follow the execution of the trade as prescribed by article 6381 of the Rules of the Bourse.~~

~~4.2 TRADING RANGE~~

~~The Bourse will establish a trading range based on the previous day's settlement price for trading sessions where the underlying exchange-traded instruments are not open for trading. For that given session, trading will only be allowed within the trading range. Orders outside of the trading range will not be accepted by the system. Should either the high or the low of the trading range be reached, trading will only be allowed at that limit level until the market re-aligns itself back within the trading range.~~

~~4.3 EARLY SESSION NO CANCEL RANGE~~

~~Notwithstanding Section 4.1, during early sessions, the last traded price registered in the underlying security during that session on a Recognized Exchange or an Alternative Trading System as this term is defined in Regulation 21-101 Respecting Marketplace Operation ("Canadian ATS") shall be used to determine the No Cancel Range. If the Market Supervisor determines that the price of the trade executed during the early session was inside the No Cancel Range, the Market Supervisor will take the appropriate measures in accordance with Section 5.4. If the Market Supervisor determines that the price of the trade executed during the early session was outside the No Cancel Range, the Market Supervisor will take the appropriate measures in accordance with Section 5.5.~~

~~5.DESCRIPTION FOR TRADING SESSIONS DURING WHICH THE UNDERLYING IS OPEN FOR TRADING OR WHOSE VALUE IS READILY AVAILABLE~~

~~5.1DETECTION AND DELAYS~~

~~a) Trades Resulting from an Order Entry Error~~

~~Approved participants have the responsibility to report trades resulting from an error trade to the Market Operations without delay. As soon as an error trade resulting from an order entry error is identified by the approved participant, the approved participant must request an adjustment or cancellation of the error trade from a Market Supervisor of the Bourse by calling the Market Operations Department of the Bourse at 514 871-7871 or 1-888-693-6366. If the Market Supervisor determines that the price of the error trade was inside the No Cancel Range, the Market Supervisor will take the appropriate measures in accordance with Section 5.4. If the Market Supervisor determines that the price of the error trade was outside the No Cancel Range, the Market Supervisor will take the appropriate measures in accordance with Section 5.5.~~

~~b) Transactions Detrimental to the Normal Operation or Quality of the Market~~

~~If the Market Operations identifies transactions that are deemed detrimental to the normal operation or quality of the market, market supervisors can adjust or cancel the transaction. For the purpose of the present procedures, trades executed at a price outside the No Cancel Range shall be deemed transactions detrimental to the normal operation or quality of the market. If the Market Supervisor determines that a transaction detrimental to the normal operation or quality of the market has occurred, the Market Supervisor will take the appropriate measures in accordance with Section 5.5.~~

~~5.2 IMPLIED STRATEGY ORDERS~~

~~**“Regular orders”:** Orders routed by approved participants to the Montréal Exchange trading system.~~

~~**“Implied orders”:** Orders generated by the implied pricing algorithm (using regular orders) and registered in the order book by the trading engine.~~

~~**“Implied strategy orders”:** Orders generated by the implied pricing algorithm composed of regular orders, one order for each individual leg.~~

~~**“Regular strategy orders”:** Orders routed by approved participants to the Montréal Exchange trading system on instruments composed of two or more legs.~~

~~A strategy trade resulting from an implied strategy order is in reality composed of two or more separate regular orders, one order for each individual leg. For the purposes of this procedure, if an error trade occurs on an implied strategy order, the strategy trade will be deemed to have been executed using separate regular orders for each individual leg.~~

~~As a result, the prescribed increment utilized to establish the No Cancel Range to adjust an error strategy trade resulting from an implied strategy order will be at least the increment on one of the individual legs and at the most, the sum of each individual legs’ increments.~~

~~5.3 VALIDATION – NO CANCEL RANGE~~

~~The No Cancel Range is defined as the price interval within which a trade shall not be cancelled outright or adjusted by the Market Operations.~~

~~To establish the No Cancel Range, Market Supervisors:~~

- ~~Determine, in accordance with article 6383 of the Rules, what was the acceptable market price for the derivative instrument before the trade occurred. In making that determination, the Market Supervisor will consider all relevant information, including the last trade price, a better bid or offer, a more recent price for a related derivative instrument (for example a different expiry month) and the prices of similar derivative instruments trading on other markets;~~

- ~~Apply (add and deduct) the following increments to the acceptable market price:~~

~~**DERIVATIVE INSTRUMENT**~~	~~**INCREMENT**~~
~~Three-Month Canadian Banker’s Acceptance Futures – BAX (all quarterly and serial months)~~	~~5 basis points~~
~~Three-Month Canadian Banker’s Acceptance Futures – BAX Strategies:~~ ~~- Regular strategy orders~~ ~~- Implied strategy orders~~	 ~~5 basis points~~ ~~Sum of the strategy’s individual legs’ increments.~~
~~Options on Three-Month Canadian Banker’s Acceptance Futures~~	~~5 basis points~~

