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**CIRCULAR**  
**April 20, 2004**

**NEW INTEREST RATE FUTURES CONTRACTS**  
**TWO-YEAR GOVERNMENT OF CANADA BOND FUTURES CONTRACT (CGZ)**

On **Monday, May 3, 2004**, Bourse de Montréal Inc. ("the Bourse") will list a Two-Year Government of Canada Bond Futures contract (CGZ).

Herein enclosed are amendments to the rules of the Bourse and contract specifications regarding this new futures contract. Amendments to the regulations will be effective as of May 3, 2004.

The margin requirements for the Two-Year Government of Canada Bond Futures (CGZ) contract are described below:

Speculator	\$550.00
Hedger	\$500.00
Spread	\$200.00

The position limit is 4,000 contracts.

A list of deliverable Canadian Government bond issues and their conversion factors (as at April 20, 2004) is also enclosed. This list is produced in accordance with the Rules of Bourse de Montréal Inc. and Canadian Derivatives Clearing Corporation ("CDCC") relating to delivery standards.

Traders of the following approved participants will be market makers for the 2-year Government of Canada Bond Futures contract (CGZ):

- RBC Dominion Securities Inc.
- TD Securities Inc.

The settlement procedures for this contract are also enclosed for your information.

A CGZ information leaflet is now available on the Bourse web site at [http://www.m-x.ca/invest\\_inst\\_cgz\\_en.php](http://www.m-x.ca/invest_inst_cgz_en.php). Should you require a copy, do not hesitate to call us at 1 (866) 871-7878, or e-mail us at [commercial@m-x.ca](mailto:commercial@m-x.ca).

Joëlle Saint-Arnault  
Vice-President, Legal Affairs and Secretary

Circular no.: 051-2004  
Amendment no.: 004-2004

**D. SPECIAL RULES FOR TRADING  
FUTURES CONTRACTS**

**Section 6801 - 6820  
Terms of Trade  
Futures**

**6801 Standard Trading Unit**

(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 29.04.02, 14.06.02, 03.05.04)

- a) No futures contract shall be traded on the Bourse unless it has standardized terms and is issued by the appropriate clearing corporation in cooperation with the Bourse.
- b) The standard unit of trading shall be one contract and unless otherwise determined by the Bourse, shall be as follows:

30-day overnight repo rate futures	CAN\$5,000,000
1-month Canadian bankers' acceptance futures contracts	CAN\$3,000,000
3-month Canadian bankers' acceptance futures contracts	CAN\$1,000,000
Government of Canada Bond futures contracts	CAN\$100,000
Futures contracts on the S&P/TSX 60 Stock Index	CAN\$200 times the S&P/TSX 60 Stock Index level

- c) Share futures contracts

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

- d) Futures contracts on the S&P/TSX sectorial stock indices

The Bourse, in consultation with the Canadian Derivatives Clearing Corporation, shall establish the unit of trading for each futures contract on the S&P/TSX sectorial stock indices that has been approved for trading.

**6802 Price**

(24.01.86, 22.04.88, 08.09.89, 17.10.91, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 14.06.02, 03.05.04)

- a) During the life of a contract, only the price per unit of physical commodity is negotiable.
- b) The price for any particular delivery month of a contract is determined by the bids and offers made on the Bourse, subject to the regulations.
- c) Until otherwise determined by the Bourse, the price shall be quoted as follows:

Government of Canada Bond futures	Per CAN\$100 nominal value
30-day overnight repo rate futures	In terms of an index of 100 minus the monthly average overnight repo rate in percentage point on an annual basis for a 365-day year
1-month Canadian bankers' acceptance futures	In terms of an index of 100 minus the yield in percentage point on an annual basis for a 365-day year on 1-month Canadian bankers' acceptances
3-month Canadian bankers' acceptance futures	In terms of an index of 100 minus the yield in percentage point on an annual basis for a 365-day year on 3-month Canadian bankers' acceptances
Futures contract on the S&P/TSX 60 Stock Index	In index points, expressed to two decimal points. One point equals CAN \$200
Canadian share Futures Contract	In CAN cents and dollars per share
International Share Futures Contract	In unit(s) of International currency per share

**6803 Currency**

(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 14.06.02, 03.05.04)

