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CIRCULAR
April 15, 2009

**RE-LISTING OF THE FIVE-YEAR GOVERNMENT
OF CANADA BOND FUTURES CONTRACT (CGF)**

**ABROGATION OF ARTICLES 6809-6811 AND
AMENDMENTS TO ARTICLES 6808, 6815 AND 15607-15608**

**AMENDMENTS TO THE PROCEDURES FOR THE EXECUTION OF BLOCK TRADES, THE
PROCEDURE FOR THE EXECUTION AND REPORTING OF EXCHANGE FOR PHYSICAL
(EFP), EXCHANGE FOR RISK (EFR) AND SUBSTITUTION OF OTC DERIVATIVE
INSTRUMENTS FOR FUTURES CONTRACTS TRANSACTIONS AND THE DAILY
SETTLEMENT PRICE PROCEDURES FOR FUTURES CONTRACTS AND OPTIONS ON
FUTURES CONTRACTS**

The Rules and Policies Committee of Bourse de Montréal Inc. (the Bourse) has approved amendments to the Rules of the Bourse and to related procedures in order to allow the re-listing of the Five-Year Government of Canada Bond Futures Contract (CGF). These amendments will become effective on **Friday, April 17, 2009**, subject to compliance with the self-certification process as established in the *Derivatives Act* (2009, c. 24). You will find attached the amended articles and procedures as well as the revised specification for the CGF.

However, contrary to what had been mentioned in the “Delivery Terms” segment in section C of the analysis document published with the request for comments (see circular No. 016-2009 published by the Bourse on February 2, 2009), Canada Mortgage Bonds issued by the Canada Housing Trust (CHT) will not be eligible as deliverable bonds.

Amendments to the Rules

Paragraph c) of article 6808 C) which provided for a daily price limit for Government of Canada bond futures contracts traded on the Bourse has been amended to remove the three point (up or down) variation limit compared to the previous day’s settlement price. From now on, there will be no daily price limit for all listed bond futures contracts trading on the Bourse.

Articles 6809, 6810 and 6811 pertaining to variable limits, current month exclusions and limit bid and limit offers, respectively, were consequently abrogated.

Article 6815 pertaining to Exchanges for Physicals (EFP) and Exchanges for Risk (EFR) transactions has been amended by incorporating therein a new subparagraph 1) c) which provides that the physical or cash component of the EFP transaction must involve a physical or cash instrument that is related to and that has a reasonable price correlation with the underlying interest of the futures contract being exchanged.

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This new subparagraph also specifies that the quantity or value covered by the physical or cash component of the EFP transaction must be approximately equivalent to the quantity or value covered by the futures contract. This modification was made in order for the Rule pertaining to EFP to properly reflect the amendments made to the Procedure for the execution of exchange for physical (EFP), exchange for risk (EFR) and substitution of OTC derivative instruments for futures contracts transactions

Finally, articles 15607 and 15608 have also been amended, in the case of article 15607, to harmonize its provisions with those of paragraph c) of article 6808 mentioned above and, in the case of article 15608, to correct a reference to another article of the Rules of the Bourse.

Procedures for the Execution of Block Trades

In addition to the amendments of the aforementioned articles of its Rules, the Bourse has also updated the Procedures for the execution of block trades and modified the minimum quantity thresholds to reflect the re-listing of the CGF contract. These procedures can be accessed at any time on the Web site of the Bourse on the « [Official practices](#)» page, which will be renamed “Procedures” as of April 20, 2009.

Procedure for the Execution and Reporting of Exchange for Physical (EFP), Exchange for Risk (EFR) and Substitution of OTC Derivative Instruments for Futures Contracts Transactions

With the inclusion of the CGF contract into this procedure, the Bourse took the opportunity to broaden the terms of the Procedure for the execution of exchange for physical (EFP), exchange for risk (EFR) and substitution of OTC derivative instruments for futures contracts transactions (EFP/EFR/SUB Procedure) by adding additional permissible cash instruments for the purpose of EFP transactions. In addition, the revised EFP/EFR/SUB Procedure is now applicable to the “Interest rate futures contracts” as a group thus broadening the list of futures contracts for which these transactions are allowed. These modifications to the existing list of acceptable fixed income financial instruments will allow the Bourse to harmonize its procedures with international practices and enable it to offer a broader range of products available for these types of transactions. These procedures can be accessed at any time on the Web site of the Bourse on the « [Official practices](#)» page, which will be renamed “Procedures” as of April 20, 2009.

Furthermore, please note that the terms of the proposed requirements for EFP transactions (see section “Acceptable Cash Components for the purpose of an EFP Transaction - For interest rate futures contracts”) have been modified comparatively to the originally suggested terms in the request for comments. As such, in addition to a reasonable price correlation, fixed income instruments exchanged will have to have maturities as well as risk characteristics that parallel the instrument underlying the futures contract being exchanged.

Daily Settlement Price Procedures for Futures Contracts and Options on Futures Contracts

Finally, the daily settlement price procedures for futures contracts and options on futures contracts the (Daily settlement price procedure) has been updated to standardize it for the whole group of instruments on Government of Canada bonds trading on the Bourse and to incorporate therein a more generic terminology. This Daily settlement price procedure can be accessed at any time on the Web site of the Bourse on the « [Official practices](#)» page, which will be renamed “Procedures” as of April 20, 2009.

The regulatory modifications discussed in this circular were subjected to a request for comments published by the Bourse on February 2, 2009 (Circular No. 016-2009). The Bourse received no comment letters following the publication of this request for comments.

For further information, please contact Richard Bourbonnière, Vice-President, Market Operations, Financial Markets at 514 871-3548 or at rbourbonniere@m-x.ca.

Hanh Ly
Legal Counsel