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

CIRCULAR
March 16, 2006

REQUEST FOR COMMENTS

TWO-YEAR GOVERNMENT OF CANADA BOND FUTURES CONTRACT (CGZ)

AMENDMENTS TO ARTICLES 6801 AND 6808 OF RULE SIX AND ARTICLES 15003, 15603, 15606 AND 15613 OF RULE FIFTEEN OF BOURSE DE MONTRÉAL INC.

Summary

The Rules and Policies Committee of Bourse de Montréal Inc. (the Bourse) has approved amendments to articles 6801, 6808, 15003, 15603, 15606 and 15613 of the Rules of the Bourse. The purpose of the proposed amendments are as follows:

1) increase the size of the CGZ from CA$100,000 to CA$200,000;

2) reduce the notional coupon from 6% to 4% and change the delivery standards.

Documentation

For your information, you will find enclosed an analysis document, the appendices and the proposed regulatory text. The implementation date of the proposed amendments will be determined by the Bourse following approval by the Autorité des marchés financiers (the Autorité).

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

Circular no.: 055-2006

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 Board of Directors of the Bourse has the power to approve the adoption or amendment of various Rules and Policies of the Bourse. The Board of Directors has delegated to the Rules and Policies Committee of the Bourse its powers to approve or amend its Rules and Policies. These changes are submitted to the Autorité for approval.

Comments on the proposed amendments to articles 6801, 6808, 15003, 15603, 15606 and 15613 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

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, 22nd Floor
P.O. Box 246, Tour de la Bourse
Montréal (Quebec) H4Z 1G3
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TWO-YEAR GOVERNMENT OF CANADA BOND FUTURES CONTRACT (CGZ) - PROPOSED CHANGES TO THE NOTIONAL COUPON RATE AND DELIVERY STANDARDS

A -- Proposed Amendments to the Rules

On June 22, 2005, the Rules and Policies Committee approved amendments to articles 6801 of Rule Six and to articles 15003, 15603 and 15606 of Rule Fifteen to increase the size of the CGZ from C$100,000 to C$200,000. You will find enclosed the analysis filed with the Committee at the time (Annex I). These modifications to Rules Six and Fifteen were submitted to the Autorité des marchés financiers (Autorité) for approval on July 4, 2005. However, the approval request was withdrawn on September 23, 2005 for market development reasons. Today, the management of the Bourse submits to the Autorité another proposal to modify articles 6801, 6808 of Rule Six and 15613 of Rule Fifteen to add to the modifications already approved on the size of the CGZ. These other modifications, highlighted in grey, are proposed to encourage an increase in the utilization of the CGZ by modifying the notional coupon rate and delivery standards of the CGZ. Once these modifications are approved by the Autorité, the Bourse intends to implement them when the September 2006 CGZ starts trading.

B -- Rationale

Following a consultative process with market participants, they recommended that the notional coupon rate of the CGZ be reduced from 6% to 4% and that the minimum amount outstanding required for a Government of Canada (the Government) bond to be eligible for inclusion in the deliverable basket be changed from C$3.5 billion to C$2.4 billion.

The current notional coupon rate of 6% and the minimum amount outstanding of C$3.5 billion presently required for a Government bond to be eligible for inclusion in the deliverable basket of the CGZ were initially set to harmonize these characteristics with the 10-year Government of Canada bond futures contract (CGB).

Reducing the Notional Coupon

The purpose of the proposal to reduce the notional coupon rate from 6% to 4% is to bring it in-line with:

- actual market yields for 2-year Government bonds, and
- the coupon rates of recently auctioned 2-year Government bonds by the Bank of Canada,

As illustrated in the following schedule, the actual notional coupon rate of 6% is too high when compared to the coupon rate of recent 2-year Government bonds issued by the Bank of Canada.

Figure I: Recently auctioned 2-year GoC bonds

2-year Government bond	Coupon	Issue Size (per auction)
June 1, 2008	3.75%	C$ 2.4 bil
December 1, 2007	2.75%	C$ 3.4 bil
June 1, 2007	3.00%	C$ 2.5 bil
December 1, 2006	3.25%	C$ 2.8 bil

