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

CIRCULAR
November 17, 2004

**2-YEAR GOVERNMENT OF CANADA BOND FUTURES (CGZ)
AMENDMENTS TO THE DELIVERY TERMS AND
MINIMUM PRICE FLUCTUATION UNIT**

The Autorité des marchés financiers approved amendments to articles 6807, 15606 and 15613 of the Rules of Bourse Montréal Inc. (the Bourse). The following changes are effective immediately with the **March 2005 CGZ contract and for subsequent contract months**:

- the admission rules of eligible bonds for the CGZ contract now **permit the inclusion of Government of Canada bonds that were originally issued at 10-year Government of Canada auctions**, once they meet the other delivery terms of the CGZ contract;
- the minimum price fluctuation unit is reduced from 0.01 to **0.005**.

The impact of the above measures will result in a larger basket of deliverables and provide market participants with the ability to price the CGZ contract with greater precision.

Herein enclosed are the revised CGZ contract specifications for the March 2005 contract and subsequent contract months. For your information, please also find enclosed the list of deliverable Bond issues with respect to the CGZ contract. This list replaces the one that was distributed on November 4, 2004 (Circular 139-2004).

Please note that executable roll strategies will continue to have a 0.01 minimum price fluctuation for the current December 2004-March 2005 period.

For further information, please contact Léon Bitton, Vice-President, Research and Development, at (514) 871-3583 or by e-mail at lbitton@m-x.ca.

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

Encl.

Circular no: 150-2004
Amendment no: 010-2004

Appendix I

DELIVERABLE BOND ISSUES AND THEIR CONVERSION FACTORS
(As at November 17, 2004)

TWO-YEAR GOVERNMENT OF CANADA BOND FUTURES - CGZ

Government of Canada Bonds		Outstanding	December 2004	March 2005	June 2005	September 2005
Coupon	**Maturity**	**(CAN $ million)**				
3 %	**June 1, 2006**	**7,537**	0.9576	N/A	N/A	N/A
5 ¾ %	**September 1, 2006**	**9,171**	0.9958	0.9965	N/A	N/A
7 %	**December 1, 2006**	**5,867**	N/A	1.0163	1.0141	N/A
3 ¼ %	**December 1, 2006**	**6,000**	0.9489	0.9549	0.9611	N/A
7¼ %	**June 1, 2007**	**7,030**	N/A	1.0258	1.0232	1.0203
4 ½ %	**September 1, 2007**	**10,400**	N/A	0.9657	0.9688	0.9721
TOTAL OUTSTANDING DELIVERABLE BONDS (CAN $ million)			22,708	38,468	29,297	17,430

Conversion factors computed with a yield equal to 6%

Note: This list is produced in accordance with the Rules of Bourse de Montréal Inc. and of the Canadian Derivatives Clearing Corporation (CDCC).

6807 Minimum Price Fluctuations
(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, 15.10.02, 03.05.04, 17.11.04)

Unless otherwise determined by the Bourse, minimum price fluctuations shall be as follows:

a) 30-day overnight repo rate futures	0.005 per $100 nominal value

b) 1-month and 3-month Canadian Bankers' acceptance futures

i) For the nearest contract month(s), as determined by the Bourse, 0.005 per $100 nominal value.

ii) For all contract months excluding the nearest contract month(s) as determined by sub-paragraph i), 0.01 per $100 nominal value.

c) Government of Canada Bond futures Contracts	a minimum of 0.005 per $100 nominal value
d) Futures contract on the S&P/TSX 60 Stock Index	0.05 index point equivalent to CDN $10 per contract
e) Canadian share futures contract	A minimum of $0.01 CDN per Canadian share
f) International share futures contracts	At a minimum of the corresponding unit of fluctuation used by the market on which the underlying stock is traded
g) Futures contracts on S&P/TSX sectorial stock indices	0.01 index point

15606 Minimum Price Fluctuation Unit
(08.09.89, 17.11.04)

Price fluctuation units shall be in minimum multiples of 0.005 per contract. For each 0.005 increase in the price, the clearing house shall credit $5 per contract those members holding open long positions and debit $5 per contract those members holding short positions. For each 0.005 decrease in the price, the clearing house shall debit $5 per contract those members holding open long positions and credit $5 per contract those members holding short positions.

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)

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 period 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 $3.5 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.

d) 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.

e) The amount to be paid at delivery is equal to $1,000 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.

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

g) 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.

Specifications

Two-Year Government of Canada Bond Futures

Trading Unit	C$100,000 nominal value Government of Canada Bond with 6% notional coupon
Contract Months	March, June, September and December.
Price Quotation	Par is on the basis of 100 points, with one point equal to C$1,000.
Last Trading Day	Trading ceases at 1:00 p.m. (ET) on the seventh business day preceding the last business day of the delivery month.
Contract Type	Physical delivery of eligible Government of Canada Bonds.
Delivery Notices	Delivery notices should be submitted before 5:30 p.m. or before such time set by the clearing corporation on any business day, between the second business day preceding the first business day of the delivery month, and the second business day preceding the last business day of the delivery month inclusively.
Delivery Date	Delivery shall be made on the second business day following the submission of the delivery notice by the member holding a seller's position or on any other day as determined by the clearing corporation. Delivery shall be completed no later than the last business day of the delivery month.
Minimum Price Fluctuation	0.005 = C$ 5 per contract.
Reporting Level	250 contracts.
Position Limits	Information on position limits can be obtained from Bourse de Montréal Inc. 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 1 year 6 months and 2 years 6 months as of the first day of the delivery month, calculated by rounding down to the nearest whole month period; ii) have an outstanding amount of at least C$3.5 billion nominal value; iii) are originally issued at two-year, five-year or ten-year Government of Canada bond auctions; iv) are issued and delivered on or before the 15th day preceding the first delivery notice day month of the contract.
Daily Price Limit	Three points (C$3,000) per contract above or below the previous day's settlement price.
Trading Hours	• Early session: 6:00 a.m. to 8:05 a.m. (ET) • Regular session: 8:20 a.m. to 3:00 p.m. (ET). • Curb trading session: The curb trading session begins once settlement prices have been determined and ends at 4:00 p.m. (ET)
Clearing Corporation	Canadian Derivatives Clearing Corporation (CDCC).
Ticker Symbol	CGZ

November 17, 2004