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

CIRCULAR
July 12, 2007

REQUEST FOR COMMENTS

NEW FUTURES CONTRACT ON GOVERNMENT OF CANADA 30-YEAR BONDS (LGB)

AMENDMENTS TO ARTICLES 6801 AND 6812 OF RULE SIX AND TO ARTICLES 15001, 15613 AND 15619 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 and 6812 of Rule Six and to articles 15001, 15613 and 15619 of Rule Fifteen of the Bourse, in order to add the 30-year Government of Canada Bond futures contract to the instruments that can be traded on the Bourse's electronic trading platform.

You will find enclosed the analysis document of the proposed rule amendments, the proposed regulatory amendments as well as the specifications of this new contract.

Process for Changes to the Rules

Bourse de Montréal Inc. is recognized as a self-regulatory organization (SRO) by the Autorité des marchés financiers (the Autorité). In accordance with this recognition, the Bourse carries on activities as an exchange and as a SRO in Québec. In its SRO capacity, the Bourse assumes market regulation and supervision responsibilities of its approved participants. The responsibility for regulating the market and the approved participants of the Bourse comes under the Regulatory Division of the Bourse (the Division). The Division carries on its activities as a distinct business unit separate from the other activities of the Bourse.

Circular no.: 115-2007

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 these Rules and Policies. These changes are submitted to the Autorité for approval.

Comments on the proposed amendments to articles 6801, 6812, 15001, 15613 and 15619 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
E-mail: consultation-en-cours@lautorite.qc.ca

NEW FUTURES CONTRACT ON GOVERNMENT OF CANADA 30-YEAR BONDS (LGB)
- AMENDMENTS TO ARTICLES 6801 AND 6812 OF RULE SIX AND TO ARTICLES 15001, 15613 AND 15619 OF RULE FIFTEEN OF BOURSE DE MONTRÉAL INC.

I. OVERVIEW

A -- Proposed Regulatory Amendments

It is proposed to amend articles 6801 and 6812 of Rule Six and articles 15001, 15613 and 15619 of Rule Fifteen of Bourse de Montréal Inc. (the Bourse) in order to add the 30-year Government of Canada (GoC) Bond futures contract to the instruments that can be traded on the Bourse's electronic trading platform.

B -- Rationale

- ***Target Market-Interest expressed***

  - There has been interest expressed by a specific niche of market participants for a 30-year GoC Bond futures contract, specifically, pension funds and insurance companies that, by using such a futures contract, would be in a better position to hedge their long-term obligations. The over-the-counter (OTC) market only partially fulfills these hedging needs because long-term swap agreements are difficult to conclude.

- ***Worldwide trend towards the issuance of very long term Government bonds***

  - There is a worldwide trend to issue longer term government bonds. For example, Eurex introduced the Euro-Buxl futures contract in September 2005 for which the underlying debt instrument is a German government bond having a maturity of 24 to 35 years and Japan is considering issuing a 50-year government bond (JGB - Japanese Government Bond). In addition, the U.S. Treasury resumed the issuance of 30-year US Treasury bonds in February 2006 for the first time since October 2001.