Trading, clearing, settlement and delivery shall be in the currency designated by the Bourse and until otherwise determined shall be as follows:

30-day overnight repo rate futures	CAN Dollars
1-month and 3-month Canadian bankers' acceptance futures	CAN Dollars
Government of Canada Bond futures	CAN Dollars
Futures contract on the S&P/TSX 60 Stock Index	CAN Dollars
Canadian share futures Contract	CAN Dollars
International share futures contracts	International currency

**6804 Contract Months**

(24.01.86, 22.04.88, 08.09.89, 16.04.92, 27.07.94, 19.01.95, 11.03.98, 07.09.99, 31.01.01, 14.06.02, 03.05.04)

Unless otherwise determined by the Bourse, the contract months shall be as follows:

30-day overnight repo rate futures	Monthly and quarterly contract months
1-month Canadian bankers' acceptance futures	The first 6 consecutive months
3-month Canadian bankers' acceptance futures	Quarterly months in the March, June, September and December cycle as well as monthly expirations in the January, February, April, May, July, August, October and November cycle
Government of Canada Bond futures	Quarterly months in the March, June, September and December cycle
Futures contract on the S&P/TSX 60 Stock Index and futures contracts on S&P/TSX sectorial stock indices	Quarterly months in the March, June, September and December cycle
Share futures contracts	Quarterly months in the March, June, September and December cycle as well as selected monthly expirations in January, February, April, May, July, August, October and November cycle

**6805 Trading Hours**

(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 22.11.96, 02.10.98, 09.03.99, 07.09.99, 19.06.00, 31.01.01, 14.06.02, abr. 06.01.03)

**6807 Price Fluctuations**

(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 29.04.02, 14.06.02, 15.10.02, 03.05.04)

Unless otherwise determined by the Bourse, minimum price fluctuations shall be as follows:

- |    |  |  |
|----|--|--|
| a) | 30-day overnight<br>repo rate futures                      | 0.005 per \$100 nominal<br>value   |
| b) | 1-month and 3-month Canadian Bankers' acceptance futures   |  |
|    | i)   | For the nearest contract month(s), as determined by the Bourse, 0.005 per \$100 nominal value.                                   |
|    | ii)  | For all contract months excluding the nearest contract month(s) as determined by sub-paragraph i), 0.01 per \$100 nominal value. |
| c) | Government of<br>Canada Bond futures<br>Contracts          | 0.01 per \$100 nominal<br>value  |
| d) | Futures contract on the<br>S&P/TSX 60<br>Stock Index       | 0.05 index point<br>equivalent to<br>CDN \$10 per contract   |
| e) | Canadian share<br>futures contract                         | A minimum of \$0.01<br>CDN per Canadian share  |
| f) | International share<br>futures contracts                   | At a minimum of the<br>corresponding unit of fluctuation used by<br>the market on which the underlying stock is traded           |
| g) | Futures contracts<br>on S&P/TSX sectorial<br>stock indices | 0.01 index point   |

**6808 Price Limits / Trading halts**

(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 14.06.02, 03.05.04)

The Bourse shall establish for each contract a maximum price limit with respect to the previous days settlement price and there shall be no trading above or below that limit except as provided below. Until otherwise determined by the Bourse, the daily price limits shall be as follows:

- a) 30-day overnight repo rate futures: NIL
- b) 1-month and 3-month Canadian bankers' acceptance futures: NIL

c) Government of Canada Bond futures:

Trading is prohibited during any day at a price higher or lower by more than 3 points (CAN\$3,000 per contract), than:

- i) the settlement price for such futures contract on the previous business day; or
- ii) the average of the opening range or the first trade, during the first day of trading in a futures contract; or
- iii) the price established by the Bourse in an inactive contract.

d) Futures contract on the S&P/TSX 60 Stock Index and futures contract on S&P/TSX sectorial stock indices:

i) Trading halts

Trading halts on the futures contract on the S&P/TSX Stock Indices shall be coordinated with the trading halt mechanism of the underlying stocks. In accordance with Policy T-3 of the Bourse entitled "Circuit Breaker", a trading halt of the futures contract shall be triggered only in conjunction with the triggering of circuit breakers set in coordination with the New York Stock Exchange and The Toronto Stock Exchange.