~~DERIVATIVE INSTRUMENT~~	~~INCREMENT~~
~~Two-Year Government of Canada Bond Futures (CGZ)~~ ~~- Regular strategy orders~~ ~~- Implied Strategy orders~~	~~20 basis points~~ ~~20 basis points~~ ~~Sum of strategy's individual legs' increments~~
~~Five-Year Government of Canada Bond Futures (CGF)~~ ~~- Regular strategy orders~~ ~~- Implied Strategy orders~~	~~20 basis points~~ ~~20 basis points~~ ~~Sum of strategy's individual legs' increments~~
~~Ten-Year Government of Canada Bond Futures (CGB)~~ ~~- Regular strategy orders~~	~~40 basis points~~ ~~20 basis points~~
~~30-Year Government of Canada Bond Futures (LGB)~~ ~~- Regular strategy orders~~ ~~- Implied Strategy orders~~	~~40 basis points~~ ~~40 basis points~~ ~~Sum of strategy's individual legs' increments~~
~~Options on Government of Canada Bond Futures~~	~~40 basis points~~
~~Futures Contracts on S&P/TSX Indices and on the FTSE Emerging Markets Index~~ ~~- Regular strategy orders~~	~~1% of the acceptable market price of these futures contracts~~ ~~5% of the increments for the outright month~~
~~30-Day Overnight Repo Rate Futures~~ ~~Regular strategy orders~~	~~5 basis points~~ ~~5 basis points~~
~~Overnight Index Swap Futures~~	~~5 basis points~~
~~Overnight Index Swap Futures – OIS Strategies:~~ ~~- Regular strategy orders~~ ~~- Implied strategy orders~~	~~5 basis points~~ ~~Sum of the strategy's individual legs' increments.~~
~~Futures and Options on Futures Inter-Group Strategies:~~ ~~-Regular strategy orders~~ ~~- Implied Strategy orders~~	~~Sum of strategy's individual legs' increments~~
~~Equity, Currency, ETF and Index Options~~ ~~Price ranges: $0.00 to $5.00~~ ~~$5.01 to $10.00~~ ~~$10.01 to $20.00~~ ~~$20.00 up~~	~~$0.10~~ ~~$0.25~~ ~~$0.50~~ ~~$0.75~~
~~Equity, Currency, ETF and Index Options Strategies:~~ ~~- Regular strategy orders~~ ~~- Implied strategy orders~~	~~Sum of the strategy's individual legs' increments~~
~~Sponsored Options~~ ~~Price ranges: $0.001 to $0.99~~ ~~$1.00 up~~	~~$0.25~~ ~~$0.50~~

~~DERIVATIVE INSTRUMENT~~	~~INCREMENT~~
~~Canadian Share Futures Contracts~~ ~~Regular and extended sessions:~~	~~1. 0.50$, if the acceptable market price of these futures contracts is less than 25$;~~ ~~2. 1.00$, if the acceptable market price of these futures contracts is equal to or higher than 25$ but less than 100$;~~ ~~3. 1% of the acceptable market price of these futures contracts if the acceptable market price of these futures contracts is equal to or higher than 100$.~~
~~Early session:~~	~~5% of the acceptable market price of these futures contracts~~
~~Futures Contracts on Canadian Crude Oil~~	~~5% of the acceptable market price of these futures contracts.~~

~~5.4 TRADE PRICE INSIDE THE NO CANCEL RANGE~~

~~If the Market Supervisor determines that the price of the reported error trade was inside the No Cancel Range, then the trade will be maintained and no further action will be taken unless both parties to the error trade agree to the cancellation.~~

~~Error trades that both parties have agreed to cancel, can be cancelled within the trading session (early, regular or extended) during which they have occurred. The Market Operations shall proceed with the agreed upon cancellation of the error trade within the 15 minutes that follow the execution of the trade as prescribed by article 6381 of the Rules of the Bourse.~~

~~5.5 TRADE PRICE OUTSIDE THE NO CANCEL RANGE~~

~~When a trade with an execution price outside the No Cancel Range is reported to Market Operations as an error, or otherwise detected by Market Operations, the Market Supervisor will determine whether the trade price is within or outside the No Cancel Range for the particular derivative instrument.~~

~~If the Market Supervisor determines that the price of the trade is outside the No Cancel Range, then the Market Supervisor will endeavor to contact all parties involved in the transaction to advise them of the situation.~~

~~a) General Rule~~

~~The trade with an execution price that falls outside the No Cancel Range shall be adjusted by the Market Operations to the limit of the No Cancel Range.~~

~~The Market Operations will adjust error trades in the best interests of the market and the participants.The main objective when adjusting error trades is to minimize the impact for all market participants involved in the error trades and more particularly those who had a regular order in the order book.~~

~~b) Exceptions~~

~~However, in the following circumstances, the trade will be cancelled by Market Operations:~~

~~1.Both parties to the trade can be contacted within a reasonable delay and agree to the cancellation of the trade.~~

~~2.Neither party to the trade is either an approved participant or the registered holder of a SAM ID.~~

~~c) Implied Orders~~

~~Under the General Rule, the trades with an execution price that falls outside the No Cancel Range and that have not been cancelled will be adjusted to the limit of the No Cancel Range. In such a case, if the trade involved a linked implied order(s), the initiator of the original error trade will be responsible for the trade resulting from the linked implied order(s). The initiator of the error may therefore end up being party to the trades resulting from the linked implied order(s).~~

~~d) Decision~~

~~A decision to cancel or adjust will be rendered by a Market Supervisor within 30 minutes following the communication of the error and cancellation request by one of the parties, or detection by Market Operations, in accordance with article 6385 of the Rules of the Bourse.~~

~~5.6 OTHER SITUATIONS JUSTIFYING THE CANCELLATION OF TRADES~~

~~The Market Operations will review all circumstances surrounding a trade to determine whether the trade occurred in accordance with the rules of the Bourse. The factors that will be considered include, among other things, the market conditions immediately before and after the trade was executed; the volatility of the market; the prices of related instruments in other markets and the fact that one or many parties to the transaction consider that it was executed at a valid price.~~

~~In the case of a system failure, it is possible that the Bourse's automated trading system will freeze with orders queuing and waiting to be processed. Once the problem is resolved, the market will be placed into a pre-opening phase during which trading in each derivative instrument will be halted in order to modify the opening time parameters. This pre-opening phase will allow market participants to modify orders and will ensure that the system failure does not impact the integrity of the market. Nevertheless, when the system is not frozen, pending orders could be executed before the Bourse can halt the derivative instruments. In such circumstances, Market Supervisors may, in the best interest of the market and the participants, cancel trades resulting from such executions.~~

~~In case an underlying instrument experiences excessive volatile price swings, the exchange on which the underlying instrument is listed may freeze the instrument and may adjust any trades that fall outside the context of the market. When Market Operations becomes aware of such a freeze, the Bourse will freeze the corresponding derivative instrument. If pending orders in the corresponding derivative instrument are executed before the Market Operations can manually freeze the derivative instrument the Market Operations will cancel trades resulting from such executions.~~