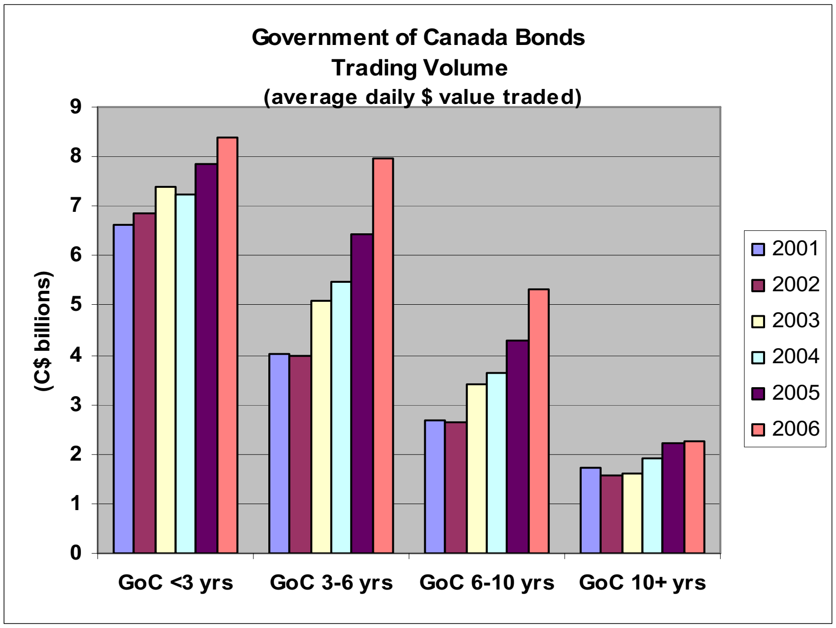
II. DETAILED ANALYSIS

A -- Presentation of the 30-year Government of Canada Bond market

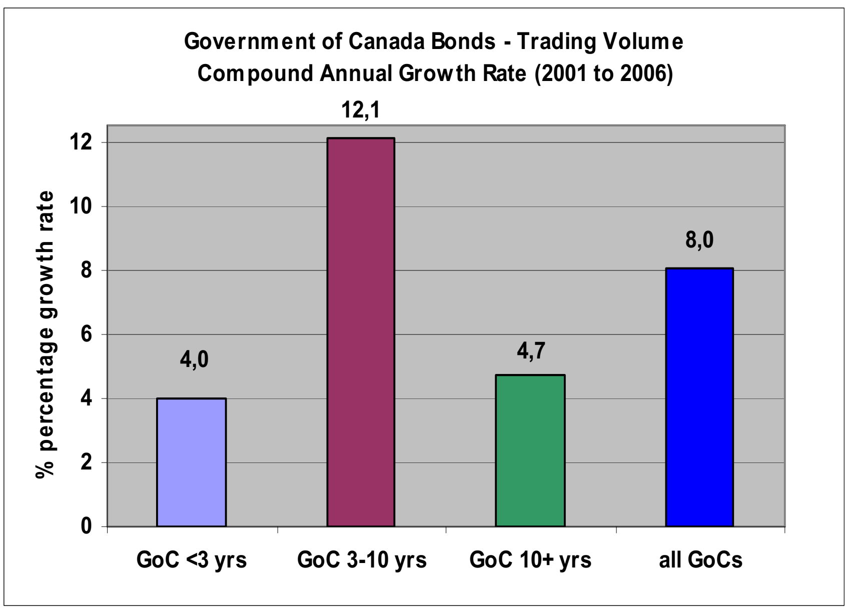
- ***Growth in trading activity***

  - The over 10-year GoC Bond market accounts for 9% of the total GoC Bond trading activity with an average daily turnover of C$2.2 billion in 2006.

  - Daily trading activity has been growing at an annual rate of 4.7% since 2001, increasing from an average daily turnover of C$1.7 billion in 2001 to C$2.2 billion in 2006.



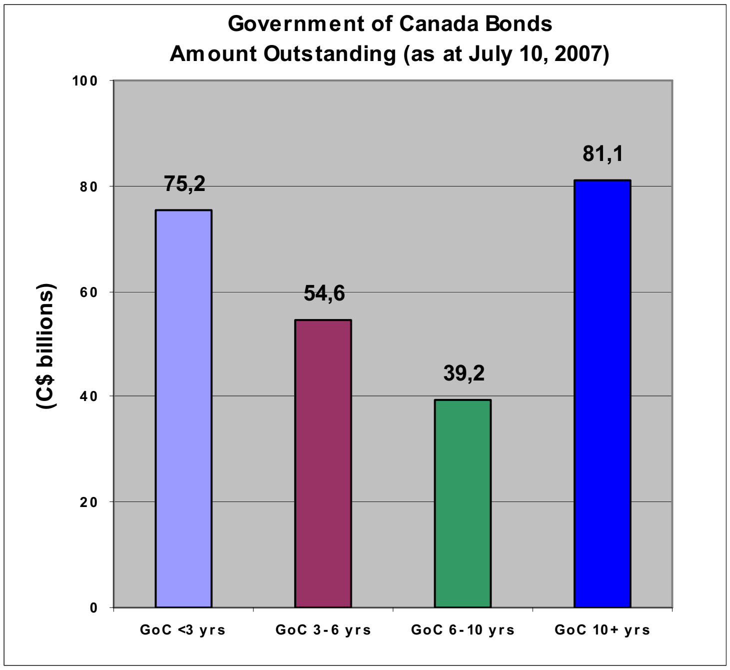
Source: Investment Dealers Association of Canada



