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

CIRCULAR
April 30, 2008

DEBT SECURITIES OFFSETS ACCEPTABLE FOR MARGIN REDUCTION PURPOSES

AMENDMENTS TO GROUPS XI AND XII OF ARTICLE 7204 AND TO ARTICLE 7204A

The Rules and Policies Committee of Bourse de Montréal Inc. (the Bourse) has approved amendments to Groups XI and XII of article 7204 and to article 7204A of the Rules of the Bourse. These amendments will become effective on May 1, 2008.

Group XI of article 7204 of the Rules of the Bourse sets the margin requirements that are applicable to stripped coupons and residual debt securities while Group XII of this article sets the margin requirements that are applicable to mortgage-backed securities. These two Groups of article 7204 sets margin requirements not only for outright positions in the concerned financial instruments, but also for positions involving the pairing of these instruments with certain debt securities. For what regards article 7204A, this article sets the margin requirements that are applicable to various debt securities offsets.

Amendments made to Groups XI and XII of article 7204 and to article 7204A of the Rules of the Bourse will permit that margin reductions allowed on paired positions as described in these Rules be available not only for approved participants' accounts, but also for their clients' accounts.

For further information, please contact Mr. Jacques Tanguay, Vice-President, Regulatory Division, at 514 871-3518, or by e-mail at jtanguay@m-x.ca.

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

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7204 Bonds, Debentures, Treasury Bills and Notes
(01.07.86, 04.02.87, 15.09.89 30.04.91, 09.10.91, 01.03.93, 01.05.93, 05.07.93, 01.04.93, 27.05.97, 18.02.98, 29.08.01, 17.05.04, 13.09.05, 28.09.07, 01.05.08)

GROUP I Governments of Canada, United States, United Kingdom and other foreign national governments

The margins required on bonds, debentures, Treasury bills, and other securities of or guaranteed by the Government of Canada, of the United States, of the United Kingdom and of any other national foreign government (provided such foreign government securities are currently rated Aaa or AAA by Moody's Investors Service Inc. or Standard & Poor's Corporation, respectively), and maturing (or called for redemption) in the periods indicated below, are as follows:

	Margin Required
1 year or less	1% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365.
over 1 year to 3 years	1% of market value
over 3 years to 7 years	2% of market value
over 7 years to 11 years	4% of market value
over 11 years	4% of market value

GROUP II Provinces of Canada and International Bank of Reconstruction and Development

The margins required on bonds, debentures, treasury bills and other securities of or guaranteed by any Province of Canada, bonds of the International Bank of Reconstruction and Development, and bonds and debentures guaranteed by the deposit in trust of a grant payable by a province in Canada covering the principal and the interest maturing, or called for redemption in the time periods indicated below are as follows:

	Margin required
1 year or less	2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years	3% of market value
over 3 years t 7 years	4% of market value
over 7 years to 11 years	5% of market value
over 11 years	5% of market value

GROUP III Municipal, school and hospital corporations and religious orders

Margins required on bonds, debentures or notes (not in default) of or guaranteed by any municipal corporation in Canada or in the United Kingdom, maturing in the time periods indicated below, are as follows:

	Margin required
1 year or less	3% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years	5% of market value
over 3 years to 7 years	5% of market value
over 7 years to 11 years	5% of market value
over 11 years	5% of market value

Bonds and debentures (not in default) of or guaranteed by any school corporation, religious order or hospital corporation in Canada, 5% of market value.

GROUP IV Other non-commercial bonds and debentures

The margin required on other non-commercial bonds and debentures (not in default), is equal to 10% of market value.

GROUP V Corporations and trust and mortgage loan companies – non-negotiable and non-transferable debt securities

The margins required on commercial and corporate bonds, debentures and notes (not in default) and non negotiable and non transferable trust company and mortgage loan company obligations registered in the approved participant's name, maturing in the time periods indicated below, are, subject to the provisions of paragraphs a1) to 6) hereafter, as follows :

	Margin Required
1 year or less	3% of market value
over 1 year to 3 years	6% of market value
over 3 years to 7 years	7% of market value
over 7 years to 11 years	10% of market value
over 11 years	10% of market value

1) if convertible and selling over par, the margin required must be the lesser of the two following amounts:

    a) the sum of the two following elements :

        i) the par value multiplied by the above rates;

        ii) the excess of market value over the par value;

    b) the maximum margin required for a convertible security calculated pursuant to paragraph 10 of article 7213;

2) if these securities are convertible and selling at or below par, the margin required must be the above rates multiplied by the market value;

3) if these securities are selling at 50% or less of the par value and if they are rated "B" or lower by either Dominion Bond Rating Service or by Canadian Bond Rating Service, the margin required must be 50% of the market value;

