



<input checked="" type="checkbox"/> Trading – Interest Rate Derivatives	<input checked="" type="checkbox"/> Back-office - Options
<input checked="" type="checkbox"/> Trading – Equity and Index Derivatives	<input checked="" type="checkbox"/> Technology
<input checked="" type="checkbox"/> Back-office – Futures	<input checked="" type="checkbox"/> Regulation

**CIRCULAR**  
March 3, 2005

## **REQUEST FOR COMMENTS**

### **NEW PRODUCT OPTIONS ON CURRENCIES**

### **AMENDMENTS TO RULE SIX**

#### **Summary**

The Rules and Policies Committee of Bourse de Montréal Inc. (the Bourse) approved amendments to articles 6602, 6624, 6651, 6654, 6674 and 6676 and the adoption of articles 6790 to 6795 of Rule Six of the Bourse. The objective of the introduction of currency options is designed to offer market participants risk management products in the large foreign exchange rate market. In light of investor and market maker interest for the introduction of currency products at the Bourse de Montréal, the Bourse plans the introduction of European style cash settled options on foreign currencies targeted at retail investors. Based on demand, larger size currency option contracts targeted at institutional investors may follow. Initially, the Bourse will offer options on the U.S. dollar and Euro currencies.

#### **Process for Changes to the Rules**

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

Circular no.: 035-2005

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

Comments on the proposed amendments to articles 6602, 6624, 6651, 6654, 6674 and 6676 and the adoption of articles 6790 to 6795 of the Rules of the Bourse must be submitted within 30 days following the date of publication of the present notice in the bulletin of the Autorité. Please submit your comments to:

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

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

*Ms. Anne-Marie Beaudoin  
Director – Secretariat of L'Autorité  
Autorité des marchés financiers  
800 Victoria Square, 22<sup>nd</sup> Floor  
P.O. Box 246, Tour de la Bourse  
Montréal (Quebec) H4Z 1G3  
E-mail: [consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)*

## **Appendices**

For your information, you will find in appendices an analysis document of the proposed rule amendments, characteristics of the new product, amended Procedures applicable to the execution of cross transactions and the execution of prearranged transactions as well as the proposed regulatory text. The implementation date of the proposed amendments will be determined, if applicable, with the other Canadian self-regulatory organizations following approval by the "Autorité des marchés financiers".



## **NEW PRODUCT: OPTIONS ON CURRENCIES**

### **A – Rationale**

- Feedback from retail investors confirms market interest to have currency options listed at the Bourse;
- Provide investors currency risk management products that will protect (“insure”) their currency exposures against adverse currency movements;
- The amount outstanding for all OTC currency options has increased at an annual rate of 51% from December 2001 to December 2003;
- \$CAD dollar per \$U.S. dollar monthly historical volatility has risen from 4% in 2000 to 9% in 2004;
- Foreign exchange hedging among Canadian businesses has jumped approximately 30% over the past year as the Canadian dollar surged, according to Travelex Holdings Ltd, the world’s largest non-bank foreign exchange company;
- The increase in foreign currency fraud in the unregulated OTC market has negatively impacted unsuspecting retail investors (Commodity Futures Trading Commission- Consumer Alert) strengthening the case for the introduction of an exchange traded currency product in Canada with the presence of a central clearinghouse (CDCC) to guarantee counterparty transactions.

### **B -- Proposed Products**

In light of investor and market maker interest for the introduction of foreign currency products at the Bourse de Montréal, the Bourse plans the introduction of European style cash settled options on foreign currencies targeted at retail investors. Based on demand, larger sized currency option contracts targeted at institutional investors may follow. Initially, the Bourse will offer options on the U.S. dollar and Euro currencies.