Source: Investment Dealers Association of Canada

- ***Liquidity***

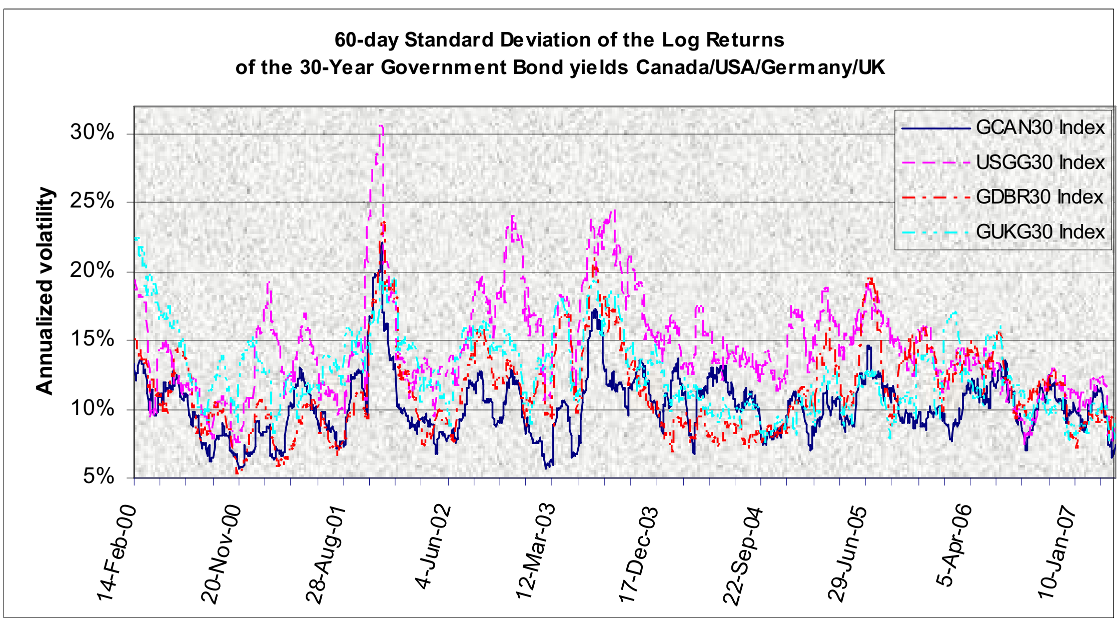
The over 10-year GoC Bond market has a high notional amount outstanding (C$81.1 billion as at July 10, 2007). The 30-year GoC Bonds eligible to the basket of deliverable bonds of the 30-year GoC futures contract account for C$36.9 billion with approximately C$2.7 billion worth of new issuances annually.