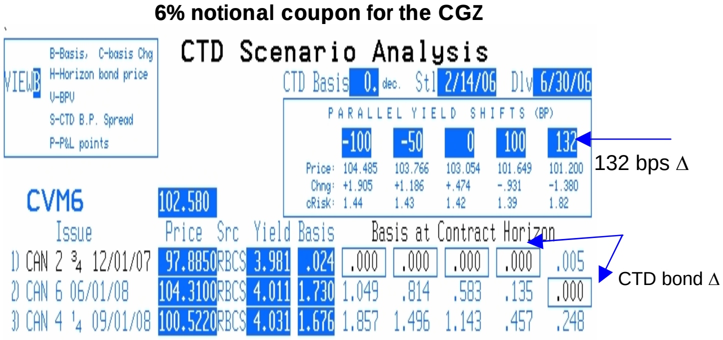
Source: Bank of Canada

As a result of the proposed change, hedgers will have a more efficient hedging tool as the cheapest-to-deliver bond will likely be the most recently auctioned 2-year Government bond, which is an important consideration hedgers look for in formulating their hedging decisions.

In fact, a lower notional coupon rate will tend to favor longer duration bonds as the cheapest-to-deliver, with the cheapest-to-deliver bond positioned closer to the 2.5-year end of the yield curve, whereas, at present, it is closer to 1.5 years. With the current 6% notional coupon rate, the cheapest-to-deliver bond for the June 2006 CGZ is the 2.75% December 2007 bond whereas, with a 4% coupon the cheapest-to-deliver bond would be the 3.75% June 2008 bond *(refer to Appendix I for an illustration of the impact on the deliverable basket of the CGZ with the current 6% coupon compared to the proposed 4% coupon).*

Furthermore, the proposed change will create additional trading opportunities for market participants. The current 6% notional coupon rate for the CGZ significantly reduces the probability that the cheapest-to-deliver bond will be different following a small variation in yields at the short-end of the yield curve. For example, with a yield of 3.98% for the current 2-year Government cheapest-to-deliver bond (the 2.75% December 2007 Government bond), it would take a jump in yields of 1.32% (132 basis points) to 5.30%, to see a switch to the next cheapest-to-deliver bond (the 6% June 2008 Government bond) as illustrated in Figure II below.

Figure II: Cheapest-to-deliver scenario analysis with a 6% notional coupon for the CGZ



Source: Bloomberg L.P.

Thus, the proposed reduced notional coupon rate of the CGZ will result in an equally weighted probability that any of the deliverable bonds in the basket will be the cheapest-to-deliver bond for small variations in yields. This will further encourage arbitrageurs and delivery option players to use the CGZ, thus contributing to increase volume and liquidity and allowing for a tighter bid-ask spread. This could also create additional trading opportunities for basis trading since there would be significantly smaller pricing differences between bonds in the deliverable basket.

Lowering the Minimum Amount Outstanding of deliverable bonds

The rationale for reducing the minimum amount outstanding for a Government bond to be eligible for inclusion in the deliverable basket from C$ 3.5 billion to C$ 2.4 billion is to bring it in-line with the nominal amount issued for auctioned 2-year Government bonds as previously illustrated in Figure I.

Maintaining the deliverable basket eligibility level at the current C$ 3.5 billion level does not allow the inclusion of otherwise eligible bonds in the deliverable basket, thereby reducing the number of bonds in the deliverable basket and, consequently, negatively impacting the hedging effectiveness of the CGZ.

C – Objective

The objective of the proposed amendments to articles 6801 and 6808 of Rule Six and to article 15613 of Rule Fifteen that relate to the notional coupon rate and delivery standards of the CGZ is to provide market participants a notional coupon rate and minimum amount outstanding for deliverable 2-year Government bonds that better reflect actual market conditions.

D – Impact of the Proposed Rule

The proposed amendments are in the public interest because they will provide market participants with a CGZ bond futures contract that better responds to their needs as it will make the CGZ:

- more efficient to use, and
- better reflect current market conditions.

E -- Process

The project is published by the Bourse for a 30-day comment period and submitted to the Autorité for approval and to the Ontario Securities Commission for information.

F – Other Regulatory Provisions

The Board of Directors of the Clearing Derivatives Clearing Corporation (CDCC) has approved equivalent amendments to its Rules.

F – References:

- Articles 6801, 6808 of Rule Six and articles 15003, 15603, 15606 and 15613 of Rule Fifteen of the Bourse.
- Revised contract specifications for the CGZ.
- Section C-1602 of Rules C-16 of CDCC.

**2-YEAR GOVERNMENT OF CANADA BOND FUTURES CONTRACT-
PROPOSED CHANGES TO THE CONTRACT SIZE**

A -- Proposed Amendments to the Rules

Amendments to articles 6801, 15603 and 15606 relative to the contract size of the 2-year Government of Canada bond futures contract (CGZ) and deletion of article 15003.