~~5.7 DECISION~~

~~A decision to cancel or to refuse to cancel a transaction subject to Section 5.6 will be rendered by a Market Supervisor within 30 minutes following the cancellation request or detection by Market Operations, in accordance with article 6385 of the Rules of the Bourse.~~

~~If the decision is to cancel the trade, the Market Supervisor will remove the trade from the records. Furthermore, if "stop" orders were triggered and therefore executed as a result of the cancelled trade, then these "stop" trades will also be cancelled and the "stop" orders will have to be re-instated in the order book by the initiators of such orders. Trade cancellation messages will be disseminated.~~

~~When a trade is cancelled, if it originated from a regular order posted in the order book, the original price/time priority (FIFO) will not be maintained if the initiator of the original order wishes to re-instate his order after the cancellation. This cancelled order shall therefore be re-entered in the trading system by the initiator of the original order. This new order entry time will be the official entry time of the re-instated order.~~

~~If the Market Supervisor's decision is to not cancel the trade, the parties to the trade can not themselves decide to cancel it by making a position transfer through the Canadian Derivatives Clearing Corporation.~~

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~~PROCEDURES APPLICABLE TO THE EXECUTION OF CROSS TRANSACTIONS AND THE EXECUTION OF PREARRANGED TRANSACTIONS~~

~~In accordance with the provisions of article 6380 of the Rules of Bourse de Montréal Inc. (the Bourse) regarding the execution of cross transactions and prearranged transactions, the following are the eligible products, the prescribed exposure time delays between the input of two orders and the minimum volume thresholds.~~

~~Table 1: Prescribed time delays and minimum volume thresholds for eligible securities and derivative instruments~~

~~ELIGIBLE PRODUCTS~~	~~PRESCRIBED TIME DELAY~~	~~MINIMUM VOLUME THRESHOLD~~
~~Three-Month Canadian Bankers' Acceptance Futures Contracts (BAX):~~		
~~1st four quarterly months – not including serial months~~	~~5 seconds~~	~~No threshold~~
~~Remaining expiry months and strategies~~	~~15 seconds~~	~~No threshold~~
~~Thirty-Day Overnight "Repo" Rate Futures Contracts (ONX):~~		
~~Front month~~	~~5 seconds~~	~~No threshold~~
~~Remaining expiry months and strategies~~	~~15 seconds~~	~~No threshold~~
~~Overnight Index Swap (OIS):~~		
~~Front month~~	~~5 seconds~~	~~No threshold~~
~~Remaining expiry months and strategies~~	~~15 seconds~~	~~No threshold~~
~~Government of Canada Bond Futures Contracts:~~		
~~All expiry months and strategies~~	~~5 seconds~~	~~No threshold~~
~~Futures Contracts on S&P/TSX Indices:~~		
~~All expiry months~~	~~0 second~~	~~≥ 100 contracts~~
~~All expiry months and strategies~~	~~5 seconds~~	~~< 100 contracts~~
~~Futures Contracts on the FTSE Emerging Markets Index:~~		
~~All expiry months~~	~~0 second~~	~~≥ 100 contracts~~
~~All expiry months and strategies~~	~~5 seconds~~	~~< 100 contracts~~
~~Futures Contracts on Canada Carbon Dioxide Equivalent (CO$_2$e) Units:~~		
~~All expiry months and strategies~~	~~5 seconds~~	~~No threshold~~
~~Futures Contracts on Canadian Crude Oil:~~		
~~All expiry months and strategies~~	~~5 seconds~~	~~No threshold~~
~~Options on Three-Month Canadian Bankers' Acceptance Futures Contracts:~~		
~~All expiry months and strategies~~	~~0 second~~	~~≥ 250 contracts~~
~~All expiry months and strategies~~	~~5 seconds~~	~~< 250 contracts~~

~~**Options on Ten-Year Government of Canada Bond Futures Contracts (OGB):**~~		
~~All expiry months and strategies~~	~~0 second~~	~~≥ 250 contracts~~
~~All expiry months and strategies~~	~~5 seconds~~	~~< 250 contracts~~

~~**Equity, ETF and Currency Options:**~~		
~~All expiry months~~	~~0 second~~	~~≥ 100 contracts~~
~~All expiry months~~	~~5 seconds~~	~~< 100 contracts~~
~~All UDS Strategies~~	~~5 seconds~~	~~No Threshold~~

~~**Index Options:**~~		
~~All expiry months~~	~~0 second~~	~~≥ 50 contracts~~
~~All expiry months~~	~~5 seconds~~	~~< 50 contracts~~
~~All UDS Strategies~~	~~5 seconds~~	~~No Threshold~~

~~**Canadian Share Futures Contracts:**~~		
~~All expiry months and strategies~~	~~0 seconds~~	~~≥ 100 contracts~~
~~All expiry months and strategies~~	~~5 seconds~~	~~< 100 contracts~~

~~**Futures and Options on Futures Inter-Group Strategies**~~		
~~All strategies~~	~~5 seconds~~	~~No threshold~~

~~In accordance with the provisions of article 6380 of the Rules of the Bourse, the following are the eligible products and the minimum quantity thresholds for the execution of cross transactions and prearranged transactions using committed orders.~~

~~**ELIGIBLE PRODUCTS FOR COMMITTED ORDERS**~~	~~**MINIMUM QUANTITY THRESHOLD**~~
~~**Futures Contracts on S&P/TSX Indices**~~	~~100 contracts~~
~~**Options on Three-Month Canadian Bankers Acceptance Futures Contracts**~~	~~250 contracts~~
~~**Options on Ten-Year Government of Canada Bond Futures Contracts**~~	~~250 contracts~~
~~**Equity, ETF and Currency Options**~~	~~100 contracts~~
~~**Index Options**~~	~~50 contracts~~
~~**Canadian Share Futures Contracts**~~	~~100 contracts~~

~~Committed orders may not be used to execute cross or prearranged transactions on eligible products with a prescribed time delay or to execute strategies. Chronological priority of orders must be respected with regards to the posting of the originating order first, when executing a cross or prearranged transaction.~~

