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

**CIRCULAR**
August 8, 2007

# FUTURES CONTRACTS MARGIN REQUIREMENTS, INDEX PRODUCTS FLOATING MARGIN RATES, CURRENCY OPTION MARGIN RATES AND TRACKING ERROR MARGIN RATES

Bourse de Montréal Inc. (the Bourse) sets futures contracts margin rates, index products floating margin rates and tracking error margin rates and currency options margin rates. The Bourse updates these rates on a monthly basis or when justified by market conditions.

The Bourse, in collaboration with Canadian Derivatives Clearing Corporation (CDCC), has determined that futures contract margin rates, in the case of speculators and hedgers, must be modified as follows:

| FUTURES CONTRACTS | MARGIN TYPE | PREVIOUS RATE | NEW RATE |
|---|---|---|---|
| **ONX** - 30-Day Overnight Repo Rate | Speculator | $600 | **$550** |
| | Hedger | $550 | **$500** |
| **BAX** - Three-month Canadian Bankers' Acceptance | Speculator | $300 | **$350** |
| | Hedger | $250 | **$300** |
| **CGZ** - Two-year Canadian Government Bond | Speculator | $650 | **$950** |
| | Hedger | $600 | **$900** |
| **CGB** - Ten-year Canadian Government Bond | Speculator | $1,500 | **$1,750** |
| | Hedger | $1,400 | **$1,650** |
| **SXF** - S&P/TSX 60 Index | Speculator | $7,750 | **$7,850** |
| | Hedger | $7,550 | **$7,650** |
| **SXA** - S&P/TSX Global Gold Index | Speculator | $4,850 | **$4,250** |
| | Hedger | $4,650 | **$4,050** |
| **SXB** - S&P/TSX Capped Financials Index | Speculator | $1,400 | **$1,450** |
| | Hedger | $1,300 | **$1,350** |
| **SXH** - S&P/TSX Capped Information Technology Index | Speculator | $1,150 | **$950** |
| | Hedger | $1 050 | **$ 900** |
| **SXY** - S&P/TSX Capped Energy Index | Speculator | $4,500 | **$4,500** |
| | Hedger | $4,300 | **$4,300** |

1. The "Speculator" designation applies to all clients, except acceptable institutions, acceptable counterparties, regulated entities and bona fide hedgers, as defined in the Rules and Policies of the Bourse.

Circular no.: 132-2007

**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

## FUTURES CONTRACT SPREAD POSITIONS

The following is a summary of the margin rates applicable to spread positions in futures contracts listed at Bourse de Montréal Inc.:

| MARGIN TYPE | INDEX FUTURES CONTRACTS | | | | |
|---|---|---|---|---|---|
| | SXF | SXA | SXB | SXH | SXY |
| **SPREADS** | $350 | $100 | $100 | $100 | $100 |

| MARGIN TYPE | INTEREST RATE FUTURES CONTRACTS | | | |
|---|---|---|---|---|
| | ONX | BAX | CGZ | CGB |
| **SPREADS** | $132 | $86 | $200 | $200 |
| **BUTTERFLY** (consecutive expiry months) | N/A | $72 | N/A | N/A |
| **BUTTERFLY** (non-consecutive expiry months) | N/A | $153 | N/A | N/A |

## MARGIN ON INTER-COMMODITY SPREAD POSITIONS

| SPREAD POSITION<br>CGB-CGZ | PREVIOUS MARGIN RATE | NEW MARGIN RATE |
|---|---|---|
| Speculator | $2,190 | **$2,670** |
| Hedger | $2,040 | **$2,520** |

Note : For margin and capital calculation purposes, since the size of the CGB and CGZ futures contracts are different, the above-mentioned margin may be used only if the pairing is made by taking into account the size difference of these futures contracts. This means that the spread position must consist of two (2) CGB futures contracts ($100,000 size) and one (1) CGZ futures contract ($200,000 size).

## FLOATING MARGIN RATES

In regards to index products floating margin rates, the following rates have been determined:

| FLOATING MARGIN RATES | BASKET OF INDEX SECURITIES | | INDEX PARTICIPATION SHARES | |
|---|---|---|---|---|
| | PREVIOUS RATE | NEW RATE | PREVIOUS RATE | NEW RATE |
| S&P/TSX 60 Index | 4.75% | **5.00%** | 4.50% | **4.50%** |
| S&P/TSX Global Gold Index | 8.50% | **7.25%** | 7.75% | **7.50%** |
| S&P/TSX Capped Financials Index | 3.00% | **3.25%** | 2.75% | **3.00%** |
| S&P/TSX Capped Information Technology Index | 5.75% | **5.25%** | 6.75% | **5.00%** |
| S&P/TSX Capped Energy Index | 6.00% | **6.25%** | 6.00% | **6.00%** |
| S&P/TSX Capped Materials Index | N/A | **N/A** | 6.00% | **6.50%** |

**CURRENCY OPTION MARGIN RATES**

| CURRENCY OPTION MARGIN RATES | RATES | |
|---|---|---|
| | PREVIOUS RATE | NEW RATE |
| USX - US Dollar Option | 2.25% | **2.50%** |

**TRACKING ERROR MARGIN RATES**

In regards to index products tracking error margin rates, the following rates have been determined:

| TRACKING ERROR MARGIN RATES | PREVIOUS RATE | | | NEW RATE | | |
|---|---|---|---|---|---|---|
| | Index and IPU | Index and Futures | IPU and Futures | Index and IPU | Index and Futures | IPU and Futures |
| S&P/TSX 60 Index | 0.75% | 2.75% | 2.75% | **0.75%** | **1.75%** | **1.75%** |
| S&P/TSX Global Gold Index | 1.00% | 3.50% | 3.50% | **1.25%** | **3.50%** | **3.50%** |
| S&P/TSX Capped Financials Index | 0.75% | 2.00% | 2.25% | **0.75%** | **1.25%** | **1.50%** |
| S&P/TSX Capped Information Technology Index | 2.00% | 4.75% | 4.50% | **1.75%** | **2.50%** | **2.75%** |
| S&P/TSX Capped Energy Index | 1.00% | 2.50% | 2.75% | **1.00%** | **2.50%** | **2.75%** |
| S&P/TSX Capped Materials Index | 1.25% | N/A | N/A | **1.25%** | **N/A** | **N/A** |

These new margin requirements **will be effective at the close of business on Thursday, August 9, 2007.**

For further information, please contact Frank Barillaro, Project Manager, Regulatory Division, at 514 871-4949, extension 240, or by e-mail at fbarillaro@m-x.ca.

Jacques Tanguay
Vice-President, Regulatory Division