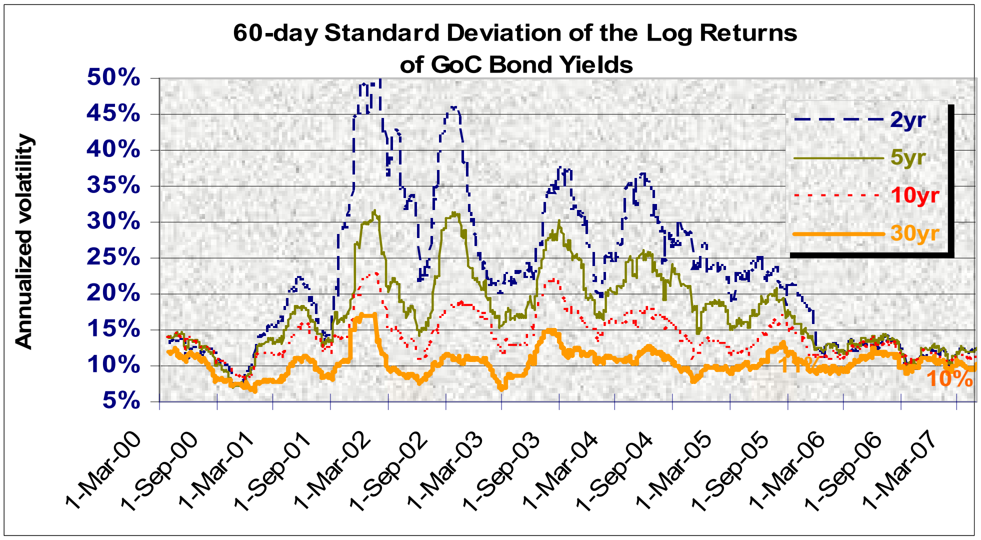
Source: Bloomberg

- ***Volatility***

  - On a global basis, the 30-year government Bond segment of the yield curve currently exhibits its lowest price volatility since 2002.