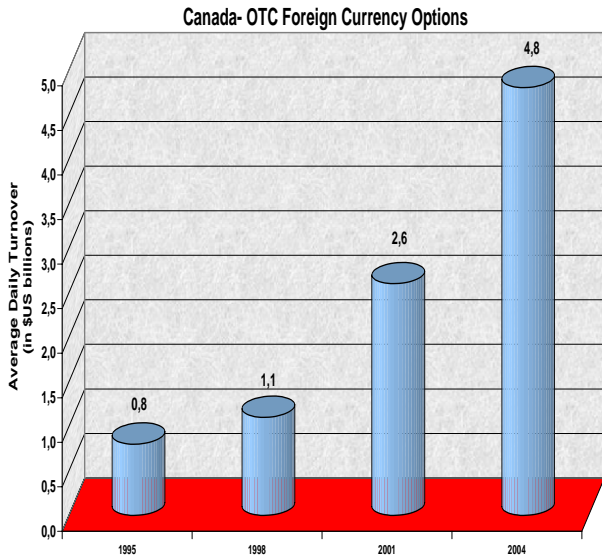
### *Bourse de Montréal Currency options product features:*

- Currency options are quoted in European or interbank convention (i.e., CAD currency per unit of foreign currency) in order to align the Bourse with the spot and interbank market. For example, a quoted exchange rate of "1.2050 Canadian dollars per U.S. dollar" means that it takes CAD\$1.2050 to buy one U.S. dollar or expressed in cents, CAD 120.50 cents to buy one U.S. dollar;
- Currency options exercise prices and options premiums quotations are expressed and denominated in Canadian cents per unit of foreign currency. For example, if a U.S. dollar option with an underlying of US\$10,000 is purchased at a premium of CAD 0.75 cents, the cost of the option is CAD\$75 (CAD 0.75 cents/US\$ multiplied by the unit of trading of US\$10,000 multiplied by CAD\$1/CAD100 cents);
- The option premium tick value of a foreign currency option contract is CAD\$1. Therefore, a tick represents 1/100<sup>th</sup> of a cent equivalent to CAD\$1 and determined as follows: CAD 0.01 cent multiplied by the unit of trading 10,000 multiplied by CAD\$1/CAD100 cents. For example, if the U.S. dollar appreciates from CAD 120.50 cents to CAD 121.50 cents, a call option will have increased in value C\$100 (CAD 1 cent/US\$ multiplied by the unit of trading US\$10,000 multiplied by CAD\$1/CAD100 cents);
- The amount of currency to be purchased or sold at the exercise price is the underlying currency (i.e, the unit of trading of the \$US dollar, Euro or other foreign currency option contract);
- Currency options are cash settled at expiration. Investors do not need to worry about delivery procedures of foreign currency or Canadian dollars prior to option expiration. Instead, all open positions are cash (i.e., CAD dollar) settled to the widely recognized Bank of Canada “Noon Rate” at the expiration date.

### *Canadian Market for OTC currency options:*

- Canadian OTC currency options turnover activity has been growing at an annual rate of

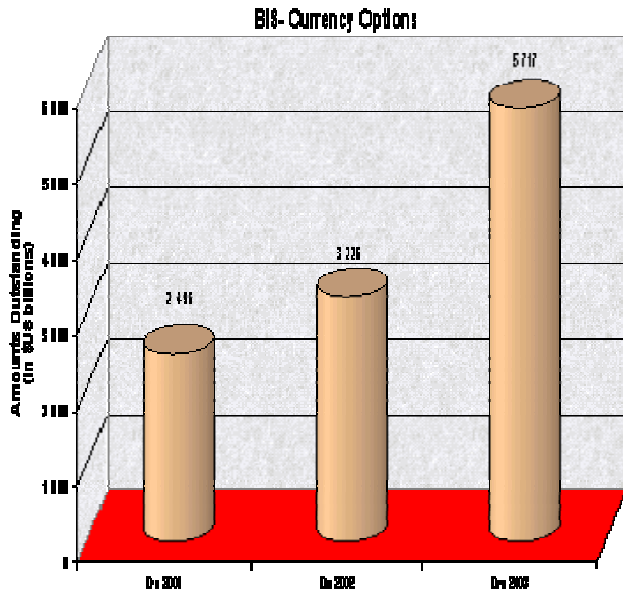
28% since 1998 to an average daily turnover of US\$4.8 billion in 2004;