ii) Resumption of Trading

In the event that trading in the securities market resumes after a trading halt, trading in the S&P/TSX Index futures contracts shall resume only after a percentage (as determined by the Bourse from time to time) of the stocks underlying the S&P/TSX Indices have re-opened.

e) Canadian share futures contract

i) Trading halts

Trading halts on Canadian share futures contract shall be coordinated with the trading halt mechanism of the underlying stocks. In accordance with Policy T-3 of the Bourse entitled "Circuit Breaker", a trading halt of the futures contract shall be triggered in conjunction with the triggering of circuit breakers set in coordination with the New York Stock Exchange and The Toronto Stock Exchange.

f) International share futures contract

In the event that a recognized exchange suspends trading in the underlying share of a share futures contract, then the Bourse may determine a course of action in relation to the share futures contract, including, but not limited to, the suspension or halting in the trading of the contract.

**6809 Variable Limits - Government of Canada Bond Futures**  
(08.09.89, 07.09.99, 03.05.04)

If three or more contract months within a contract year (or all contracts in a contract year if there are less than three open contracts) close on the limit bid for one business day or on the limit offers for one business day, then the limit will be raised to 150 percent of the original level for all contract months and remain there for three successive business days.

If three or more contract months in a given contract year (or all contracts in a contract year if there are less than three open contracts) close on the limit bid on the last business day of the expanded limit period or on the limit offer on the last business day of the expanded limit period or on the limit offer on the last business day of the expanded limit period, then the limits will remain at 150 percent of the original level for another three day period.

The limits will remain at 150 percent of the original level for successive periods of three business days until three or more contracts in a contract year (or all contracts in a contract year if there are less than three open contracts) do not close at the limit on the last day of the period. If on the last day of a three business day period, the three or more contract months (or all contracts in a contract year if there are less than three open contracts) do not close on the limit bid or limit offers, then the limits would revert to their original level.

**6810 Current Month Exclusions (Government of Canada Bond futures)**  
(08.09.89, 07.09.99, 03.05.04)

The provisions of articles 6808 and 6809 shall not apply to trading in current month contracts on and after the fifth business day prior to the first day of the current month.

In any case where limits do not apply to trading in the current month and there are only three contract months open in a given contract year, one of which is the spot month, the provisions of articles 6808 and 6809 shall apply to the remaining two months.

**6812 Last Day of Trading**  
(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 13.07.98, 07.09.99, 31.01.01, 14.06.02,  
05.03.04)

Unless otherwise determined by the Bourse, the business day on which trading for each contract will terminate shall be as follows:

- a) 30-day overnight repo rate futures:  
last business day of the contract month
- b) 1-month and 3-month Canadian Bankers' Acceptance futures:
  - i) at 10:00 a.m. (Montréal time) on the second London (Great Britain) bank business day immediately preceding the third Wednesday of the contract month;
  - ii) if the day as determined by sub-paragraph i) is an exchange or bank holiday in Toronto or Montréal, futures trading shall terminate on the previous bank business day.

- c) 5-year and 10-year Government of Canada Bond futures:  
on the 7th business day preceding the last business day of the delivery month.
- d) Futures contract of the S&P/TSX 60 Stock Index:  
the exchange traded day preceding the final settlement day as defined in article 15721 of the Rules.
- e) Canadian Share Futures Contracts:  
at 4:00 p.m. (Montréal time) on the third Friday of the contract month or if not a business day, the first preceding business day
- f) International Share Futures Contract:  
the last day of trading on International share futures contracts shall coincide with the last day of trading of the corresponding stock index futures contract traded on a recognized exchange for which the underlying stock is a constituent, or such other day as prescribed by the Bourse.
- g) Futures Contracts on S&P/TSX sectorial stock indices:  
the exchange traded day preceding the final settlement day as defined in article 15771 of the Rules.