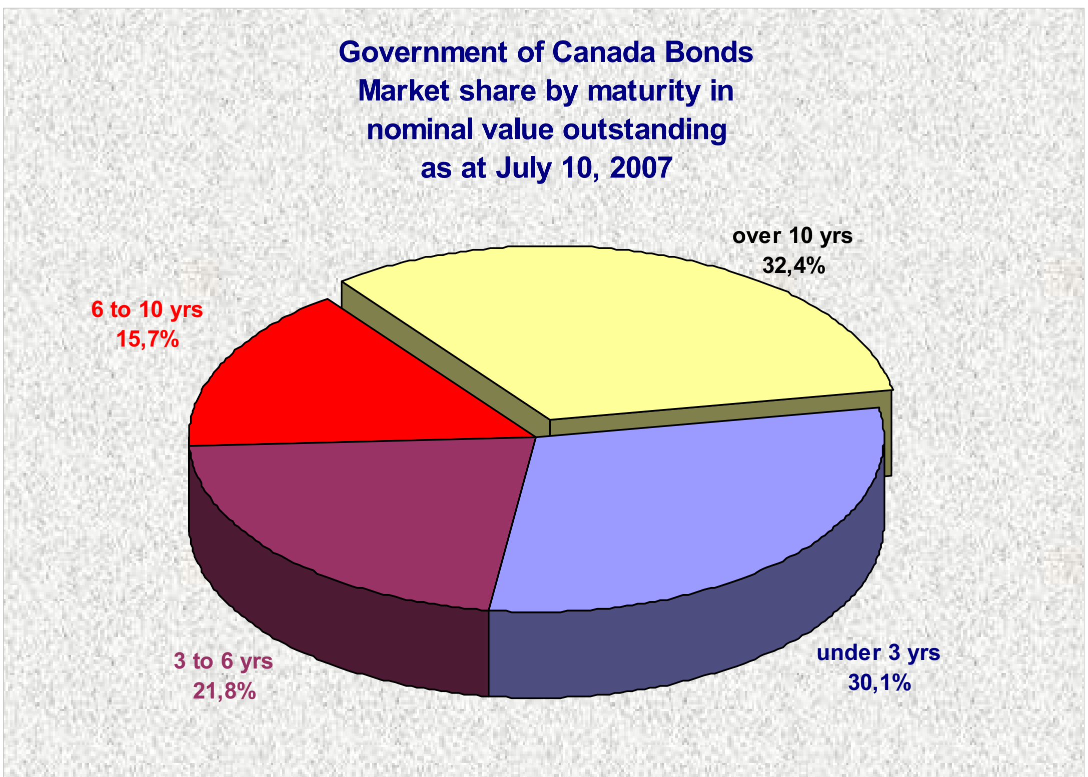


Source: Bloomberg



Source: Bloomberg

❑ *The Underlying Market for Government of Canada Bonds*



Source: Bloomberg

- The over 10-year GoC Bond market accounts for 32.4% of the total GoC Bond nominal amount outstanding, the largest segment of the yield curve.

- The Bank of Canada holds two 30-year bond auctions annually. Approximately C$2.7 billion of 30-year bonds are issued annually with the size of each 30-year bond auction averaging between C$1.3 billion to C$1.5 billion. Approximately every 3 years, there is one new 30-year bond issue qualifying as a benchmark bond issue. To qualify as a benchmark issue, the outstanding amount of the bond must range between C$12 billion to C$15 billion.

- ♦ The Government maintains regular issues of marketable bonds in four bond maturity categories, 2-year, 5-year, 10-year and 30-year, by holding quarterly auctions.

- ♦ In general, the outstanding amount of bonds used as benchmark issues for 2-year, 5-year, 10-year and 30-year maturity categories must fall in the following ranges:
  - o 2-year bonds: C$7 billion to $10 billion;
  - o 5-year bonds: C$9 billion to $12 billion;
  - o 10-year bonds: C$10 billion to C$14 billion; and
  - o 30-year bonds: C$12 billion to C$15 billion.

- ♦ The benchmark target sizes are achieved through issue re-openings where a particular bond issue is sold at several auctions until the benchmark target range is reached. Large benchmark bonds are essential to ensure the availability of a current liquid benchmark bond and support a liquid futures market by maintaining a viable basket of eligible government securities. Market participants strongly favor the issuance of liquid benchmark bonds to enhance international demand as well as liquidity in the swap and futures market in Canada.

B --Various potential users of the 30-year Government of Canada Bond futures contract

The persons most likely to use the 30-year Government of Canada Bond futures contract are :

1. Bond traders: to manage book exposure, duration, basis trading, optionality.

2. Proprietary traders / Hedge funds: for yield curve trading (2-, 5-, 10- and 30-year), or to manage spreads between the 30-year GoC futures contract price and the prices of the 30-year Euro-Buxl and 30-year US Treasury Bonds futures contracts.
3. Asset / Liability managers: to manage recorded assets and liabilities.
4. Bond Portfolio managers: to manage asset allocation and duration.
5. Insurance and Trust companies needing to hedge their very long-term liabilities.
6. Swap traders: to manage the risk exposure of their book of positions and to use anticipatory hedge techniques such as locking-in interest rates in anticipation of future swap volume.
7. Speculators: to manage directional trading, curve trading and optionality.

C -- Contract Design Issues

❑ *Physical delivery*

- ♦ Physical delivery is the preferred method of most exchanges that list futures contracts on government bonds. To settle a futures contract by delivery imposes more discipline upon participants than cash settlement does. As there are a sufficient number and dollar amount outstanding of deliverable GoC Bonds in the underlying cash market to support a bond futures contract which includes 30-yr GoC Bond issues in the basket of deliverables, the physical delivery method of settlement has been selected. The following additional reasons can also be invoked for this choice:

  1. Rollover: The roll from the nearest expiring contract to the next listed contract will be more orderly if the contract calls for physical delivery. A physical delivery contract will better facilitate "fair value" rollover as users will find it easier to price the next contract month.
  2. Trading opportunities: Deliverable bond contracts create a number of trading opportunities due to short-term fluctuations in the cash / futures basis. The ability to profit from such fluctuations creates numerous arbitrage trading strategies.