Source: Bank of Canada

International Market for OTC currency options:

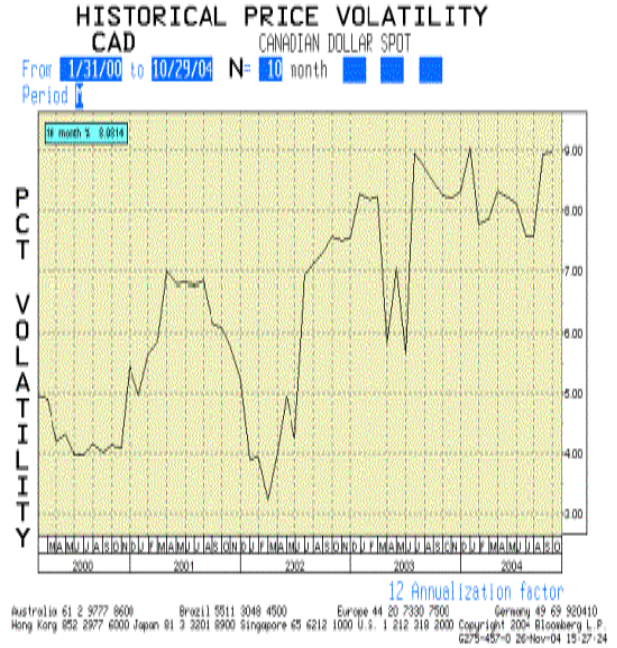
- The amount outstanding for all OTC currency options has increased at an annual rate of 51% from December 2001 to December 2003;



Source: Bank for International Settlements

\$Canadian dollar per \$U.S. dollar-  
Historical Volatility:

Volatility is at historically high levels;



Source: Bloomberg L.P.

## C -- The Issue

Current Bourse Rules do not provide for the introduction of foreign currency options; therefore amendments to Rule Six of the Rules of the Bourse are required prior to the introduction of foreign currency options.

## D – Objective and Public Interest

The objective of the introduction of currency options is designed to offer market participants risk management products in the large foreign exchange rate market.

## E -- Process

The management of the Bourse recommends that the Rules and Policies Committee approve the amendments to Rule Six of the Bourse, the addition of contract specifications for the introduction of option contracts on foreign currencies and the amendments to the Procedures

applicable to the execution of cross transactions and the execution of prearranged transactions.