~~The approved participant must ensure that all existing orders in the central order book, regardless of the type of orders, which are at limit prices better than or equal to the cross or prearranged transaction price are executed before completing such transaction.~~

~~Cross transactions and prearranged transactions can only be executed in accordance with one of the following procedures:~~

~~**1) Procedure for eligible products with a prescribed time delay**~~

~~An approved participant wishing to execute a cross or a prearranged transaction must enter the order into the trading system for the total intended transaction volume. The participant must then respect a delay equal to the prescribed time delay before executing an offsetting transaction on the residual volume.~~

~~The **residual volume** is the portion of the original volume remaining after orders entered in the book with limit prices better than or equal to the intended transaction price have been filled. If no orders have been executed, the residual volume is equal to the original intended transaction volume.~~

~~**2) Procedure for eligible products without a prescribed time delay for a volume equal to or greater than the minimum volume threshold**~~

~~If an approved participant has a cross or prearranged order between the bid and ask:~~

- ~~the participant can use a specific system function to enter a zero-second cross;~~
- ~~the participant can enter one side of the order and immediately trade against it if he wishes that the trade be executed directly on the market (with the possibility of execution risk); or~~
- ~~the participant(s) can enter the order as a committed order.~~

~~**3) Procedure for strategies executed via the User Defined Strategy (UDS) Facility**~~

~~An approved participant wishing to execute a cross or a prearranged transaction on a strategy via the UDS facility must enter the order into the trading system for the total intended transaction quantity. The participant must then respect a delay equal to the prescribed time delay before executing an offsetting transaction on the residual quantity.~~

~~The **residual quantity** is the portion of the original quantity remaining after orders entered in the book with limit prices better than or equal to the intended transaction price have been filled. If no orders have been executed, the residual quantity is equal to the original intended transaction quantity.~~

~~Note: The bundling of orders to meet the admissible minimum volume threshold is not permitted.~~

~~**4) Equity option, ETF option, index option & currency option transactions with a 50% guaranteed minimum**~~

~~Cross Transaction~~

~~If an approved participant wishes to execute a cross transaction on an option strategy, they must contact a market supervisor and provide details of the intended transaction: total volume, price, side(s) of the transaction on which the approved participant is required to give priority.~~

~~Prearranged Transaction~~

~~If approved participants intend to execute a prearranged transaction on an option strategy, each approved participant must contact a market supervisor and provide details of the intended~~

~~transaction: total quantity, price, side(s) of the transaction, and must also identify the approved participant(s) that agreed to submit the opposing order during prenegotiation discussions.~~

~~Market makers will be permitted to participate on the transaction up to a total maximum of 50% of the volume of the intended transaction.~~

~~The approved participant will be permitted to execute the transaction for the remaining volume (a minimum of 50% plus any volume not taken of the 50% that had been offered to the market makers.)~~

~~MISCELLANEOUS~~

~~Eligible products, their respective minimum volume thresholds and time delays will be modified from time to time in order to take into account the evolution of the trading environment and operational practices of the Bourse. A circular will be issued by the Bourse every time a modification or revision is made to either one of these criteria.~~

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~~PROCEDURES FOR THE EXECUTION AND REPORTING OF EXCHANGE FOR PHYSICAL (EFP), EXCHANGE FOR RISK (EFR) AND SUBSTITUTION OF OTC DERIVATIVE INSTRUMENTS FOR FUTURES CONTRACTS TRANSACTIONS~~

~~The purpose of the following procedures is to explain as fully as possible: a) the requirements of article 6815 of the Rules of Bourse de Montréal Inc. (the Bourse) relating to the execution of transactions involving the exchange of futures contracts for a corresponding cash position (Exchange for Physical (EFP)) and of transactions involving the exchange of futures contracts for a corresponding over-the-counter derivative instrument (Exchange for Risk (EFR)); and b) of article 6815A of the Rules of the Bourse relating to the execution of transactions involving the substitution of an over-the-counter derivative instrument for futures contracts. Approved participants must ensure that all of their employees who are involved in the execution of this type of transactions are fully aware of these procedures. Any violation of the requirements set forth in articles 6815 and 6815A of the Rules of the Bourse and in these procedures could result in disciplinary action being taken by the Bourse.~~

~~Exchanges for Physicals (EFP)~~

~~An EFP is a transaction whereby two parties enter into an agreement in which one party purchases a cash market position and simultaneously sells a corresponding futures contract position and the other party sells the cash market position and simultaneously purchases the corresponding futures contract position.~~

~~The Bourse permits EFP transactions on the following instruments:~~

~~Interest rate futures contracts~~
~~Futures contracts on S&P/TSX indices & on the FTSE Emerging Markets Index~~
~~Futures contracts on carbon dioxide equivalent (CO_2e) units (MCX)~~
~~Futures contracts on Canadian crude oil~~
~~Canadian Share Futures Contracts~~

~~Exchange for Risk (EFR)~~

~~An EFR is a transaction whereby two parties enter into an agreement in which one party purchases an over-the-counter derivative instrument and simultaneously sells a corresponding futures contract and the other party sells the over-the-counter derivative instrument and simultaneously purchases the corresponding futures contract.~~

~~The Bourse permits EFR transactions on the following instruments:~~

~~Interest rate futures contracts~~
~~Futures contracts on S&P/TSX indices & on the FTSE Emerging Markets Index~~
~~Futures contracts on carbon dioxide equivalent (CO_2e) units (MCX)~~
~~Futures contracts on Canadian crude oil~~
~~Canadian Share Futures Contracts~~

~~Substitution of an OTC derivative instrument for futures contracts (Substitution)~~

~~A Substitution is a transaction whereby two parties enter into an agreement to substitute an over-the-counter derivatives position for a corresponding futures contract position. The party who is the buyer of the over-the-counter derivative instrument substitutes this position and buys the corresponding futures contract and the other party who is the seller of the over-the-counter derivative instrument substitutes this position and sells the corresponding futures contract.~~

~~The Bourse currently permits Substitution transactions on futures contracts on carbon dioxide equivalent (~~CO_2~~e) units.~~

