



**CIRCULAR**  
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## **NEW METHOD FOR THE PRICE REPORTING OF STRATEGIES**

The Bourse has received requests from approved participants to simplify the existing method used by the Montreal Automated System (SAM) to price each leg of strategy transactions for the purpose of reporting to the Canadian Derivatives Clearing Corporation (CDCC). The primary reason for the modification requests stem from the inefficiencies of the current SAM pricing algorithm when the price of the legs are continually moving throughout a trading session. Currently, any market movement on a derivative instrument which is the object of the strategy will generate different pricing levels in the legs of that strategy. These different pricing levels create complications when approved participants have to confirm and report them back to their clients.

Therefore, the Bourse will modify the existing method used to calculate each leg and the new price reporting algorithm will now fix the price of the legs with the closest expiry dates on the previous day settlement price or closing price. As for the leg with the furthest expiry date, the price will be derived by applying the strategy price to the previous day settlement price or closing price. However, please note that the method of calculation for strips remains unchanged. By applying this type of method, all executed strategies will have consistent and equal price reporting levels.

**NOTE:** The price of each leg of a strategy executed on SAM does not impact daily trading statistics other than the volume of each leg. The price of each leg is established to facilitate back office and Canadian Derivatives Clearing Corporation (CDCC) reporting.

The above mentioned modification to the SAM pricing algorithm for each leg of a strategy will be implemented on October 27, 2003.

For additional information, please communicate with Mr. Richard Bourbonnière, Vice-President, Market Operations, 1-888-693-6366 or (514) 871-3548 or by email at [rbourbonniere@m-x.ca](mailto:rbourbonniere@m-x.ca).

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

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**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](http://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](http://www.m-x.ca)