**F – References:**

- Amendments to Rule Six of the Rules of the Bourse
- Contract specifications

# Specifications

## Currency Options

<b>Underlying Currency</b>	<ul style="list-style-type: none"><li>❖ U.S. Dollar;</li><li>❖ Euro</li></ul>
<b>Trading Unit</b>	<ul style="list-style-type: none"><li>❖ \$10,000 U.S. Dollars;</li><li>❖ €10,000 Euros</li></ul>
<b>Contract Months</b>	The first three months plus the next two quarterly months in the March, June, September, December cycle.
<b>Exercise Price</b>	Exercise prices are expressed in cents per unit of foreign currency. For example, CAD 120.50 cents equivalent to CAD\$1.2050.
<b>Exercise Price Intervals</b>	Exercise price intervals are set at a minimum of CAD 0.50 cents per unit of foreign currency.
<b>Premium Quotation</b>	Option premiums are quoted in Canadian cents per unit of foreign currency. For example, a premium quotation of CAD 0.75 cents for an option on the U.S. dollar represents an aggregate premium value of CAD 0.75 cents/US\$ x US\$10,000 x CAD\$1/CAD100 cents = CAD\$75.
<b>Minimum Price Fluctuation (tick size)</b>	The minimum price fluctuation of the premium is CAD 0.01 cent or a tick value of CAD\$1 per unit of foreign currency. That is: CAD 0.01 cents/US\$ x US\$10,000 x CAD\$1/CAD100 = CAD\$1.
<b>Aggregate Premium Value</b>	The aggregate premium value for a contract is the premium quotation multiplied by the trading unit of a contract.
<b>Exercise Style</b>	European style. Options may be exercised only on the expiration date.
<b>Exercise Settlement</b>	Cash settlement. The amount to be paid or received in final settlement of each option contract is determined by multiplying the trading unit by the difference between the exercise price and the Bank of Canada noon rate expressed in Canadian cents for the designated currency vis-à-vis the Canadian dollar on the expiration date.
<b>Expiration Date / Last Trading Day</b>	At 12:00 p.m. (ET), on the third Friday of the expiration contract month.
<b>Reporting Level</b>	500 contracts. As specified in Rule Six of the Bourse
<b>Position Limits</b>	75,000 contracts. As specified in Rule Six of the Bourse.
<b>Minimum Margin Requirements</b>	As specified in Rule Nine of the Bourse.
<b>Trading Hours</b>	9:30 a.m. to 4:00 p.m. (ET)
<b>Clearing Corporation</b>	Canadian Derivatives Clearing Corporation (CDCC).
<b>Ticker Symbol</b>	<ul style="list-style-type: none"><li>❖ USX - U.S. Dollar</li><li>❖ EUX - Euro</li></ul>

**6602 Qualification for Underlying Interests**(13.03.87, 31.05.88, 10.11.92, 07.09.99, 28.01.02, [00.00.05](#))

~~Fe-Products~~ qualify as underlying interests, provided they ~~the products listed below must~~ meet certain requirements.

- a) Every equity issue shall be listed on a Canadian Exchange, meet the criteria of the Canadian Derivatives Clearing Corporation, or be a security recommended for approval by the Bourse.
- b) In the case of Government of Canada Bonds, every issue shall have an outstanding amount of at least \$500,000,000 face value at maturity.
- c) A Futures contract must be listed on the Bourse.

d) In the case of a currency, it must have been priorily approved by the Bourse.

~~e)~~e) In order for a Canadian sponsored option to be traded on the Bourse, the underlying interest must satisfy the options eligibility criteria defined in the Canadian Derivatives Clearing Corporation Rules.

~~f)~~f) In order for an international sponsored option to be traded on the Bourse, the underlying interest must be currently traded on a recognized exchange and there must be options or futures contracts listed on this same exchange or on any other recognized exchange.

For the purpose of the present Rule, the term "recognized exchange" means any exchange carrying on its activities on the territory of one of the Basle Accord Countries and those countries that have adopted the banking and supervisory rules set out in the Basle Accord, and any other exchange or group of exchanges with whom the Bourse has signed a collaboration agreement.

~~g)~~g) In the case of an index sponsored option, the sponsor must have a licensing rights agreement with the index supplier. A copy of the agreement must be filed with the Bourse before the sponsored option is launched.

**6624 Minimum Quotation Fractions**(13.03.87, 19.05.87, 20.03.91, 10.11.92, 07.04.94, 15.04.96, 07.09.99, 11.02.00, 28.01.02, [00.00.05](#))

The minimum quotation spread shall be:

## a) Equity options

under \$0.10	\$0.01
\$0.10 or more	\$0.05

## b) Index participation unit options

under \$0.10	\$0.01
\$0.10 or more	\$0.05

## c) Index options

under 0.10 index points                      0.01 index points

0.10 index points or more                      0.05 index points

d) Bond options                      \$0.01

e) Futures options                      0.01 point

f) Sponsored options                      \$0.001 or as otherwise determined in consultation with the Canadian Derivatives Clearing Corporation and with the sponsor.

g) [Currency options](#)                      [CAN 0.01 cent per unit of foreign currency](#)