~~Pricing the Cash component of an EFP or the Risk component of an EFR or of a Substitution~~

~~The cash component of an EFP or the risk component of an EFR or of a Substitution is priced at such level that is mutually agreed upon by the two parties to the transaction.~~

~~The futures contract leg of an EFP, an EFR or a Substitution must be priced at a fair and reasonable level in light of factors such as, but not limited to, the size of such an EFP, EFR or Substitution transaction, the currently traded prices and bid and ask prices in the same contract at the relevant time, the volatility and liquidity of the relevant market and the general market conditions prevailing at the time the EFP, EFR or Substitution transaction is executed.~~

~~The cash component of an EFP or the risk component of an EFR or of a Substitution transaction must be the futures contract underlying interest, a by-product of this underlying interest or a similar product that is reasonably correlated to the underlying interest of the futures contract being exchanged or the futures contract itself where the use of the underlying interest is not practical.~~

~~Also, the number of futures contracts exchanged must be approximately equivalent to the quantity or value of the cash market position being exchanged in an EFP transaction or of the risk component being exchanged in the case of an EFR or substituted in the case of a Substitution. Approved participants that are parties to an EFP, EFR or Substitution transaction may be required to demonstrate such equivalency.~~

~~Acceptable EFP, EFR and Substitution Transactions~~

~~In order to have an EFP, EFR or Substitution transaction accepted by the Bourse, the transaction must satisfy the following conditions:~~

- ~~There must be separate but integrally related futures contracts and cash (in the case of an EFP) or risk component (in the case of an EFR or Substitution) transactions.~~

- ~~The exchange or substitution transaction must be done between two separate accounts that must satisfy at least one of the following criteria:~~
  - ~~accounts have different beneficial ownership;~~
  - ~~accounts have the same beneficial ownership but are under separate control; or~~
  - ~~accounts are under a common control but involve separate legal entities which may or may not have the same beneficial ownership.~~

  ~~If the parties to an EFP, EFR or Substitution transaction involve the same legal entity, same beneficial owner or separate legal entities under common control, the~~

~~approved participant (or the parties themselves) must be able to demonstrate that the EFP, EFR or Substitution transaction is a legitimate arm's length transaction.~~

- ~~The cash market instrument leg of the EFP or the risk component leg of an EFR transaction must provide for a transfer of ownership of the cash market instrument of an EFP or of the over-the-counter derivative instrument of the EFR to the buyer of this instrument and the delivery of this instrument must take place within a reasonable period of time (in accordance with cash market or over-the-counter practice).~~

- ~~The relation between the prices of the futures contract and of the cash instrument leg of the EFP or the risk component leg of the EFR or Substitution transaction and the relevant prices in either market must be established.~~

- ~~If he does not have actual possession of the cash instrument, in the case of an EFP transaction, or of the over-the-counter derivative instrument, in the case of an EFR transaction, before the execution of the transaction, the seller of this cash instrument or over-the-counter derivative instrument must be able to demonstrate his ability to satisfy his delivery obligation.~~

- ~~The Bourse may request that approved participants involved in an EFP, EFR or a Substitution transaction demonstrate that the related cash position and futures position is reasonably correlated.~~

~~Acceptable Cash Components for the purpose of an EFP Transaction~~

~~In order to have an EFP transaction accepted by the Bourse, the cash component of the transaction must satisfy the following conditions:~~

- **~~For interest rate futures contracts:~~** ~~fixed income instruments that have a reasonable price correlation, maturities as well as risk characteristics that parallel the instrument underlying the futures contract being exchanged or the futures contract itself where the use of the underlying interest is not practical. Such instruments include, but are not necessarily 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). Fixed income instruments denominated in the currency of a G7 member country that satisfy these conditions are also acceptable.~~

- **~~For futures contracts on S&P/TSX indices and on the FTSE Emerging Markets index:~~** ~~stock baskets must be reasonably correlated to the underlying index with a correlation coefficient (R) of 0.90 or more. Furthermore, these stock baskets must represent a weight of at least 50% of the underlying index or must include 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. Exchange-traded funds are also acceptable, provided they mirror the index futures contract against which the EFP transaction is made.~~

- **~~For futures contracts on carbon dioxide equivalent (CO_2e) units:~~** ~~The eligible Canadian CO_2e units are regulated emitters' credits, and / or offset credits~~

- ~~**For futures contracts on Canadian crude oil:**~~

  - ~~For Canadian heavy crude oil: specific 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. Domestic crude oil streams include, but are not limited to: Western Canadian Select, Western Canadian Blend, Lloyd Blend, Bow River, Cold Lake Blend and Wabasca.~~

- ~~**For Canadian share futures contracts:** The underlying stock of the futures contract being exchanged.~~

~~**Permissible Over-the-Counter Derivative Instruments for the purpose of an EFR Transaction**~~

~~A list of permissible over-the-counter derivative instruments for the purpose of effecting an EFR transaction is included in Appendix I.~~

~~**Permissible Over-the-Counter Derivative Instruments for the purpose of a Substitution Transaction**~~

- ~~**For futures contracts on carbon dioxide equivalent (CO_2e) units:** Over-the-counter derivative instruments on carbon dioxide equivalent units that are reasonably correlated (with a correlation coefficient (R) of 0.80 or more) to the futures contract being substituted.~~

~~As a guideline, the time period used to calculate the correlation coefficient must be based on daily price data for a period of at least six (6) months or, if weekly price data are used, for a period of at least one (1) year.~~

~~**Reporting an EFP, EFR or Substitution transaction to the Bourse**~~

~~EFP, EFR and Substitution transactions must be reported to the Bourse's Market Operations Department for approval and subsequent input into the Montréal Automated System (SAM). Approved participants for both the seller and buyer must complete and submit to the Market Operations Department the Special Terms Transaction Reporting Form prescribed by the Bourse. This form is available on the Web sites of the Bourse at http://sttrf-frots.m-x.ca/ and at http://sttrf-frots.m-x.ca/ in the case of futures contracts on carbon dioxide equivalent (CO_2e) units. If the EFP, EFR or Substitution transaction is executed before the closing of the trading session of the futures contract involved in the transaction, the Special Terms Transaction Reporting Form must be submitted within one hour upon determination of all the relevant terms of the trade. If the EFP, EFR or Substitution transaction is made after the closing of the trading session, the Special Terms Transaction Reporting Form must be submitted no later than 10:00 a.m. (Montréal time) on the next trading day.~~