**6815 Exchanges for Physicals (E.F.P.)**

(08.09.89, 17.10.91, 05.01.94, 19.01.95, 01.05.95, 07.09.99, 31.01.01, 03.05.04)

- a) An exchange of physical securities for Government of Canada Bond futures contracts, the futures contract on the S&P/TSE 60 Stock Index, the Share Futures Contracts and futures contracts on S&P/TSE sectorial stock indexes shall be permitted in accordance with the requirements of this article.
- b) An E.F.P may be consummated between two parties if one of the parties is the buyer of the physical securities and the seller of the futures contract, and the other party is the seller of the physical securities and the buyer of the futures contract.
- c) The purchase and sale of the futures contract shall be simultaneous with the sale and purchase of a corresponding quantity of the physical securities.
- d) For purposes of this article, the physical securities and the futures contract (bonds for Government of Canada Bond futures contracts, the equivalent number of underlying securities or equivalent index participation units for the S&P/TSE 60 Stock Index futures contract and for the S&P/TSE sectorial stock indexes and the equivalent number of underlying shares for the Share Futures contract) constitute an acceptable hedge.
- e) An E.F.P. may be made at such prices as are mutually agreed upon by the two parties to the E.F.P. However, the futures leg of E.F.P.s transacted between two different members must be priced within the high and low prices of the trading session during which the E.F.P. is deemed to have been reported to the Exchange.



From 9:30 a.m. to 4:00 p.m., the equities leg of stock index futures and Canadian Share Futures contracts E.F.P.'s must be priced at the bid quotation at the time the E.F.P. is deemed to have been executed. For EFPs done after the close of the stock market all equities will go through at the last sale price, except where the last sale is outside of the closing quote, in which case it will go through on the bid or offer closest to the last sale.

- f) Each E.F.P. shall be reported to the Exchange according to procedures set by the Exchange. Such report shall specify the buyer and the seller of the futures contract, the number of contracts, the time of execution of the E.F.P., and the price of the futures leg in the E.F.P.
- g) Each E.F.P. transacted before the deadline for trade input must be immediately submitted to the Exchange. Each E.F.P. transacted after the deadline for trade input must be submitted to the Exchange by 10:00 a.m. (Montreal time) on the morning following execution.

The Exchange will determine, from time to time, the deadline before which a transaction must be reported to be deemed to have been reported during a trading session for the purposes of article 6815 paragraph e).

- h) The members and approved persons involved in E.F.P.s shall maintain in Montreal or in the principal office of the member in Canada a full and complete records of the transaction, the actual transfer of possession of the physical securities and the transfer of funds related thereto. Each member involved in E.F.P.s shall produce to the Exchange, upon request, all records pertaining to the E.F.P.s, including those relating to the purchase and sale of the physical securities, the transfer of funds related thereto and any log maintained in connection therewith.
- i) It is prohibited for any member and approved person to effect a transaction which is contrary to the principles enunciated in the regulations and, moreover, which is used to cause any price to be reported, registered or recorded when is not a bona fide price or which is of the character of a "wash sale" or "accommodation trade" or a "fictitious sale".
- j) E.F.P.'s shall be executed in accordance with such other procedures, terms and conditions prescribed by the Exchange from time to time.

**RULE FIFTEEN  
FUTURES CONTRACTS SPECIFICATIONS**

**Section 15001 - 15050  
General Provisions**

**15001 Scope of Rule**

(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 14.06.02, 03.05.04)

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

- a) the overnight repo rate;
- b) 1-month Canadian bankers' acceptance;
- c) 3-month Canadian bankers' acceptance;
- d) 2-year Government of Canada Bond;
- e) 5-year Government of Canada Bond;
- f) 10-year Government of Canada Bond;
- g) the S&P/TSX 60 Stock Index;
- h) designated S&P/TSX sectorial stock indices;
- i) Canadian and International stocks.

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

**15003 Specifications**

(24.01.86, 22.04.88, 05.09.89, 16.04.92, 05.08.97, 07.09.99, 22.12.99, 31.01.01, 29.04.02, 14.06.02, 03.05.04)

Unless otherwise determined by the Bourse, each trading unit shall consist of the following:

- a) in the case of 30-day overnight repo rate futures:
  - a nominal value of CAN\$5,000,000.
- b) in the case of 1-month Canadian bankers' acceptance futures:

a nominal value of CAN\$3,000,000 of 1-month Canadian bankers' acceptances.

c) in the case of 3-month Canadian bankers' acceptance futures:

a nominal value of CAN\$1,000,000 of 3-month Canadian bankers' acceptances.

d) in the case of 2-year Government of Canada Bond futures:

CAN\$100,000 nominal value of a notional Government of Canada Bond bearing a coupon of 6%.

e) in the case of 5-year Government of Canada Bond futures:

CAN\$100,000 nominal value of a notional Government of Canada Bond bearing a coupon of 6%.

f) in the case of 10-year Government of Canada Bond futures:

CAN\$100,000 nominal value of a notional Government of Canada Bond bearing a coupon of 6 %.

g) in the case of the futures on the S&P/TSX 60 Stock Index:

CAN \$200 times the S&P/TSX 60 Stock Index level.