B -- Rationale

The Bourse has been asked by some market participants, to evaluate the possibility of increasing the contract size of the CGZ contract from C$100,000 to C$200,000.

The contract size was initially set at C$100,000 for the following reasons:

1) to harmonize the contract size with the 10-year Government of Canada CGB bond futures contract;
2) to adopt the European and Australian approach to harmonize contract sizes across the bond futures product line; and
3) to maximize market participation in terms of both volume and open interest. A survey held among Approved Participants and potential users had shown, prior to the launch of the CGZ, that 50% of the surveyed persons were in favor of a contract size of $100,000 to maximize market participation while the other 50% was in favor of a contract size of $200,000 to maximize the cost effectiveness of the contract.

C – Objectives

- The purpose of the proposed amendments to articles 6801, 15603 and 15606 of the Rules of the Bourse that relate to the contract size of the 2-year CGZ bond futures contract are as follows:

1) to respond to market feedback to adopt a larger sized CGZ contract for cost effectiveness considerations; and
2) to offer market participants that use the 2-year US Treasury Note futures contract the same contract size of $200,000 for the CGZ. The CBOT 2-yr US Treasury Note futures contract averaged daily volumes of 82,640 contracts (+174%) in 2005 compared to 30,144 contracts in 2004 which is an indication of the success of a larger sized contract.

For illustrative purposes, the following tables highlight the different contract sizes of bond futures contracts on international futures exchanges that are the equivalent counterpart of the CGZ contract and the CGB contract:

Short-term Bond Futures Contract	Exchange	Contract Size
2-year CGZ	MX	C$ 100 000
2-yr SCHATZ	EUREX	€ 100 000
2-yr U.S. T-NOTE	CBOT	US$ 200 000
3-year Australian Gov't Bond	SFE	A$ 100 000

Long-term Bond Futures Contract	Exchange	Contract Size
10-year CGB	MX	C$ 100 000
10-yr BUND	EUREX	€ 100 000
10-yr U.S. T-NOTE	CBOT	US$ 100 000
10-year Australian Gov't Bond	SFE	A$ 100 000

Also, article 15003 was deleted in order to eliminate duplication and to concentrate the relevant information in Rule Six.

Articles 15603 and 15606 were amended to reference articles 6801 and 6807 in the same perspective in order to concentrate information in Rule Six.

D – Impact of the Proposed Rule

The proposed amendments will provide market participants with a CGZ bond futures contract that better responds to their needs as it will make the CGZ more cost effective to use.

E -- Public Interest

The proposal is designed to make it more efficient to use the CGZ bond futures contract.

F -- Process

The management of the Bourse recommends to the Rules and Policies Committee approval of the amendments to articles 6801, 15603 and 15606 and the deletion of article 15003 of the Rules of the Bourse.

G – References:

- Rule Six of the Bourse: article 6801.
- Rule Fifteen of the Bourse: articles 15003, 15603 and 15606.
- Revised contract specifications for the CGZ bond futures contract.

APPENDIX II

➢ *Simulation of the Basket of Deliverables for the June 2006 CGZ*

- ***Actual situation: 6% Notional Coupon and Minimum Amount Outstanding of C$3.5 billion:***
  June 2006 CGZ Deliverable Basket

June 2006 CGZ Futures Price: 102.58 (as at February 10, 2006)

Coupon	*Maturity*	*Issue Type*	*Amount Outstanding*	*Conversion Factor*	*Implied Repo %*	*Actual Repo %*	*Net Basis*	*Cheapest-to-Deliver*
2.75%	***Dec 07***	***2-year***	***$7,007 bil***	***0.9540***	***2.75***	***3.86***	***0.408***	√
6.00%	June 08	10-year	$5,010 bil	1.0000	1.31	3.86	0.996	
4.25%	Sept 08	5-year	$11,083 bil	0.9636	-0.20	3.86	1.522	

Source: Bourse de Montréal Research & Development

- ***Hypothetical Situation: 4% Notional Coupon and Minimum Outstanding Amount of C$2.4 billion: June 2006 CGZ Deliverable Basket***

June 2006 CGZ Futures Hypothetical Price: 99.755 (as at February 10, 2006)