**6637 Expiration Date**

(06.08.86, 20.03.91, 17.12.91, 10.11.92, 07.04.94, 07.09.99, 11.02.00, 28.01.02, [00.00.05](#))

a) No transaction of options contracts in expiring series shall be made after the close of trading on the last day of trading.

b) In the case of equity options, bond options and options on index participation units, the expiration date shall be the Saturday following the third Friday of the expiration month. In the case of index options, the expiration date shall be the third Friday of the contract month or, if the index is not published on that day, the first preceding trading day for which the index is scheduled to be published. In the case of futures options, the expiration date shall be the last trading day. [In the case of currency options, the expiration date shall be the third Friday of the expiration month or, if the Bank of Canada exchange rate fixing is not published that day, the expiration date shall be the first preceding trading day for which the Bank of Canada exchange rate fixing is scheduled to be published.](#)

c) In the case of sponsored options, the expiration date is determined by the sponsor as per the information provided to investors and the Bourse or as provided in the product documentation and set out in article 6643 of the Rules of the Bourse.

**6651 Position Limits**

(06.08.86, 19.05.87, 08.09.89, 06.08.90, 20.03.91, 10.11.92, 07.04.94, 08.07.99, 07.09.99, 11.02.00, 28.01.02, [00.00.05](#))

A) Except as provided in paragraph D) of this article, no approved participant or restricted permit holder shall make for any account in which it has an interest, or for the account of any client, an opening transaction if the approved participant or the restricted permit holder has reason to believe that as a result of such transaction the approved participant or its client, or the restricted permit holder would, acting alone or in concert with others, directly or indirectly, hold, control or be obligated with respect to a position on the same side of the market relating to the same underlying interest (whether long or short) in excess of the position limits established by the Bourse.



B) Except otherwise indicated, the applicable position limits are as follows:

1. Stock or index participation unit options

- a) 13,500 contracts where the underlying security does not meet the requirements set out in sub-paragraphs B) 1. b) and B) 1. c) of this article;
- b) 22,500 contracts, where either the most recent interlisted six-month trading volume of the underlying interest totals at least 20 million shares, or the most recent interlisted six-month trading volume on the underlying interest totals at least 15 million shares and at least 40 million shares are currently outstanding;
- c) 31,500 contracts, where either the most recent interlisted six-month trading volume in the underlying interest totals at least 40 million shares, or the most recent interlisted six-month trading volume on the underlying interest totals at least 30 million shares and at least 120 million shares are currently outstanding.
- d) 60,000 contracts, where either the most recent interlisted six-month trading volume in the underlying interest totals at least 80 million shares, or the most recent interlisted six-month trading volume on the underlying interest totals at least 60 million shares and at least 240 million shares are currently outstanding.
- e) 75,000 contracts, where either the most recent interlisted six-month trading volume in the underlying interest totals at least 100 million shares, or the most recent interlisted six-month trading volume on the underlying interest totals at least 75 million shares and at least 300 million shares are currently outstanding.

2. Debt options

8,000 contracts;

3. Index options

50,000 contracts;

4. Options on futures

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

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

5. Sponsored options

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

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

6. Currency options

75,000 contracts

C) For the purpose of this article:

1. calls written, puts held and short underlying interest are on the same side of the market and puts written, calls held and long underlying interest are on the same side of the market;
2. the account of an individual member or of the holder of a restricted trading permit will not be counted with that of his clearing member unless the clearing member has an interest in the account;
3. the Exchange may, by notice, change the position limits. A change in the position limit will be effective on the date set by the Exchange and reasonable notice shall be given of each new position limit.

