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

CIRCULAR 165-17
November 14, 2017

REQUEST FOR COMMENTS

AMENDMENTS TO THE RULES AND PROCEDURES OF BOURSE DE MONTRÉAL INC. TO ACCOMMODATE THE EXTENSION OF ITS TRADING HOURS

The Rules and Policies Committee of Bourse de Montréal Inc. (the "**Bourse**") has approved amendments to the Rules and Procedures of the Bourse in order to accommodate the extension of the Bourse's trading hours. In fact, the Bourse wishes to extend the trading hours by opening its market at 2:00 am ET rather than the current 6:00 am ET open. This initiative is in line with the Bourse's mission to be a client focused and globally recognized leading derivatives exchange.

Comments on the proposed amendments must be submitted on January 31, 2018 at the latest. Please submit your comments to:

Me Martin Jannelle
Legal Counsel
Office of the General Counsel
Bourse de Montréal Inc.
Tour de la Bourse
800 Victoria Square, P.O. Box 61
Montréal, Québec H4Z 1A9
Email: legal@tmx.ca

A copy of these comments must also be forwarded to the *Autorité des marchés financiers* (the "**Autorité**") to:

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800 Victoria Square, 22nd Floor
P.O. Box 246, Tour de la Bourse
Montréal (Québec) H4Z 1G3
E-mail: consultation-en-cours@lautorite.qc.ca

Please note that comments received by one of these recipients will be transferred to the other recipient and that the Bourse may publish a summary of such comments as part of the self-certification process concerning this file.

Appendices

You will find in the appendices an analysis as well as the text of the proposed amendments. The implementation date of the proposed amendments will be determined by the Bourse, in accordance with the self-certification process as established by the *Derivatives Act* (CQLR, chapter I-14.01).

Regulatory Amendment Process

The Bourse is authorized to carry on business as an exchange and is recognized as a self-regulatory organization by the Autorité. The board of directors of the Bourse has delegated to the Rules and Policies Committee of the Bourse its powers to approve and amend the Rules, the Policies and the Procedures, which are thereafter submitted to the Autorité in accordance with the self-certification process as determined by the *Derivatives Act* (CQLR, chapter I-14.01).

AMENDMENTS TO THE RULES AND PROCEDURES OF BOURSE DE MONTRÉAL INC. TO ACCOMMODATE THE EXTENSION OF THE BOURSE TRADING HOURS

AMENDMENTS TO MULTIPLE ARTICLES OF RULE ONE, SIX, NINE, FORTEEN AND FIFTEEN OF THE RULES OF BOURSE DE MONTRÉAL INC.

AMENDMENTS TO THE:

- **PROCEDURES FOR THE CANCELLATION OR ADJUSTMENT OF TRADES**
- **PROCEDURES FOR THE EXECUTION AND REPORTING OF EXCHANGE FOR PHYSICAL (EFP), EXCHANGE FOR RISK (EFR) AND SUBSTITUTION OF OTC DERIVATIVE INSTRUMENTS FOR FUTURES CONTRACTS TRANSACTIONS**
- **PROCEDURES APPLICABLE TO THE EXECUTION OF BLOCK TRADES**
- **PROCEDURES APPLICABLE TO THE EXECUTION OF STRATEGIES INVOLVING OPTIONS**
- **PROCEDURES APPLICABLE TO THE EXECUTION OF STRATEGIES INVOLVING FUTURES AND OPTIONS ON FUTURES**

AND

AMENDMENTS TO THE DAILY SETTLEMENT PRICE PROCEDURES FOR FUTURES AND OPTIONS ON FUTURES CONTRACTS

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I. SUMMARY

Bourse de Montréal Inc. (the "Bourse") is proposing to update its Rules and Procedures to accommodate the extension of its trading hours. The Bourse wishes to extend its trading hours by opening its market at 2:00 am ET rather than the current 6:00 am ET open. This initiative is in line with the Bourse's mission to be a client focused and globally recognized leading derivatives exchange, as it will allow domestic and international clients to manage their exposure to Canadian markets during non-regular Canadian business hours. In fact, the Bourse wishes to align its trading hours with the start of the London (U.K.) trading day. The extended hours initiative will help the Bourse achieve its strategic goals: global expansion, participant diversification, development of new liquidity centres and brand development. Consequently, the Bourse proposes to amend its Rules and Procedures to account for the extension of the trading hours.