Coupon	*Maturity*	*Issue Type*	*Amount Outstanding*	*Conversion Factor*	*Implied Repo %*	*Actual Repo %*	*Net Basis*	*Cheapest-to-Deliver*
3.75%	***June 08***	***2-year***	***$2,400 bil***	***0.9952***	***3.86***	***3.86***	***0.000***	√
6.00%	June 08	10-year	$5,010 bil	1.0381	3.85	3.86	0.005	
4.25%	Sept 08	5-year	$11,083 bil	1.0053	3.67	3.86	0.074	
2.75%	Dec 07	2-year	$7,007 bil	0.9820	3.03	3.86	0.304	

Source: Bourse de Montréal Research & Development

D. SPECIAL RULES FOR TRADING FUTURES CONTRACTS

Section 6801 - 6820
Terms of Trade
Futures

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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, 00.00.05)

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

~~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.~~

a) in the case of the 30-day overnight repo rate futures:

a nominal value of CAN$5,000,000.

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

CAN$200,000 nominal value of a notional Government of Canada Bond bearing a coupon of ~~6~~4%.

e) in the case of the 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 the 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 contract on the S&P/TSX 60 Stock Index:

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

h) in the case of the futures contract 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 the futures contract 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.

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, 00.00.06)

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.

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, abr. 00.00.05)

~~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.~~

15603 Trading Unit
(08.09.89, 05.08.97, 22.12.99, 03.05.04, 00.00.05)

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% coup~~as defined in article 6801.

15606 Minimum Price Fluctuation Unit
(08.09.89, 17.11.04, 00.00.05)

Price fluctuation units shall be in minimum multiples ~~of 0.005 per contract. For each 0.005 increase in the price, the clearing house shall credit $5 per contract those members holding open long positions and debit $5 per contract those members holding short positions. For each 0.005 decrease in the price, the clearing house shall debit $5 per contract those members holding open long positions and credit $5 per contract those members holding short positions~~ as defined in article 6807.

6807 Minimum 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, 17.11.04)

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

a) 30-day overnight repo rate futures	0.005 per $100 nominal 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 Canada Bond futures Contracts	a minimum of 0.005 per $100 nominal value
d) Futures contract on the S&P/TSX 60 Stock Index	0.05 index point equivalent to CDN $10 per contract
e) Canadian share futures contract	A minimum of $0.01 CDN per Canadian share
f) International share futures contracts	At a minimum of the corresponding unit of fluctuation used by the market on which the underlying stock is traded
g) Futures contracts on S&P/TSX sectorial stock indices	0.01 index point

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, 17.11.04, 00.00.06)

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~~2.4 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, 5-year or 10-year Government of Canada bond auctions (a bond which has not been originally issued at a 2-year, 5-year or 10-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~~2.4 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 $~~1~~200,000; and

vi) have a coupon of ~~6~~4%. However, at the seller's choice, a Government of Canada Bond having a coupon other than ~~6~~4% 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~~4% 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 ($2,000 for the 2-year Government of Canada Bond Futures contract) 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.

Two-Year Government of Canada Bond Futures

Specifications

Trading Unit	C$~~1~~200,000 nominal value Government of Canada Bond with ~~6~~4% notional coupon
Contract Months	March, June, September and December.
Price Quotation	Par is on the basis of 100 points, with one point equal to C$~~1~~2,000.
Last Trading Day	Trading ceases at 1:00 p.m. (ET) on the seventh business day preceding the last business day of the delivery month.
Contract Type	Physical delivery of eligible Government of Canada Bonds.
Delivery Notices	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.
Delivery Date	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.
Minimum Price Fluctuation	0.005 = C$ ~~5~~ 10 per contract.
Reporting Level	250 contracts.
Position Limits	Information on position limits can be obtained from Bourse de Montréal Inc. as they are subject to periodic changes.
Minimum Margin Requirements	Information on Minimum Margin Requirements can be obtained from the Bourse as they are subject to periodic changes.
Delivery Standards	Government of Canada Bonds which: 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; ii) have an outstanding amount of at least C$~~3.5~~2.4 billion nominal value; iii) are originally issued at two-year, five-year or ten-year Government of Canada bond auctions; iv) are issued and delivered on or before the 15th day preceding the first delivery notice day month of the contract.
Daily Price Limit	Three points ~~(C$3,000)~~ per contract above or below the previous day's settlement price.
Trading Hours	• Early session: 6:00 a.m. to 8:05 a.m. (ET) • Regular session: 8:20 a.m. to 3:00 p.m. (ET). • Curb trading session: The curb trading session begins once settlement prices have been determined and ends at 4:00 p.m. (ET)
Clearing Corporation	Canadian Derivatives Clearing Corporation (CDCC).
Ticker Symbol	CGZ

~~November 17, 2004~~