100 shares of the share underlying the futures contract.

h) in the case of the futures on designated S&P/TSX sectorial stock indices:

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

i) in the case of futures on Canadian and international stocks:

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

## GOVERNMENT OF CANADA BOND FUTURES

### Section 15601 - 15700 Specific Trading Provisions

#### **15601 Contract Months**

(08.09.89, 27.07.94, 19.01.95, 03.05.04)

Unless otherwise determined by the Bourse, trading in Government of Canada Bond futures may be scheduled for delivery in any March, June, September or December months.

#### **15602 Trading Hours**

(08.09.89, 19.01.95, abr. 06.01.03)

#### **15603 Trading Unit**

(08.09.89, 05.08.97, 22.12.99, 03.05.04)

Unless otherwise determined by the Bourse, the unit of trading shall be CAN\$100,000 nominal value of a notional Government of Canada Bond bearing a 6% coupon.

#### **15608 Position Limits**

(08.09.89, 30.12.93, 07.04.94, 26.08.94, 19.01.95, 03.05.04)

The maximum net long or net short position in each designated Government of Canada Bond futures contract which a person may own or control in accordance with article 14156 shall be as follows:

Position limit for all delivery months combined for each designated Government of Canada bond futures contract:

The greater of 4,000 contracts, or of 20% of the average daily open interest for all contract months during the preceding three calendar months.

First contract month position limit:

Effective at the start of trading on the first business day prior to the First Delivery Notice day of the first contract month, the position limit shall be 20% of the open interest of that contract month.

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

**15609 Reporting Limit**

(08.09.89, 19.01.95, 03.05.04)

Approved participants shall report to the Bourse all combined positions, regardless of the delivery months, which exceed 250 futures contracts for each designated Government of Canada Bond futures contracts, or such other level as may be determined by the Bourse, in such manner prescribed by the Bourse.

**15613 Delivery Standards**

(08.09.89, 20.11.89, 05.03.90, 01.07.92, 01.10.92, 12.07.94, 19.01.95, 05.08.97, 06.11.97, 22.12.99, 03.05.04)

- a) For the 10-year Government of Canada Bond Futures contract shall be deliverable only those Government of Canada bond issues which:
- i) have a remaining maturity of between 8 and 10½ years, as of the first day of the delivery month (for the purpose of determining the maturity of a bond eligible for delivery and for settlement, the time to maturity of a given issue shall be calculated in complete period of three months, by rounding down to the nearest entire three-month period, e.g. 10 years and seven months shall be considered 10½ years from the first day of the delivery month);
  - ii) have an outstanding amount of \$3.5 billion nominal value (net of all potential purchases by the Government of Canada up until the end of the period during which the bond issue is deliverable);
  - iii) are originally issued at 10-year auctions (a bond not issued at a 10-year auction which would otherwise meet the standards of this rule, is also deemed to be deliverable, if during the last 12-month period preceding the first Delivery Notice Day of the contract month, its reopenings total a minimum nominal amount of \$3.5 billion);
  - iv) are issued and delivered on or before the 15th day preceding the first Delivery Notice Day corresponding to the delivery month of the contract;
  - v) have a face value at maturity in multiples of CAN \$100,000; and
  - vi) have a coupon of 6%. However, at the seller's choice, a Government of Canada Bond having a coupon other than 6% can be substituted. The amount of premium or discount for each deliverable issue shall be calculated on the basis of a yield equivalent to a Government of Canada Bond bearing a 6% coupon and selling at par.
- b) For the 5-year Government of Canada Bond Futures contract, shall be deliverable only those Government of Canada bond issues which:
- i) have a remaining maturity of between 3 years 6 months and 5 years 3 months, as of the first day of the delivery month (for the purpose of determining the maturity of a bond eligible for delivery and for settlement, the time to maturity of a given issue shall be calculated in complete one