II. ANALYSIS

a. Background

Throughout its history, the Bourse has mostly been a Canadian focused derivatives exchange, developing primarily products and services suitable for the Canadian market and therefore, establishing itself as Canada's benchmark. While the Bourse is undoubtedly a strong local exchange, the need for Canadian listed derivatives is growing globally and market participants' needs are changing. Given the current market environment and globalisation trend affecting many industries, the Bourse believes the timing is right to consider extending its trading hours in order to remain relevant, continue to grow the derivatives trading market and address the needs of existing market participants as well as end-users. Just like many Canadian-based market participants have expanded their offerings beyond Canada, the Bourse believes the extension of its trading hours will help fulfill trading and risk management needs globally for a greater number of market participants. The Bourse is also of the opinion that aligning its opening with the start of the London trading day will facilitate future growth opportunities.

Additional facts supporting the extension of the Bourse trading hours are:

- International demand for Canadian assets (net inflows of foreign investments) is high
    - 190% increase in net foreign inflows into Canadian securities since 2013 (see figure 1);
    - Canada is part of shrinking size of 'AAA' rated bond supply, suggesting an increase in demand for Canadian government bonds and futures (CGBs)[1].

[1] http://business.financialpost.com/investing/the-aaa-credit-rating-club-is-getting-cozy-and-canada-stands-to-benefit-from-it

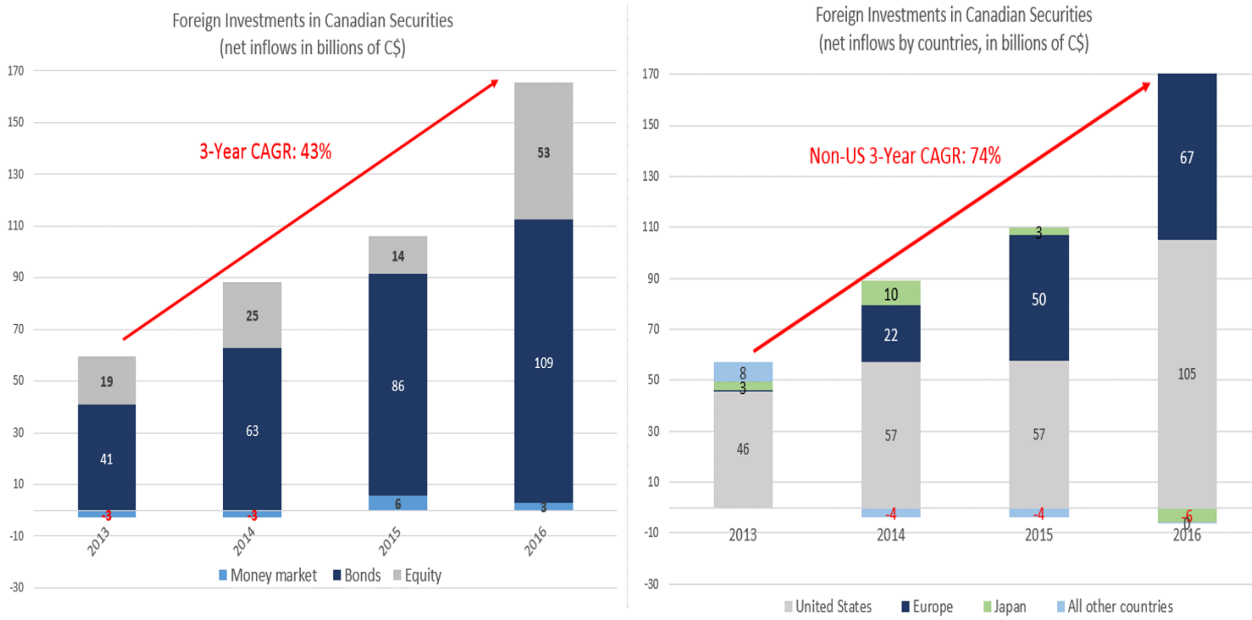


Figure 1. Growing international demand for Canadian assets[2]

- High demand for exchange-traded derivatives outside of North America
    - International and Canadian clients currently cannot hedge Canadian assets at non-Canadian business hours, while international events can affect asset values at all hours (see figure 2).