~~If the Special Terms Transaction Reporting Form is not accurately filled out with all the relevant information required by the Market Operations Department of the Bourse, the transaction will not be approved neither recorded in SAM and the approved participant will have to resubmit a new Special Terms Transaction Reporting Form correctly completed.~~

~~Once correctly completed Special Terms Transaction Reporting Forms have been received, the Market Operations Department will validate the transaction. The Bourse has the discretion to refuse an EFP, EFR or Substitution transaction if it deems that it is not in compliance with the requirements, as the case may be, of articles 6815 or 6815A of the Rules of the Bourse or of these procedures. In case of refusal, the Market Operations Department will ensure that the approved participant(s) involved in the EFP, EFR or Substitution transaction are promptly informed of such refusal and of the reasons for it.~~

~~Once an EFP, an EFR or Substitution transaction has been validated and has been entered into SAM by the Market Operations Department, the following information with respect to this transaction will be disseminated by the Bourse on its Web sites at http://www.m-x.ca/dailycrosses_en.php or at http://www.mcex.ca/trading_transactionReport in the case of case of futures contracts on carbon dioxide equivalent (CO_2e) units:~~

- ~~Date and time of transaction~~
- ~~product description (code);~~
- ~~Contract month(s);~~
- ~~Volume of the transaction; and~~
- ~~Transaction price~~

~~Trade validation and market dissemination by the Bourse of an EFP, EFR or Substitution transaction will not preclude the Bourse from initiating any investigation and, as the case may be, disciplinary procedures in the event that the transaction is subsequently found to have been made other than in accordance with the requirements of articles 6815 and 6815A of the Rules of the Bourse or of these procedures.~~

~~Audit Trail Requirements for EFP, EFR and Substitution Transactions~~

~~Approved participants who enter into an EFP, EFR or Substitution transaction must maintain all documents relevant to the futures contracts and corresponding cash market or over-the-counter derivative instruments transactions and must be able to promptly provide copies of such documents to the Regulatory Division of the Bourse upon request. Documents that may be requested include, but are not limited to, the following:~~

- ~~Futures contracts order tickets;~~
- ~~Futures contracts account statements;~~
- ~~Documentation customarily generated in accordance with the cash market, over-the-counter or other relevant market practices such as cash account statements, trade confirmation statements, ISDA® Master Agreements or other documents of title;~~
- ~~Third party documentation to support proof of payment or allowing to verify that the ownership title of the related cash market position or, as the case may be, of the related over-the-counter derivative instrument position was transferred from the seller to the buyer. This may include, but is not limited to canceled checks, bank statements; cash account statements and cash instruments clearing corporation documents (e.g.: CDS Depository and Clearing Services Inc.).~~

~~All futures contracts order tickets must clearly indicate the time of execution of the EFP, EFR or Substitution transactions.~~

~~APPENDIX 1~~
~~Exchange for Risk: List of permissible OTC derivative instruments~~

	~~Bond Futures Contracts~~	~~Short-Term Interest Rate Futures Contracts~~	~~Stock Index Futures/ Single Stock Futures~~	~~Commodities Futures~~
~~Vanilla Interest Rate Swaps~~	~~√~~	~~√~~		
~~Equity and Index Swaps~~			~~√~~	
~~Commodities Swaps or Forwards~~				~~√~~
~~Forward Rate Agreements - FRAs~~		~~√~~		
~~OTC Options and Options Strategies~~	~~√~~	~~√~~	~~√~~	

~~The following outlines the characteristics of OTC derivative instruments that would be acceptable for EFR transaction purposes.~~

~~Swaps:~~

~~Interest rate~~

- ~~standard plain vanilla OTC swap;~~
- ~~written under the terms of an ISDA® Master Agreement;~~
- ~~providing for regular fixed rate payments against regular floating rate payments;~~
- ~~All swap payments must be denominated in the currency of a G7 member country;~~
- ~~The OTC interest rate swap must be reasonably correlated with an R = 0.70 or greater so that the futures contract is a suitable instrument for hedging the OTC derivative instrument transactions. As a guideline, the time period used to calculate the correlation must be based on daily price data for a period of at least six (6) months or, if weekly price data are used, for a period of at least one (1) year.~~

~~Equities and indices~~

- ~~standard plain vanilla OTC swap;~~
- ~~written under the terms of an ISDA® Master Agreement;~~
- ~~providing for regular fixed rate payments or regular floating rate payments against the positive or negative performance of a basket of securities or a stock index;~~
- ~~All swap payments must be denominated in the currency of a G7 member country;~~
- ~~The OTC equity or index swap must be reasonably correlated with an R = 0.90 or greater so that the futures contract is a suitable instrument for hedging the OTC derivative instrument transaction. As a guideline, the time period used to calculate the correlation must be based on daily price data for a period of at least six (6) months or, if weekly price data are used, for a period of at least one (1) year.~~

~~Swaps or Forwards on Commodities:~~

- ~~written under the terms of an ISDA® Master Agreement;~~
- ~~The OTC commodities swap or forward must be reasonably correlated with an R = 0.80 or greater so that the futures contract is a suitable instrument for hedging the OTC derivative instrument transaction. As a guideline, the time period used to calculate the~~

~~correlation must be based on daily price data for a period of at least six (6) months or, if weekly price data are used, for a period of at least one (1) year.~~

~~Forward Rate Agreements (FRAs):~~

- ~~conventional FRA;~~
- ~~written under the terms of an ISDA® Master Agreement;~~
- ~~predetermined interest rate;~~
- ~~agreed start/end date;~~
- ~~have a defined interest (repo) rate.~~

