



CIRCULAR
August 28, 2003

**AMENDMENT TO ARTICLE 1 OF THE RULES
REGARDING
THE SPECIAL COMMITTEE – REGULATORY DIVISION**

The Commission des valeurs mobilières du Québec (the “Commission”) has approved an amendment to article 1 of the Rules regarding the Special Committee – Regulatory Division (the “Special Committee”) pertaining to the definition of Independent Member of the Special Committee. The new definition reflects the requirements of the Commission and the recent developments regarding governance principles in the securities industry. A copy of the amended Rules is enclosed.

The Special Committee – Regulatory Division was created by the Board of Directors of Bourse de Montréal Inc. (the “Bourse”) in October 2000. The powers of the Special Committee include the overall supervision and control of the activities of the Regulatory Division, subject to the final authority of the Board of Directors and the Commission.

The Special Committee consists of seven persons, four of whom are Independent Members according to the definition approved by the Commission. The members of the Special Committee are:

Nabil Antaki
Pierre-Paul Côté
Viateur Gagnon
Gaston Ostiguy

Luc Bertrand
Jean-Pierre Gallardo
Pierre Lizé

The amendment to article 1 of the Rules regarding the Special Committee is effective immediately.

For more information, please do not hesitate to contact the undersigned at (514) 871-3528.

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

Circular no.: 125-2003
Amendment no.: 015-2003

Tour de la Bourse
C. P. 61, 800, square Victoria, Montréal (Québec) H4Z 1A9
Téléphone : (514) 871-2424
Sans frais au Canada et aux États-Unis : 1 800 361-5353
Site Internet : www.m-x.ca

Tour de la Bourse
P.O. Box 61, 800 Victoria Square, Montréal, Quebec H4Z 1A9
Telephone: (514) 871-2424
Toll-free within Canada and the U.S.A.: 1 800 361-5353
Website: www.m-x.ca

**RULES REGARDING THE
SPECIAL COMMITTEE - REGULATORY DIVISION**

1. Definitions

(24.11.00, 28.08.03)

In these Rules :

“Approved Participant” shall mean any person to whom the Bourse has issued a trading permit;

“Board” shall mean the Board of Directors of the Bourse;

“Bourse” shall mean Bourse de Montréal Inc.;

“Commission” shall mean the *Commission des valeurs mobilières du Québec*;

“Independent Member” shall mean a physical person who is a member of the Special Committee of the Bourse and who is not:

- i) an Approved Participant or a Restricted Trading Permit Holder of the Bourse or a physical person related to them;
- ii) an officer or an employee of the Bourse or one of its affiliates;
- iii) a shareholder, who owns, directly or indirectly, more than ten per cent (10%) of the voting shares of the Bourse;
- iv) a person associated to a person mentioned in paragraphs i), ii) or iii) according to the definition of “associate” in the Québec Securities Act.

“Special Committee” shall mean the Special Committee – Regulatory Division appointed hereunder by the Board;

“Regulation” shall mean the By-laws, Rules and Policies of the Montreal Exchange which were re-adopted by the Board by its resolutions dated October 1, 2000, as Rules and Policies of the Bourse;

“Regulatory Division” shall mean the Regulatory Division of the Bourse established by the Board;

“Restricted Trading Permit Holder” shall mean the holder of a permit to trade specific listed products issued to a non-Approved Participant pursuant to articles 3951 and following of By-law Three of the Montreal Exchange which were re-adopted, by resolutions of the Board dated October 1, 2000, as forming part of the Rules and Policies of the Bourse.

2. Binding effect
(24.11.00)

These Rules regarding the Special Committee shall be binding on all Approved Participants, on the directors, officers and employees of Approved Participants and on Restricted Trading Permit Holders.

3. Composition of the Special Committee
(24.11.00)

The Special Committee shall consist of seven persons, at least four of whom shall be Independent Members. At least one member of the Special Committee, but no more than three, shall be members of the Board.