3. Greater impact on the cash bond market volume: Hedging, portfolio rebalancing and cash and carry strategies can create greater trading activity in the underlying cash bond market.
4. Harmonization between Bourse's bond futures contracts and those of international exchanges: Harmonizing the delivery settlement method with the one that prevails for government bond futures contracts that are traded on other exchanges will contribute to the creation of inter-product spread opportunities to take advantage of yield curve shifts. Such opportunities will also benefit arbitrage traders who use spreading techniques against similar futures contracts such as the 30-year U.S Treasury Bond futures contract and the 30-year German Euro-Buxl futures contract.
5. Cash settlement is less familiar for bonds traders. It is easier to get a 30-year government bond on the repo market than a 2-year bond as there is no liquidity problem on the 30-year cash market. Finally, in Canada, the yield curve is obtained from the Government Bonds, not the futures contract prices such as it is the case, for example, in Australia.

- ***4% Notional Coupon***

- Harmonization with the 4% notional coupon of the Euro-Buxl 30-year futures contract listed at Eurex.

1. It better reflects current yields: a 4% notional coupon will better reflect the actual 30-year GoC Bond market yield of 4.25%.
2. Implications on the cheapest-to-deliver bond: a 4% notional coupon will favor longer duration bonds and position the on-the-run (i.e. the most recently issued) bond as the cheapest-to-deliver bond.

D -- Comparison with other markets

On a global scale, the coverage of the yield curves of the major currencies is realized with futures contracts that cover:

a) Short-term maturities (futures contracts on three-month rates and on 2 or 3-year bonds);
b) Medium-term maturities (futures contracts on 5-year bonds);
c) Long-term maturities (futures contracts on 10+ year bonds).

	CBOT	***EUREX***
Underlying	***30-year US Treasury Bonds***	***30-year Euro-Buxl***
Notional Coupon	***6%***	***4%***
Contract Size : ***2-year*** ***5-year*** ***10-year*** ***30-year***	 ***US$200 000*** ***US$100 000*** ***US$100 000*** ***US$100 000***	 ***€100 000*** ***€100 000*** ***€100 000*** ***€100 000***
Settlement Type	***Physical***	***Physical***
Tick Size	***1/32 of a point = US$31.25***	***0.02 = €20***
Deliverable Standards	***US Treasury Bonds with maturity of 15+ years***	***Euro-Buxl bonds with maturity between 24 to 35 years***
Average Daily Volume 2006: ***2-year*** ***5-year*** ***10-year*** ***30-year***	 ***151 867*** ***499 481*** ***1 022 287*** ***375 019***	 ***661 275*** ***669 248*** ***1 279 557*** ***3 069***

Source: Bourse de Montréal Research

E -- Key Elements

- Arguments in favor of physical delivery:

  1. The over 10-year GoC Bond market accounts for 9% of the total GoC Bond trading activity, representing an average daily turnover of C$2.2 billion in 2006.

  2. Trading activity has been growing at an annual rate of 4.7% since 2001, from an average daily turnover of C$1.7 billion in 2001 to C$2.2 billion in 2006.

  3. The amount of outstanding GoC Bonds maturing over 10 years is huge (C$81.1 billion as at July 10, 2007), well ahead the 6-10 years (C$39.2 billion) and the 3-6 years (C$54.6 billion) segments. The 30-year GoC Bonds eligible to the basket of deliverable bonds of the 30-year GoC Bond futures contract account for C$36.9 billion with approximately C$2.7 billion worth of new issuances annually. Presently, there is no lack of liquidity of the underlying cash market.

  4. The new 30-year GoC Bond futures contract will allow the Bourse to complement its line of interest-rate derivative instruments and will positively impact the existing contracts. This futures contract will facilitate yield curve trading strategies by allowing to use it together with the 2-year GoC Bond futures contract (CGZ), and the 10-year GoC Bond futures contract (CGB). The settlement of this futures contract through physical delivery will permit a harmonization of the delivery standard across the curve. In addition, inter-market traders will be able to implement more easily spread trading between 30-year GoC Bond futures contracts having identical delivery procedures.