~~OTC Options and OTC Option Strategies:~~

- ~~Any individual or combination of OTC equity or stock index option positions can form the risk transaction component of an EFR transaction against any of the Bourse's stock index or single stock futures contracts.~~
- ~~Any individual or combination of OTC bond, interest rate swap or FRA options (e.g. caps, floors, collars) can form the risk component of an EFR transaction against any of the Bourse's interest rate futures contracts~~

~~Stock baskets used in an EFR transaction must have the following characteristics:~~

- ~~be reasonably correlated to the index underlying the futures contract with an R = 0.90 or greater and the time period used to calculate the correlation must be based on daily price data for a period of at least six (6) months or, if weekly price data is used, for a period of at least one (1) year;~~
- ~~represent at least 50% of the weight of the index underlying the futures contract or include at least 50% of the stocks comprised in the index underlying the futures contract;~~
- ~~have a notional value equivalent to the value of the futures contract component of the EFR transaction;~~
- ~~exchange-traded funds (ETFs) are acceptable provided that they mirror stock index products traded on the Bourse.~~

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~~PROCEDURES APPLICABLE TO THE EXECUTION OF RISKLESS BASIS CROSS TRANSACTIONS ON FUTURES CONTRACTS ON S&P/TSX INDICES AND FUTURES CONTRACTS ON CANADIAN SHARES~~

~~FUTURES CONTRACTS ON S&P/TSX INDICES:~~

~~Bourse de Montréal Inc. (the Bourse) authorizes riskless basis cross transactions on listed futures contracts on S&P/TSX indices. The Bourse provides approved participants with a facility that permits the purchase/sale of index futures contracts against cash instruments for an average cash market price plus a pre-negotiated basis. A riskless basis cross has no impact on the existing cash market as the initiated operation results in a riskless transaction in the books of the approved participant.~~

~~Approved participants receiving requests from clients who cannot or do not want to hold cash securities in their accounts but who wish to acquire market exposure in the most efficient way possible (either on the cash or exchange-traded fund "ETF" markets) are authorized to do a riskless basis cross. The sole intent and purpose of the riskless basis cross is to allow market participants to use the attributes of the underlying cash market to take on the market position requested by the client and then to replicate it through the use of futures contracts thus leaving the approved participant with no resulting market position and the client with a final position in the futures contract.~~

~~Once the terms of the riskless basis cross have been agreed to with the client, the approved participant begins the transaction by taking a position in the cash instruments in its own account on behalf of the client. The approved participant then has to execute the riskless basis cross transaction (by contacting the Market Operations Department of the Bourse) and allocate the futures contract position, functionally equivalent to the cash market exposure, (as initially requested by the client) into the client's account.~~

~~Approved participants must apply the following procedures when executing riskless basis crosses:~~

- ~~The approved participant accepts the order to execute a transaction on behalf of its client (who wishes to acquire index market exposure with a resulting futures position) for an average cash market price plus a pre-negotiated basis (spread).~~

- ~~The terms of the transaction should either be a fixed pre-negotiated basis established prior to execution of the transaction or a guaranteed (by the approved participant to the client) closing or executed price of the cash component in which circumstance the basis will be adjusted accordingly.~~

- ~~The approved participant begins the transaction by acquiring exposure (long or short) in the cash market on its client's behalf, using securities, baskets of securities, index participation units, or exchange-traded funds comprised of the underlying securities of the related index futures contracts that constitute the~~

~~riskless basis cross. For the purpose of this type of operation, these instruments are accumulated in the approved participant's account.~~

- ~~The cash portion of the riskless basis cross must be comprised of at least 80 percent of the components constituting the underlying index (e.g. for the S&P/TSX 60™ Index, at least 48 constituents must be part of the transaction)~~

- ~~It is generally expected that, for the purpose of the riskless basis cross, approved participants will use all of the index components when taking position in the cash market. However, there are circumstances which may prevent an approved participant from acquiring certain index components, and the approved participant may therefore exclude these index components from the cash position. Examples of such circumstances include: an index component is on the approved participant's or client's internal restricted list (due to a corporate action involving the issuer of the given component), a specific index component is halted from trading during the day of the operation, market conditions of a specific index component are inadequate (e.g. if liquidity is insufficient to execute the transaction) or any other justifiable situation of a similar nature.~~

- ~~The cash portion of the riskless basis cross must be reasonably correlated to the underlying index with a correlation coefficient (R) of 90% or more.~~

- ~~At the time agreed with its client the approved participant executes a riskless basis cross transaction for a predetermined quantity of index futures contracts. One side of this riskless basis cross transaction offsets the approved participant's position in the underlying cash market and the other side of the trade represents the total market exposure requested by the client. The resulting "unhedged" index futures contracts position is then allocated into the client's account.~~

- ~~A riskless basis cross transaction may only be executed during the regular trading hours of the underlying instrument until the end of the extended session at the Toronto Stock Exchange (TSX). The transaction has to be executed the same day as and after the completion of the cash portion of the operation. In the event that the riskless basis cross operation has to be executed over a several day period, the futures portion of the operation has to be proportionate to the underlying portion at any given execution day.~~

- ~~To execute the riskless basis cross transaction, the approved participant must provide the details of the concluded transaction to the Market Operations Department of the Bourse by filling out and submitting through the Bourse's Web page http://sttrf-frots.m-x.ca/ the prescribed "Special Terms Transaction Reporting Form". Once submitted, the riskless basis cross transaction will be registered by the Market Operations Department in the trading system. The transaction will then be specially marked and displayed in the systems (trading platform and data vendors) at the post trade recap level.~~

- ~~Once concluded and registered, the riskless basis cross transaction will appear in the "Transaction Report" maintained on the Bourse's Web page http://www.m-x.ca/dailycrosses_en.php.~~

- ~~There is no minimum time required to display (by the approved participant) the riskless basis cross transaction prior to execution. As soon as it is reported to the Market Operations Department at the Bourse, the transaction will be registered and displayed without delay.~~

- ~~There is no minimum size restriction for a riskless basis cross transaction.~~