- month increments, by rounding down to the nearest entire one month period. e.g. 4 years 5 months and 14 days shall be considered 4 years and 5 months from the first day of the delivery month);
- ii) have an outstanding amount of \$3.5 billion nominal value (net of all potential purchases by the Government of Canada up until the end of the period during which the bond issue is deliverable);
  - iii) have an original maturity of not more than 5 years and 9 months (an issue which has an original maturity of more than 5 years and 9 months and which would otherwise meet the standards of this rule, is also deemed to be deliverable, if during the last 12-month period preceding the first Delivery Notice Day of the contract month, its reopenings total a minimum nominal amount of \$3.5 billion, or if it was deliverable in the 10-year Government of Canada Bond Futures contract);
  - iv) are issued and delivered on or before the 15th day preceding the first Delivery Notice Day corresponding to the delivery month of the contract;
  - v) have a face value at maturity in multiples of CAN \$100,000; and
  - vi) have a coupon of 6%. However, at the seller's choice, a Government of Canada Bond having a coupon other than 6% can be substituted. The amount of premium or discount for each deliverable issue shall be calculated on the basis of a yield equivalent to a Government of Canada Bond bearing a 6% coupon and selling at par.
- c) For the 2-year Government of Canada Bond Futures contract, shall be deliverable only those Government of Canada bond issues which:
- i) have a remaining maturity of between 1 year 6 months and 2 years 6 months, as of the first day of the delivery month (for the purpose of determining the maturity of a bond eligible for delivery and for settlement, the time to maturity of a given issue shall be calculated in complete one month increments, by rounding down to the nearest entire one month period. e.g. 2 years 1 month and 14 days shall be considered 2 years and 1 month from the first day of the delivery month);
  - ii) have an outstanding amount of \$3.5 billion nominal value (net of all potential purchases by the Government of Canada up until the end of the period during which the bond issue is deliverable);
  - iii) are originally issued at 2-year or 5 year Government of Canada bond auctions (a bond which has not been originally issued at a 2-year or 5 year Government of Canada bond auction and which would otherwise meet the standards of this rule, is also deemed to be deliverable, if during the last 12-month period preceding the first Delivery Notice Day of the contract month, its reopenings total a minimum nominal amount of \$3.5 billion);

- iv) are issued and delivered on or before the 15th day preceding the first Delivery Notice Day corresponding to the delivery month of the contract;
  - v) have a face value at maturity in multiples of CAN \$100,000; and
  - vi) have a coupon of 6%. However, at the seller's choice, a Government of Canada Bond having a coupon other than 6% can be substituted. The amount of premium or discount for each deliverable issue shall be calculated on the basis of a yield equivalent to a Government of Canada Bond bearing a 6% coupon and selling at par.
- d) The price of a deliverable Government of Canada Bond shall be determined according to the conversion factors tables published by the Bourse.

The conversion factor of a deliverable issue is the actualized value of the deliverable issue to the notional yield of the futures contract considered on the first day of the delivery month, minus the interest accrued until delivery day.

- e) The amount to be paid at delivery is equal to \$1,000 multiplied by the conversion factor of the deliverable issue and multiplied by the settlement price of the futures contract being delivered, plus accrued interests to the delivery day. Accrued interest is charged to the approved participant taking delivery.
- f) All Government of Canada Bonds being delivered in respect of a futures contract must be of the same issue.
- g) Before a contract is listed for trading, the Bourse shall have the right to exclude any deliverable Government of Canada bond issue, even if it meets all the standards specified in this Rule.

**15615 Submission of Delivery Notice**  
(08.09.89, 02.06.95, 03.05.04)

To initiate the delivery process, an approved participant holding a seller's position must submit a delivery notice to the clearing corporation before the time limit set by the clearing corporation on any business day, between the third business day (the second business day for the 2-year Government of Canada Bond futures contract) preceding the first business day of the delivery month, and the third business day (the second business day for the 2-year Government of Canada Bond futures contract) preceding the last business day of the delivery month, inclusively.