4. Appointment
(24.11.00)

The members of the Special Committee shall be appointed by resolution of the Board. Each appointment shall be for a term of two years and may be renewed at the discretion of the Board. A member of the Special Committee whose term has expired shall remain in office as long as necessary to permit the completion of any matter on which such member was sitting prior to the expiry of the term.

5. Quorum
(24.11.00)

The quorum at meetings shall be five members of the Special Committee attending in person, by telephone or by video conference. A majority of those so attending must be Independent Members.

6. Powers
(24.11.00)

The Special Committee shall have the following powers:

- 6.1 the overall supervision and control of the activities of the Regulatory Division, subject to the final authority of the Board and the Commission;
- 6.2 the adoption or amendment of rules and policies of the Bourse relating to:
 - 6.2.1 applications for Approved Participant and Restricted Trading Permit Holder status;
 - 6.2.2 the approval of representatives, directors and officers of Approved Participants;
 - 6.2.3 the operations and standards of practice and business conduct applicable to Approved Participants and Restricted Trading Permit Holders;
 - 6.2.4 investigations and disciplinary matters;

- 6.2.5 dispute resolution.
- 6.3 recommendations to the Board for the adoption or amendment of Rules and Policies of the Bourse relating to:
 - 6.3.1 margin requirements;
 - 6.3.2 capital requirements for Approved Participants;
 - 6.3.3 market surveillance;
- 6.4 the approval of applications for Approved Participant and Restricted Trading Permit Holder status and the suspension and revocation of such approvals pursuant to articles 3001 to 3962 of the Regulation;
- 6.5 the approval of resignations of Approved Participants pursuant to articles 3709 to 3714 of the Regulation;
- 6.6 the approval of corporate changes affecting Approved Participants, such as changes of control, major positions and reorganizations;
- 6.7 the issuance and suspension or revocation of all categories of trading permits pursuant to articles 3001 to 3962 of the Regulation;
- 6.8 directing that a special inspection or investigation be made pursuant to article 4003 of the Regulation;
- 6.9 all aspects of summary proceedings pursuant to articles 4004 and 4301 and following of the Regulation;
- 6.10 suspensions for failure to provide information pursuant to article 4005 of the Regulation;
- 6.11 the hearing of appeals from final decisions of a disciplinary committee in regard to complaints pursuant to articles 4101 and following of the Regulation;
- 6.12 the hearing of appeals from final decisions of any other committee of the Bourse or of the staff of the Bourse, including decisions rendered pursuant to powers delegated by the Commission.

7. Procedure
(24.11.00)

The rules of procedure applicable to the Special Committee shall be the rules of procedure of the Board, subject to such changes as may be necessary to adapt them to the circumstances.

8. Decisions
(24.11.00)

Decisions of the Special Committee shall require the vote of the majority of those attending in person, by telephone or by video conference.

In disciplinary matters or summary proceedings, if a member becomes unable to act before a decision is rendered, the decision may be reached by the remaining members, provided they are at least four.

Copies of the minutes of each meeting shall be sent to all members of the Special Committee, to the Chairman of the Board, to the President of the Bourse, to the Senior Executive Vice-President, Markets and Corporate Affairs, and to the General Counsel and Secretary.

9. Consequential amendments
(24.11.00)

- 9.1 In articles 3001 to 3962 and 4001 to 4404 of the Regulation, all references to the Governing Committee shall be deemed to refer to the Special Committee;
- 9.2 In articles 4201 to 4207 of the Regulation regarding settlement, all references to the Executive Committee shall be deemed to refer to two Independent Members of the Special Committee acting jointly. If the two Independent Members are not able to reach a joint decision, they shall refer the matter for decision by the Special Committee.
- 9.3 Notwithstanding article 4251 of the Regulation, there shall be no appeal from a decision of the Special Committee relating to disciplinary matters or summary proceedings except to the Commission as provided under the *Securities Act* (Québec).

10. Transitional
(24.11.00)

These rules shall take effect immediately upon their adoption but shall not apply to matters in which a hearing commenced prior to that time.