D) Conversions, reverse conversions, long and short hedges

1. For the purposes of this article the following defined hedges are approved by the Exchange:
  - a) conversion: where an opening long put transaction in any option is entirely offset by an opening short call transaction having the same expiry month and strike price in the same option class, either of which option transaction is effectively hedged by a long position in the underlying interest of the option;
  - b) reverse conversion: where an opening short put transaction in any option is entirely offset by an opening long call transaction having the same expiry month and strike price in the same option class, either of which option transaction is effectively hedged by a short position in the underlying interest of the option;
  - c) short hedge: where an opening long call transaction or an opening short put transaction in any option is entirely offset by a short position in the underlying interest of the option;
  - d) long hedge: where an opening short call transaction or an opening long put transaction in any option is entirely offset by a long position in the underlying interest of the option.
2. In addition to the options position limits set out in paragraph B), any one account may hold an amount not exceeding the applicable paragraph B) limit of any combination of the approved hedge positions defined in sub-paragraphs D) 1. a) to D) 1. d), inclusive.
3. For all position limits set out in this article, in the case of conversion and reverse conversion as defined in paragraph D) 1. a) and b), such limits shall apply as if calls written and puts held, or puts written and calls held, as the case may be, were not on the same side of the market.

## E) Exemption

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

**6654 Reports Related to Position Limits**

(05.08.75, 15.11.79, 24.04.84, 20.03.91, 10.11.92, 07.04.94, 07.09.99, 11.02.00, 28.01.02, [00.00.05](#))

a) Each approved participant shall file with the Bourse, no later than three business days following the last business day of each week, a report in such form as may be prescribed, giving the name and address of any client who, on the last business day of any week, held aggregate long or short positions in excess of:

- i) 250 contracts, in the case of stock and bond and 500 contracts, in the case of index participation units;
- ii) 1,500 contracts, in the case of index options;

[iii\) 500 contracts, for currency options;](#)

[ii\)iv\) 250 options or futures equivalent contracts \(as defined in article 6651\) with respect to a position involving the option and the underlying futures contract, in the case of options on Government of Canada Bond futures;](#)

[iv\)v\) 300 options or futures equivalent contracts \(as defined in article 6651\) with respect to a position involving the option and the underlying futures contract, in the case of options on Canadian Bankers' Acceptance futures;](#)

on the same side of the market in any single class. The report shall indicate for each such class of options, the number of contracts comprising each such position and, in the case of short positions, whether covered or uncovered.

[v\)vi\) The position limits requirements described above apply to sponsored options by using an equivalent unit of trading.](#)

b) In addition to the reports required above, each approved participant shall report immediately to the Bourse any instance in which the approved participant has reason to believe that a client, acting alone or in concert with others, has exceeded or is attempting to exceed the position limits established in article 6651.

c) For the purposes of this article, the term "client" in respect to any approved participant shall include the approved participant, any general or special partner of the approved participant, any officer or

director of the approved participant, or any participant, as such, in any joint group or syndicate account with the approved participant or with a partner, officer or director thereof.

**6674 Payment of Underlying Interest**

(19.05.87, 20.03.91, 10.11.92, 07.09.99, 28.01.02, 00.00.05)

- a) In the case of cash-settled ~~index~~ options ~~or cash settlement sponsored options~~, delivery will be made in accordance with article 6676;
- b) In the case of stock and bond options and sponsored options, clearing of transactions in the underlying interests arising from exercise notices will be through the facilities of the Canadian Depository for Securities Ltd. or in another manner prescribed by the Bourse and the Canadian Derivatives Clearing Corporation;
- c) In the case of futures options, the clearing of transactions arising from exercise notices will be through the facilities of the Canadian Derivatives Clearing Corporation.