- There has been interest expressed by a specific niche of market participants for a 30-year GoC Bond futures contract, especially pension funds and insurance companies that will be able to more easily hedge their long-term obligations. The OTC market does not fully answer these needs because long-term swap agreements may be difficult to conclude in the OTC market.

- There is a worldwide trend to issue longer term government bonds. Eurex introduced the Euro-Buxl futures contract having as its underlying 30-year bonds issued by the German government in September 2005 and Japan is considering issuing a 50-year government bond (Japanese Government Bond – JGB). In addition, the US Treasury has begun re-issuing 30-year US Treasury Bonds in February 2006 for the first time since October 2001.

- The new futures contract on the 30-year GoC Bond presents an excellent opportunity for the Bourse to enter this market provided there is dedicated market maker support.

- Market participants who expressed an interest as market makers are in favor of a physical delivery of the contract.

III. SUMMARY OF THE PROPOSED AMENDMENTS

A – Articles 6801 and 6812

Article 6801 is amended to add the trading specifications of the 30-year GoC Canada Bond futures contract to Rule Six.

Paragraph c) of article 6812 is amended to reflect the fact that all GoC Bond futures contracts terminate trading on the 7th business day preceding the last business day of the delivery month, unless otherwise determined by the Bourse.

B – Articles 15001, 15613 and 15619

Article 15001 is amended to add the 30-year GoC Bond to the list of financial instruments on which futures trades can be effected at the Bourse.

Paragraph e) of article 15613 is added to Rule Fifteen to describe the specifications of the 30-year GoC Bond futures contract.

Paragraph b) ii) of article 15619 is amended to reflect the specifications of the 30-year Goc Bond futures contract and also specifications applicable to the 2-year GoC Bond futures contract.

IV. OBJECTIVE OF THE PROPOSED AMENDMENTS AND CONSEQUENCES

A -- Objectives

The objectives of the proposed amendments to Articles 6801 and 6812 of Rules Six and to articles 15001, 15613 and 15619 of Rule Fifteen of the Bourse are to:

i) Allow the introduction of a futures contract on 30-year Government of Canada bonds; and
ii) Establish the specifications of this new futures contract.

B -- Consequence of proposed rules

The proposed modifications will allow the Bourse to offer a futures contract on 30-year Government of Canada Bonds to meet market user demand.

The current Rules detail the specifications and the trading rules of futures contracts on Government of Canada Bonds. The purpose of the proposed amendments is to adapt these Rules to extend their application to the futures contract on 30-year Government of Canada Bonds. To this end, the proposed amendments refer to the specifications of the new futures contract.

C -- Public interest

The specifications and amendments to the Rules have been proposed in order to make the use of the futures contracts on 30-year Government of Canada bonds accessible and efficient for the market participants who have expressed their support for such a futures contract.

DOCUMENTS ATTACHED

- Rule Six: amendments to articles 6801 and 6812

- Rule Fifteen: amendments to articles 15001, 15613 and 15619

- Specifications of the futures contract on the 30-year Government of Canada bonds.

V. PROCESS

The amendments to the Rules are presented to the Rules and Policies Committee of the Bourse for approval and will then be submitted to the Autorité des marchés financiers (AMF) and to the public for a 30 day consultation period and for approval by the AMF.

VI. SOURCES

Investment Dealers Association of Canada: Bond market secondary trading,
http://www.ida.ca/Files/Compliance/BondMarketSecTrading_en.pdf

Bloomberg : Outstanding amount of Government of Canada Bonds, CAN GOV ENTER

CBOT website: interest-rate futures contracts specifications,
http://www.cbot.com/cbot/pub/page/0,3181,830,00.html

Eurex website: interest-rate futures contracts specifications,
http://www.eurexchange.com/trading_en.html

Futures Industry Association: Monthly Volume Report, December 2006

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, 24.07.06, 00.00.07)

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.