4) in the case of U.S. pay securities, if selling at 50% or less of the par value and if rated "B" or lower by either Moody's or Standard & Poors, the margin required must be 50% of the market value;

5) if these securities are convertible and are residual debt instruments (zero coupon), the margin required is the lesser of the two following amounts :

    a) the greater of

        i) the margin required for a convertible debt instrument calculated pursuant to this Group V;

        ii) the margin required for a residual debt instrument (zero coupon), calculated pursuant to Group XI of this article;

    b) the maximum margin required for a convertible security calculated pursuant to paragraph 10 of article 7213;

6) where such commercial bonds, debentures and notes are debt securities of companies whose notes are acceptable notes, as defined in Group VI of the present article, then the margin requirements of this Group VI must apply.

GROUP VI Corporations and trust and mortgage loan companies – negotiable and transferable debt securities

The margins required on acceptable commercial, corporate and finance company notes, and trust company and mortgage loan company bonds, readily negotiable and transferable and maturing in the time periods indicated below are as follows:

	Margin Required
1 year or less	3% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year	apply rates for commercial and corporate bonds, debentures and notes

Acceptable commercial, corporate and finance company notes means notes issued by a company incorporated in Canada or in any province of Canada and a) having a net worth of not less than $10,000,000 or b) guaranteed by a company having a net worth of not less than $10,000,000 or c) a binding agreement exists whereby a company having a net worth of not less than $25,000,000 is obliged, as long as the notes are outstanding, to pay to the issuing company or to a trustee for the noteholders, amounts sufficient to cover all indebtedness under the notes where the borrower:

a) files annually under the applicable provincial legislation a prospectus relating to its notes which have a term to maturity of one year or less and provides to approved participants acting as authorized agents the following information in written form:

   i) disclosure of limitation, if any, on the maximum principal amount of notes authorized to be outstanding at any one time;

   ii) a reference to the bank lines of credit of the borrower or of its guarantor if a guarantee is required;

   or

b) provides to approved participants acting as authorized agents an information circular or memorandum which includes or is accompanied by the following:

   i) recent audited financial statements of the borrower or of its guarantor if a guarantee is required;

   ii) an extract from the borrower's general borrowing by-law dealing with the borrower's corporate authorization to borrow;

   iii) a true copy of a resolution of directors of the borrower certified by the borrower's secretary, and stating in substance:

      [1] the limitation, if any, on the maximum amount authorized to be borrowed by way of issues or notes;

      [2] those officers of the borrower company who may legally sign the notes by hand or by facsimile;

      [3] the denomination in which notes may be issued;

   iv) where notes are guaranteed, a certified copy of a resolution of directors of the guarantor company, authorizing the guarantee of such notes;

   v) a certificate of incumbency and facsimile signatures of the authorized signing officers of the borrower and its guarantor, if any;

vi) specimen copies of the note or notes;

vii) a favorable opinion from the legal counsel of the borrower regarding the incorporation, the organization and the corporate status of the borrower, its corporate capacity to issue the notes and the due authorization by it of the issuance of the notes;

viii) where notes are guaranteed, a favorable opinion from the legal counsel of the guarantor regarding the incorporation, the organization and the corporate status of the guarantor, its capacity to guarantee the notes and the due authorization, validity and effectiveness of its guarantee;

ix) a summary setting forth the following:

[1] a brief historical summary of the borrowing company and of its guarantor, if any;

[2] the purpose of the issue;

[3] a reference to the bank lines of credit of the borrowing company or of its guarantor, if a guarantee is required;

[4] the denomination in which notes may be issued.

GROUP VII Bonds in default

The margin required on bonds in default must be equal to 50% of market value.

GROUP VIII Income bonds

The margins required on income bonds and debentures on which interest has been paid in full at the stated rate for the two preceding years as required by the related trust indenture which must specify that such interest be paid if earned, are as follows:

Currently paying interest at the stated rate:

Margin required

10% of market value

Not paying interest, or paying at less than the stated rate:

Margin required

50% of market value

GROUP IX British Columbia Government guaranteed parity bonds:

Long Positions: ¼ of 1% of par value or rates prescribed under Group II above;

Short Positions: rates prescribed under Group II above.

GROUP X Floating rate debt obligations:

50% of the rates of margin otherwise required. If margin is otherwise required in respect of excess market value over par, 100% of the margin rates otherwise required must apply to the excess market value.

For the purpose of this paragraph, the term “floating rate debt obligation” means a debt instrument described in Groups I, II, III and VI of the present article and in article 7205 for which the rate of interest is adjusted at least quarterly by reference to an interest rate for periods of 90 days or less.

This paragraph is applicable only to an account of a market-maker or to inventory accounts of an approved participant.