- ~~There is no requirement for a riskless basis cross transaction to be executed within either the bid and ask or the daily high and low prices.~~

- ~~The riskless basis cross transaction is excluded from the daily settlement price procedures, but is included in the daily volume figures.~~

- ~~Approved participants involved in a basis cross transaction may be required to demonstrate to the Bourse:~~

    - ~~that the transaction is comprised of at least 80% of the components constituting the underlying index; and~~

    - ~~that the futures portion of the transaction replicates the underlying index and that components of the underlying index that are not included in the riskless basis cross were justifiably excluded (as described above) from the transaction; and~~

    - ~~that the cash portion of the riskless basis cross has a minimum correlation of 90% to the underlying index; and~~

    - ~~whether the transaction's pre-negotiated basis was fixed and established prior to the execution of the transaction or resulted from a guaranteed closing or executed price of the cash component; and~~

    - ~~that the cash position and the futures contracts position (resulting from the riskless basis cross transaction) are properly recorded in both the approved participant's and client's accounts.~~

- ~~While the approved participant must acquire the cash market position before executing the futures contract leg, the Bourse does not impose any time limit for the retention or liquidation by the approved participant of the cash market position. Once the riskless basis cross has been completed, the approved participant may manage the positions on its books as it sees fit.~~

~~FUTURES CONTRACTS ON CANADIAN SHARES:~~

~~Bourse de Montréal Inc. (the Bourse) authorizes riskless basis cross transactions on listed Share Futures contracts. The Bourse provides approved participants with a facility that permits the purchase/sale of Share Futures contracts against the underlying cash instrument for an average cash market price plus a pre-negotiated basis. A riskless~~

~~basis cross has no impact on the existing cash market as the initiated operation results in a riskless transaction in the books of the approved participant.~~

~~Approved participants receiving requests from clients who cannot or do not want to hold cash securities in their accounts but who wish to acquire market exposure in the most efficient way possible on the cash market are authorized to do a riskless basis cross. The sole intent and purpose of the riskless basis cross is to allow market participants to use the attributes of the underlying cash market to take on the market position requested by the client and then to replicate it through the use of futures contracts thus leaving the approved participant with no resulting market position and the client with a final position in the futures contract.~~

~~Once the terms of the riskless basis cross have been agreed to with the client, the approved participant begins the transaction by taking a position in the cash instruments in its own account on behalf of the client. The approved participant then has to execute the riskless basis cross transaction (by contacting the Market Operations Department of the Bourse) and allocate the futures contract position, functionally equivalent to the cash market exposure, (as initially requested by the client) into the client's account.~~

~~Approved participants must apply the following procedures when executing riskless basis crosses:~~

- ~~The approved participant accepts the order to execute a transaction on behalf of its client (who wishes to acquire a cash market exposure with a resulting futures position) for an average cash market price plus a pre-negotiated basis (spread).~~

- ~~The terms of the transaction should either be a fixed pre-negotiated basis established prior to execution of the transaction or a guaranteed (by the approved participant to the client) closing or executed price of the cash component in which circumstance the basis will be adjusted accordingly.~~

- ~~The approved participant begins the transaction by acquiring exposure (long or short) in the cash market on its client's behalf, using the underlying security of the related Share Futures contract that constitute the riskless basis cross. For the purpose of this type of operation, these instruments are accumulated in the approved participant's account.~~

- ~~The cash portion of the riskless basis cross must be comprised of the underlying stock of the Share Futures contract.~~

- ~~At the time agreed with its client the approved participant executes a riskless basis cross transaction for a predetermined quantity of Share Futures contracts. One side of this riskless basis cross transaction offsets the approved participant's position in the underlying cash market and the other side of the trade represents the total market exposure requested by the client. The resulting "unhedged" Share Futures contracts position is then allocated into the client's account.~~

- ~~A riskless basis cross transaction may only be executed during the regular trading hours of the underlying instrument until the end of the extended session at the Toronto Stock Exchange (TSX). The transaction has to be executed the same day as and after the completion of the cash portion of the operation. In the~~

~~event that the riskless basis cross operation has to be executed over a several day period, the futures portion of the operation has to be proportionate to the underlying portion at any given execution day.~~

- ~~To execute the riskless basis cross transaction, the approved participant must provide the details of the concluded transaction to the Market Operations Department of the Bourse by filling out and submitting through the Bourse's Web page http://www.m-x.ca/efp_formulaire_en.php the prescribed "Special Terms Transaction Reporting Form". Once submitted, the riskless basis cross transaction will be registered by the Market Operations Department in the trading system. The transaction will then be specially marked and displayed in the systems (trading platform and data vendors) at the post trade recap level.~~

- ~~Once concluded and registered, the riskless basis cross transaction will appear in the "Transaction Report" maintained on the Bourse's Web page http://www.m-x.ca/dailycrosses_en.php.~~

- ~~There is no minimum time required to display (by the approved participant) the riskless basis cross transaction prior to execution. As soon as it is reported to the Market Operations Department at the Bourse, the transaction will be registered and displayed without delay.~~

- ~~There is no minimum size restriction for a riskless basis cross transaction.~~

- ~~There is no requirement for a riskless basis cross transaction to be executed within either the bid and ask or the daily high and low prices.~~

- ~~The riskless basis cross transaction is excluded from the daily settlement price procedures, but is included in the daily volume figures.~~

- ~~Approved participants involved in a basis cross transaction may be required to demonstrate to the Bourse:~~

    - ~~whether the transaction's pre-negotiated basis was fixed and established prior to the execution of the transaction or resulted from a guaranteed closing or executed price of the cash component; and~~

    - ~~that the cash position and the futures contracts position (resulting from the riskless basis cross transaction) are properly recorded in both the approved participant's and client's accounts.~~

- ~~While the approved participant must acquire the cash market position before executing the futures contract leg, the Bourse does not impose any time limit for the retention or liquidation by the approved participant of the cash market position. Once the riskless basis cross has been completed, the approved participant may manage the positions on its books as it sees fit.~~