**6676 Settlement and Delivery in the Case of Cash Settled Options**

(24.04.84, 06.08.86, 10.11.92, 07.09.99, 31.01.01, 29.04.02, 00.00.05)

- a) Settlement of positions held in the S&P/TSE 60 Stock Index option following an exercise shall be made by an exchange of cash between the Clearing Corporation and each of the short and long clearing members pursuant to the rules of the Clearing Corporation. The amount to be paid or received in final settlement of each S&P/TSE 60 Stock Index option contract is determined by multiplying \$100 by the difference between the strike price and the official opening level of the S&P/TSE 60 Stock Index on the expiration date, expressed to two decimal places.
- b) Settlement of options positions held in the S&P/TSE sectorial indices following an exercise shall be made by an exchange of cash between the Clearing Corporation and each of the short and long clearing members pursuant to the rules of the Clearing Corporation. The amount to be paid or received in final settlement of each S&P/TSE sectorial index option contract is determined by multiplying the trading unit by the difference between the strike price and the official opening level of the S&P/TSE sectorial index on the expiration date, expressed to two decimal places.
- c) Settlement of positions held in cash settlement sponsored options following an exercise must be made by an exchange of cash between the clearing corporation and each of the clearing approved participant holding a position pursuant to the Rules of the Canadian Derivatives Clearing Corporation. The amount to be paid or received in settlement of each sponsored option contract is determined by multiplying the unit of trading by the difference between the exercise price of the sponsored option and the price of the underlying interest as determined by the Bourse, multiplied by the designated CAN\$/foreign currency exchange spot rate.
- d) Settlement of positions held in currency option following an exercise shall be made by an exchange of cash between the Clearing Corporation and each of the short and long clearing members pursuant to the rules of the Clearing Corporation. The amount to be paid or received in final settlement of each currency option contract is determined by multiplying the unit of trading by the difference between the strike price and the Bank of Canada "Noon rate" expressed in Canadian cents for the corresponding currency vis-à-vis the Canadian dollar on the expiration date.

## OPTIONS ON CURRENCIES

### Section 6790 – 6799 Specific Rules Concerning the Contract Specifications (00.00.05)

#### 6790 Application of Specific Rules (00.00.05)

In addition to articles 6571-6700 of the Rules, options on currencies shall be subject to the Rules contained in this section.

#### 6791 Nature of Options (00.00.05)

A buyer of one currency option may exercise his option only on the expiration date ("European style") to receive a cash payment equal to the difference between the strike price and the Bank of Canada "Noon rate" on the expiration date, as provided for in article 6676 d) of the Rules.

The seller of one currency option, if the option is exercised, the obligation of rendering payment equal to the difference between the strike price and the Bank of Canada "Noon rate" on the expiration date, as provided for in article 6676 d) of the Rules.

#### 6792 Trading Unit (00.00.05)

The trading unit for one option contract shall be 10,000 units of foreign currency, or a multiple thereof.

#### 6793 Strike Prices (00.00.05)

Strike prices are set at a minimum interval of CAN 0.50 cents per unit of foreign currency unless otherwise determined by the Bourse.

#### 6794 Minimum Price Increment (Tick Size) (00.00.05)

The minimum tick size shall be CAN 0.01 cent per unit of foreign currency unless otherwise determined by the Bourse.

#### 6795 Last Trading Day (00.00.05)

Currency options shall cease trading on the Expiration Date of the contract month, as defined in article 6637 b) of the Rules.



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

In accordance with article 6380 of the Rules of Bourse de Montréal Inc. (the Bourse), the following are the eligible products, the prescribed exposure time delays which must occur at or between the current best bid and the current best offer available in the electronic system of the Bourse and the minimum quantity thresholds.

<b>ELIGIBLE PRODUCTS</b>	<b>PRESCRIBED TIME DELAY</b>	<b>MINIMUM QUANTITY THRESHOLD</b>
<b>Three-month Canadian Bankers' Acceptance Futures Contracts (BAX):</b>		
1 <sup>st</sup> four quarterly months – not including serial months	5 seconds	1 contract
Remaining expiry months and strategies	15 seconds	1 contract
<b>Thirty-day Overnight "Repo" Rate Futures Contracts (ONX):</b>		
Front month	5 seconds	1 contract
Remaining expiry months and strategies	15 seconds	1 contract
<b>Government of Canada Bond Futures Contracts:</b>		
All expiry months and strategies	5 seconds	1 contract
<b>S&amp;P Canada 60 Index Futures Contracts (SXF):</b>		
All expiry months	0 second	100 contracts
All expiry months and strategies	5 seconds	1 contract
<b>Options on Three-month Canadian Bankers' Acceptance Futures Contracts (OBX):</b>		
All expiry months and strategies	15 seconds	1 contract