GROUP XI Stripped Coupons and Residual Debt Securities

1) The margin required for stripped coupons and residual debt securities, which is based on a percentage of the market value, is equal to:

   a) for securities with a term to maturity of less than 20 years, one and a half times the margin rate applicable to the debt instrument which has been stripped or to which the detached coupon or other evidence of interest relates; and

   b) for securities with a term of 20 years or more, three times the margin rate applicable to the debt instrument which has been stripped or to which the detached coupon or other evidence of interest relates.

   In determining the term to maturity of a coupon or other evidence of interest, the payment date for such interest must be considered the maturity date. Margin in respect of residual debt instruments which are convertible into other securities must be determined in accordance with Group V of this article.

2) Where an approved participant or a client holds a short (or long) position in bonds or debentures denominated in Canadian dollars issued or guaranteed by either the Government of Canada or a Province of Canada and also holds a long (or short) position in the stripped coupons or residual portion of such debt securities, the margin required must be the excess of the margin required on the long (or short) position over the margin required on the short (or long) position, provided that the net margin may only be determined as aforesaid on the basis that:

   a) margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in stripped coupons or residual portion to the extent that the market value of the two positions is equal. No offset is permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position;

   b) margin required in respect of bonds or debentures issued or guaranteed by the Government of Canada may only be netted against the margin required for the stripped coupons or residual portion of other Government of Canada securities which mature within the same periods referred to in Group I of the present article;

c) margin required in respect of bonds or debentures issued or guaranteed by a Province of Canada may only be netted against the margin required for the stripped coupons or residual portion of another Province of Canada securities which mature within the same periods referred to in Group II of the present article.

3) Notwithstanding the foregoing provisions of this Group XI, where an approved participant or a client holds:

a) a short (or long) position in bonds or debentures issued or guaranteed by the Government of Canada and a long (or short) position in the stripped coupons or residual portion of bonds or debentures issued or guaranteed by a province of Canada; or

b) a short (or long) position in bonds or debentures issued or guaranteed by a province of Canada and a long (or short) position in the stripped coupons or residual portion of bonds or debentures issued or guaranteed by the Government of Canada;

the margin required must be 50% of the total margin required for both positions otherwise determined under the Rules, provided that such margin may only be determined as aforesaid on the basis that:

i) margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in stripped coupons or residual portion to the extent that the market value of the two positions is equal, and no such netting is permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position;

ii) margin required in respect of bonds or debentures may only be netted against the margin required for the stripped coupons or residual portion of securities which mature within the same periods referred to in Group I and II of this article;

iii) the bonds and debentures and the stripped coupons or residual portion of such debt instrument must be denominated in Canadian dollars.

4) Where an approved participant holds a short (or long) position in bonds or debentures denominated in Canadian dollars issued by a corporation with a single A or higher rating by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard and Poor's Bond Record, and also holds a long (or short) position in the stripped coupon or residual portion of such debt instruments, the margin required must be the lesser of 20% and the greater of the margin required on the long (or short) position and the margin required on the short (or long) position, provided that the margin may only be determined as aforesaid on the basis that:

a) the offset is permitted only to the extent that the market value of the two positions is equal, and no offset is permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position; and

b) margin required in respect of bonds or debentures issued by a corporation may only be offsetted against the margin required for the stripped coupons or residual portion of debt instruments of the same issuer, which mature within the same periods referred to in Group XI in this article for the purpose of determining margin rates.

5) Where an approved participant holds a short (or long) position in bonds or debentures denominated in a foreign currency referred to in Group I of this article and also holds a long (or short) position in the stripped coupons or residual portion of such debt instruments denominated in the same currency, the margin required must be the excess of the margin required on the long (or short) position over the margin required on the short (or long) position, provided that the net margin may only be determined as aforesaid on the basis that:

   a) margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in stripped coupons or residuals to the extent that the market value of the two positions is equal, and no such netting or offset is permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position; and

   b) margin required in respect of bonds or debentures issued or guaranteed by a particular government may only be netted against the margin required for the stripped coupon or residual portion of debt instruments of the same government, which mature within the same periods referred to in Group I of this article for the purpose of determining margin rates.

GROUP XII Mortgage-backed securities

On securities which are based upon mortgages and are guaranteed as to timely payment of principal and interest by the issuer or its agent, the margin rate is the rate prescribed in articles 7204, 7205 and 7206 applicable to the securities of such guarantor according to the relevant maturity plus an additional margin of 25% of such applicable rate.