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

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

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

ii) in the case of the December 2006 2-year Government of Canada Bond futures and for subsequent contract months:

CAN$200,000 nominal value of a notional Government of Canada Bond bearing a coupon of 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 30-year Government of Canada Bond futures:

CAN$100,000 nominal value of a notional Government of Canada Bond bearing a coupon of 4 %.

h~~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.

i~~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.

j~~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.

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, 03.05.04, 00.00.07)

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 contract:

last business day of the contract month

b) 1-month and 3-month Canadian Bankers' Acceptance futures contract:

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 contracts:

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 constituant, 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.

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, 00.00.07)

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) 30-year Government of Canada Bond;

~~g~~h) the S&P/TSX 60 Stock Index;

~~h~~i) designated S&P/TSX sectorial stock indices;

~~i~~j) 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.

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, 24.07.06, 00.00.07)

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 periods 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, 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 $3.5billion);

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) For the December 2006 2-year Government of Canada Bond Futures contract and for subsequent contract months, 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 $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 $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 $200,000; and

vi) have a coupon of 4%. However, at the seller's choice, a Government of Canada Bond having a coupon other than 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 4% coupon and selling at par.

e) For the 30-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 21 and 33 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 periods of three months, by rounding down to the nearest entire three-month period, e.g. 30 years and seven months shall be considered ~~10~~30½ 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 30-year auctions (a bond not issued at a 30-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 4%. However, at the seller's choice, a Government of Canada Bond having a coupon other than 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 4% coupon and selling at par.

~~e~~f) 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.

~~f~~g) The amount to be paid at delivery is equal to $1,000 ($2,000 for the December 2006 2-year Government of Canada Bond Futures contract and for subsequent contract months) 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.

~~g~~h) All Government of Canada Bonds being delivered in respect of a futures contract must be of the same issue.

~~h~~i) 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.

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(08.09.89, 19.01.95, 05.08.97, 22.12.99, 03.05.04, 00.00.07)

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 ~~b~~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 ~~b~~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 ~~b~~Bond bearing a 6% coupon in the case of each designated 5-year or 10-year Government of Canada Bond ~~F~~futures contract~~s~~ and 4% in the case of each designated 2-year or 30-year Government of Canada Bond ~~F~~futures contract, as determined by using the yield curve of Government of Canada ~~b~~Bonds on the last day of trading.

Thirty-Year Government of Canada Bond Futures Contract

Specifications

Trading Unit	C$100,000 nominal value Government of Canada Bond with 4% notional coupon
Contract Months	March, June, September and December.
Price Quotation	Quoted on a 100 points basis where 1 point equals C$1,000
Last Trading Day	Trading ceases at 1:00 p.m. (Montréal time) on the seventh business day preceding the last business day of the contract month.
Contract Type	Physical delivery of eligible Government of Canada Bonds.
Delivery Notices	Delivery notices must be submitted before 5:30 p.m. or before such time set by the clearing corporation on any business day, between the third business day preceding the first business day of the delivery month and the third business day preceding the last business day of the delivery month inclusively.
Delivery Date	Delivery must be made on the third 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	0.01 = C$10 per contract.
Reporting Level	250 contracts.
Position Limits	Information on position limits can be obtained from the Bourse 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 21 years and 33 years as of the first day of the delivery month, calculated by rounding down to the nearest entire three-month period; ii) have an outstanding amount of at least C$3.5 billion nominal value; iii) are originally issued at thirty-year Government of Canada Bond auctions; iv) are issued and delivered on or before the 15th day preceding the first delivery notice day of the contract month.
Daily Price Limit	Three points (C$3,000) per contract above or below the previous trading day settlement price.
Trading Hours (Montreal time)	Early session: 6:00 a.m. to 8:05 a.m. Regular session: 8:20 a.m. to 3:00 p.m. Curb trading session: the curb session begins once settlement prices have been determined and ends at 4:00 p.m.
Clearing Corporation	Canadian Derivatives Clearing Corporation (CDCC).
Ticker Symbol	LGB