**15617 Delivery Day**  
(08.09.89, 02.06.95, 03.05.04)

Delivery in respect to Government of Canada Bond Futures shall be done on the third business day (on the second business day for the 2-year Government of Canada Bond futures contract) following the submission of the delivery notice by the approved participant holding a seller's position, or on any other day

as determined by the clearing corporation. Delivery shall be completed no later than the last business day of the delivery month.

**15618 Execution Default**  
(08.09.89, 03.05.04)

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

**15619 Emergencies, Acts of God, Actions of Governments**  
(08.09.89, 19.01.95, 05.08.97, 22.12.99, 03.05.04)

- a) In the eventuality that a delivery operation cannot be carried because of a strike, a fire, an accident, a Government action, an act of God or any other emergency situation, the holder of a buyer's position or a seller's position shall immediately notify the Bourse and the clearing corporation. In the eventuality that the Bourse or the clearing corporation finds that an immediate action is necessary, a special meeting of the Board of Directors shall be called on the matter and any decision rendered in such circumstances shall be binding on all parties to futures contracts. If the Board of Directors decides that an emergency situation is in progress, the Board of Directors shall take all necessary actions in the circumstances, and the decision of the Board of Directors shall bind all parties to the futures contract. The Board of Directors could, for instance, extend the delivery period or indicate a different location for delivery operations.
- b) In the eventuality where the Board of Directors decides that a shortage of deliverable Government of Canada bond issues exists or might exist, it shall take all necessary action to correct, prevent or alleviate the situation. The Board of Directors could, for instance:
  - i) designate as a deliverable issue any other Government of Canada bond that does not meet the criteria in this Rule;
  - ii) in addition to the normal delivery procedures, decide of a cash settlement based on the cash value of a Government of Canada bond bearing a 6% coupon for each designated Government of Canada Bond Futures contracts, as determined by using the yield curve of Government of Canada bonds on the last day of trading.



**LIST OF DELIVERABLE BOND ISSUES  
AND THEIR CONVERSION FACTORS**

(as at April 20, 2004)

**TWO-YEAR GOVERNMENT OF CANADA BOND FUTURES - CGZ**

<b>Government of Canada Bonds</b>		<b>Outstanding</b>	<b>June 2004</b>	<b>September 2004</b>	<b>December 2004</b>
<b>Coupon</b>	<b>Maturity</b>	<b>(CAN \$ million)</b>			
<b>3%</b>	<b>December 1, 2005</b>	<b>5,500</b>	0.9576		
<b>3%</b>	<b>June 1, 2006</b>	<b>7,138</b>	0.9442	0.9508	0.9576
<b>5¾%</b>	<b>September 1, 2006</b>	<b>9,625</b>	0.9947	0.9954	0.9958
<b>TOTAL OUTSTANDING DELIVERABLE BONDS</b> (CAN \$ million)			22 263	16 763	16 763

Conversion factors computed with a yield equal to 6%

**Note:** The above list is produced in accordance with the Rules of Bourse de Montréal Inc. and Canadian Derivatives Clearing Corporation (CDCC). Additional Government of Canada deliverable bond issues will be added to the list as they become eligible.