<b>ELIGIBLE PRODUCTS</b>	<b>PRESCRIBED TIME DELAY</b>	<b>MINIMUM QUANTITY THRESHOLD</b>
<b>Equity Options (1):</b>		
All expiry months and strategies	30 seconds	100 contracts
<b>Index Options (1) :</b>		
All expiry months and strategies	15 seconds	50 contracts
<b>Bond Options (1):</b>		
All expiry months and strategies	15 seconds	50 contracts
<b><u>Currency Options (1):</u></b>		
<b><u>All expiry months and strategies</u></b>	<b><u>15 seconds</u></b>	<b><u>50 contracts</u></b>

Chronological priority of orders must be respected with regards to the posting of the originating order first, when executing a cross or prearranged transaction.

**(1) Equity Options, Index Options, ~~and~~ Bond Options and Currency Options Contracts**

Equity options, index options, ~~and~~ bond options and currency options are products for which market makers are assigned. In order to encourage the market making activities, cross transactions and prearranged transactions can only be executed in accordance with one of the following procedures:

**Procedure for transactions with a 50% guaranteed minimum (residual quantity equal or greater than the minimum quantity threshold):**

The 50% execution guarantee applies only if the residual quantity (described below) is equal to or greater than the minimum quantity threshold.

The approved participant must contact a market official at 1-888-693-6366 or at (514) 871-7871 and provide details of the intended transaction: total quantity which must be equal to or greater than the minimum quantity threshold, price, side(s) of the transaction on which the approved participant is required to give priority.

The approved participant must ensure that all existing disclosed orders on SAM, regardless of type of orders, which are at limit prices better than or equal to the intended transaction price are executed before completing such transaction. The market official will ensure, in collaboration with the approved participant, that this requirement is met;

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.

If the residual quantity is less than the minimum quantity threshold, the approved participant must follow the procedure applicable to transactions with no minimum guaranteed volume, described further below.

If the residual quantity of the intended transaction is equal to or greater than the minimum quantity threshold, a market official will contact the market makers and inform them of the residual quantity covered by the transaction and the limit price. The market official will expose to the market makers active on the class the side of the transaction on which the approved participant is required to give priority.

Market makers will be permitted to participate to the transaction up to a total maximum of 50% of the quantity of the original intended transaction<sup>1</sup>

The approved participant will be permitted to execute the transaction for the remaining quantity (a minimum of 50% of the residual quantity, plus any quantity not taken of the 50% of the original intended transaction quantity that had been shown to the market makers and to the market).

**Procedure for transactions with no guaranteed minimum volume (residual quantity smaller than the minimum quantity threshold):**

Approved participants wishing to make a cross transaction or a prearranged transaction must issue a Request For Quote (RFQ) for the total intended transaction quantity and must then respect a delay that is not less than the prescribed time delay applicable to the specific product before entering the orders into the trading system.

***Sponsored Options***

Cross transactions and prearranged transactions are not permitted on sponsored options listed on the Bourse.

**MISCELLANEOUS**

Eligible products, their respective minimum quantity 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.

Bundling of orders to meet the minimum quantity threshold is not permitted.

---

<sup>1</sup>*In the case where the total quantity requested by the market makers is equal to or less than the 50% of the quantity of the original intended transaction shown to them, each order will be executed entirely. If the total market makers' interest exceeds the quantity shown to them, each will receive the lesser of the following quantities: (a) an equal portion for each of them or (b) the quantity they requested. A market maker cannot increase the quantity allocated to him by proposing a price better than the intended transaction price. The quantity allocated to a market maker will not be based on previous executions relating to existing orders in the book at prices equal to or better than the intended transaction price.*