Where an approved participant or a client holds a short (or long) position in bonds or debentures issued or guaranteed by the Government of Canada and also holds a long (or short) position in mortgage-backed securities guaranteed by the Government of Canada, the margin required must be the excess of the margin required on the long (or short) position over the margin required on the short (or long) position, provided that the net margin may only be determined as aforesaid on the basis that:

1) Margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in mortgage-backed securities to the extent that the market value of the two positions is equal. No netting or offset is permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position;

2) Margin required in respect of bonds or debentures may only be netted against the margin required for the mortgage-backed securities which mature within the same periods referred to in the present article for the purpose of determining margin rates; and

3) Notwithstanding the foregoing, if the market value of a long (or short) position in mortgage-backed securities exceeds the remaining principal amount of such position and the mortgages underlying such mortgage-backed securities position are subject to being repaid in full at the option of the mortgagee prior to maturity, the margin required must be the greater of the individual margins for (i) the long (or short) position in mortgage-backed securities as determined under the present paragraph or (ii) the short (or long) position in bonds or debentures as determined under Group I of this article.

7204A Pairing for Margin Purposes
(09.10.91, 27.05.97, 18.02.98, 19.08.98, 17.12.02, 01.01.05, 13.09.05, 27.02.06, 01.05.08)

1) Where an approved participant or a client

   a) owns securities described in Group I or II of article 7204 whose maturity is over one year, and

   b) has a short position in securities

      i) issued or guaranteed by the same issuer of the securities referred to in a) (provided that for these purposes each of the provinces of Canada must be regarded as the same issuer as any other province);

      ii) maturing over one year;

      iii) maturing within the same periods for the purpose of determining margin rates for the securities referred to in a); and

      iv) with a market value equal to the securities referred to in paragraph a) (with the intent that no pairing is permitted in respect of the market value of a long [or short] position which is in excess of the market value of the short [or long] position);

   the two positions may be offset and the required margin must be computed with respect to the net long or net short position only. This rule also applies to future purchase and sale commitments.

2) Where an approved participant or a client

   a) owns securities described in Group I or II of article 7204 maturing within one year, and

   b) has a short position in securities

      i) issued or guaranteed by the same issuer of the securities referred to in a) (provided that for these purposes, each of the provinces of Canada must be regarded as the same issuer as any other province);

      ii) maturing within one year; and

      iii) with a market value equal to the securities referred to in paragraph a) (with the intent that no offset is permitted in respect of the market value of a long [or short] position which is in excess of the market value of the short [or long] position);

   then the margin required must be the excess of the margin on the long (or short) position over the margin required on the short (or long) position. This rule also applies to future purchase and sale commitments.

3) A) Where an approved participant or a client has a short and long position in the following groups of securities of article 7204, the total margin required in respect of both positions must be 50% of the greater of the margin required on the long or short position:

	Long (Short)		Short (Long)
a)	Group I (Canada only)	and	Group I (Canada only with different

			maturity bands)
b)	Group I (Canada only)	and	Group II (province of Canada only with identical or different maturity bands)
c)	Group I (Canada only)	and	Group III (municipality of Canada only)
d)	Group II (province of Canada only)	and	Group II (province of Canada only with different maturity bands)
e)	Group II (province of Canada only)	and	Group III (municipality of Canada only)

B) Where an approved participant or a client has a short and long position in the following groups of securities of article 7204, the total margin required in respect of both positions must be the greater of the margin required on the long or short position:

	Long (Short)		Short (Long)
f)	Group I (U.S. Treasury only)	and	Group I (Canada only)
g)	Group I (U.S. Treasury only)	and	Group II (province of Canada only)
h)	Group I (Canada and	and	Group III (municipality of Canada only) U.S. Treasury only)
i)	Group I (Canada and U.S. Treasury only)	and	Group V (corporate)
j)	Group II (province of Canada only)	and	Group III (municipality of Canada only)
k)	Group II (province of Canada only)	and	Group V (corporate)
l)	Group V (corporate)	and	Group V (corporate of the same issuer)

C) Furthermore, the offsets described above in paragraphs A) and B) may only apply if the following requirements are complied with:

i) securities offsets described in subparagraphs a), b) and d) can be of different maturity bands, all other offsetting positions must mature within the same periods referred to in article 7204 for the purpose of determining margin rates;

ii) securities described in Group III (municipality of Canada) of article 7204 are eligible for offsets described in subparagraphs c) and e) only if they have a long-term issuer credit rating of a single A or higher by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody’s Investors Service or Standard & Poor’s Bond Record;

iii) securities described in Group V (corporate) of article 7204 and securities described in article 7205 are eligible for offset only if they are not convertible and have a single A or higher rating by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor’s Bond Record;

iv) securities in offsetting positions must be denominated in the same currency; and

v) the market value of the offsetting positions is equal and no offset is permitted in respect of the market value of the short (or long) position which is in excess of the market value of the long (or short) position.

For the purpose of this article, securities described in article 7205 are eligible for an offset identical to the one applicable to securities described in Group V of article 7204.