# Specifications

## Two-Year Government of Canada Bond Futures

<b>Trading Unit</b>	C\$100,000 nominal value Government of Canada Bond with 6% notional coupon
<b>Contract Months</b>	March, June, September and December.
<b>Price Quotation</b>	Par is on the basis of 100 points, with one point equal to C\$1,000.
<b>Last Trading Day</b>	Trading ceases at 1:00 p.m. (ET) on the seventh business day preceding the last business day of the delivery month.
<b>Contract Type</b>	Physical delivery of eligible Government of Canada Bonds.
<b>Delivery Notices</b>	Delivery notices should be submitted before 5:30 p.m. or before such time set by the clearing corporation on any business day, between the second business day preceding the first business day of the delivery month, and the second business day preceding the last business day of the delivery month inclusively.
<b>Delivery Date</b>	Delivery shall be made on the second business day following the submission of the delivery notice by the member holding a seller's position or on any other day as determined by the clearing corporation. Delivery shall be completed no later than the last business day of the delivery month.
<b>Price Fluctuation</b>	0.01 = C\$10 per contract.
<b>Reporting Level</b>	250 contracts.
<b>Position Limits</b>	Information on position limits can be obtained from Bourse de Montréal Inc. as they are subject to periodic changes.
<b>Minimum Margin Requirements</b>	Information on Minimum Margin Requirements can be obtained from the Bourse as they are subject to periodic changes.
<b>Delivery Standards</b>	Government of Canada Bonds which: <ul style="list-style-type: none"><li>i) have a remaining time to maturity of between 1 year 6 months and 2 years 6 months as of the first day of the delivery month, calculated by rounding down to the nearest whole month period;</li><li>ii) have an outstanding amount of at least C\$3.5 billion nominal value;</li><li>iii) are originally issued at two-year or five-year Government of Canada bond auctions;</li><li>iv) are issued and delivered on or before the 15th day preceding the first delivery notice day month of the contract.</li></ul>
<b>Daily Price Limit</b>	Three points (C\$3,000) per contract above or below the previous day's settlement price.
<b>Trading Hours</b>	<ul style="list-style-type: none"><li>• Early session: 6:00 a.m. to 8:05 a.m. (ET)</li><li>• Regular session: 8:20 a.m. to 3:00 p.m. (ET).</li><li>• Curb trading session: The curb trading session begins once settlement prices have been determined and ends at 4:00 p.m. (ET)</li></ul>
<b>Clearing Corporation</b>	Canadian Derivatives Clearing Corporation (CDCC).
<b>Ticker Symbol</b>	CGZ

***SETTLEMENT PROCEDURE FOR THE TWO-YEAR GOVERNMENT OF CANADA  
BOND FUTURES (CGZ)***

**MAIN PROCEDURE**

The settlement price shall be the weighted average of all trades during the closing range. The closing range is defined as the last three (3) minutes of the trading session for all contracts months.

- ***Booked Orders***

If there is an unfilled order with a higher bid or lower offer in an outright month, this bid or offer will override the settlement price obtained from the weighted average. It has to have been posted for 30 seconds or longer prior to the close. The size must be a total of 20 contracts or more.

- ***Remaining Balances of Booked Orders***

In the case of a booked order as stipulated in paragraph above which would only be partially executed during the closing period and if no other trade has occurred during the closing period, the remaining balance will be considered to establish the closing price.

In the absence of average during the closing range, the reference period will be extended to the last ten (10) minutes of the trading session.

**FIRST ANCILLARY PROCEDURE**

When two contracts months and the spread are trading (quarterly calendar roll), the first ancillary procedure will apply.

The front month must be settled first (the establishment of the front month is based on the month with the greatest open interest at the end of the trading session).

The spread between the two contracts months must be settled next by reviewing the last three (3) minutes average and by referring to the trades in the previous ten minutes

- ***Booked Orders***

If there is an unfilled order with a higher bid or lower offer in an outright month, this bid or offer will override the settlement price obtained from the weighted average. It has to have been posted for 30 seconds or longer prior to the close. The size must be a total of 20 contracts or more.

- ***Remaining Balances of Booked Orders***

In the case of a booked order as stipulated in paragraph above which would only be partially executed during the closing period and if no other trade has occurred during the closing period, the remaining balance will be considered to establish the closing price.

The settlement for the back month is obtained by the difference between the front month and the value of the spread.

### **SECOND ANCILLARY PROCEDURE**

In the absence of trading during the last ten (10) minutes of the trading session, the second ancillary procedure will apply.

The settlement price for the front month will be the median of the market posted at the closing of the market. Bids and offers have to have been posted for thirty (30) seconds or longer prior to the close and the size must be for a total of twenty (20) contracts or more.

The value of the spread will be either the settlement price of the previous trading day or the weighted average of all trades during the closing range as defined above in the first ancillary procedure.

The settlement for the back month is obtained by the difference between the front month and the value of the spread.

### **THIRD ANCILLARY PROCEDURE**

In the absence of the items required to apply the previous procedures, the third ancillary procedure will apply.

In this situation Market Supervisors establish the settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occur near the end of the regular trading session and which is not compatible with a given settlement price.

Usually the settlement price for the back month is always adjusted depending on the settlement prices obtained for the front month and the spread.