(please see next page)

[2] Source: CANSIM Table 376-0131 and 376-0133 and Montreal Exchange.

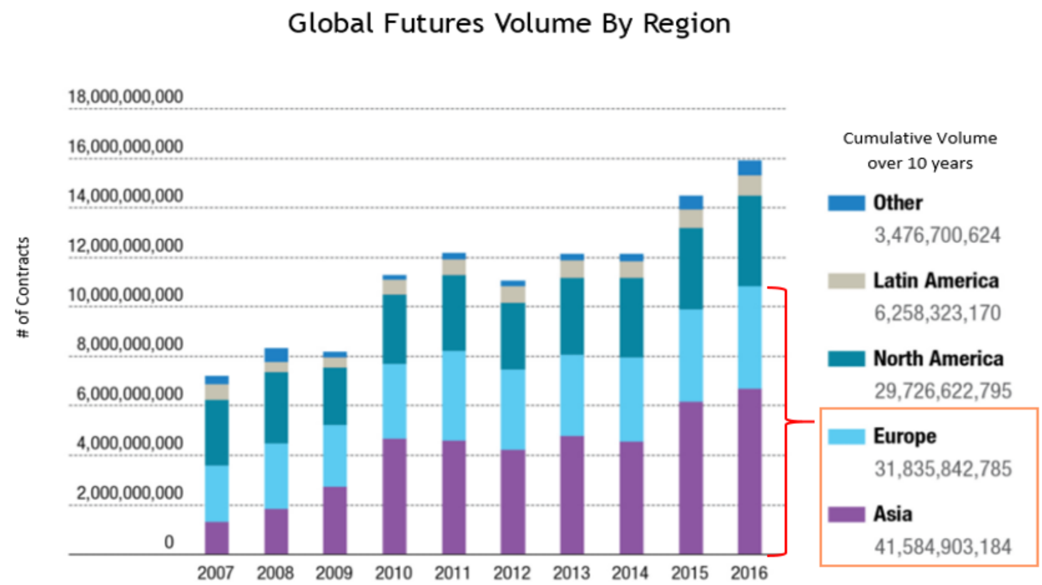


Figure 2. Global futures volume breakdown by region and category[3]

b. Description and Analysis of Market Impacts

The Bourse proposes to extend its trading hours by opening at 2:00 am ET. The implementation will follow a phased-in approach. The Bourse will initially start with a limited number of products and gradually increase the offering as deemed appropriate. The products initially in scope for the extended hours project are the Money Market Derivatives, Bond Market Derivatives and Index Derivatives products of the Bourse[4]. It is a common practice for derivatives exchanges to extend their trading hours in a phased-in approach, rather than applying this change to all products simultaneously. Note that a circular will be published before the effective date of any changes to the products' trading hours and stages[5], just as it is the case today.

In the context of a 2:00 am opening, the pre-opening period for Money Market and Bond Market derivatives products ("IRD"[6]) will shift from a 5:30 am start and a 5:59:15 am ending time to a 1:30 am start and a 1:59:15 am ending time. The opening time will shift from 6:00 am (+/- 15 seconds) to 2:00 am (+/- 15 seconds). Following the opening period, these products will trade continuously until the end of the trading day (4:30 pm).

For Index Derivatives, the pre-opening period will start at 1:30 am and end at 1:59 am rather than 5:30 am to 5:59 am, and there will be a shift in the opening time for the first trading session from 6:00 am to 2:00 am. Following the opening period, these products will trade until

[3] Source:http://marketvoicemag.org/?q=content/2016-annual-volume-survey

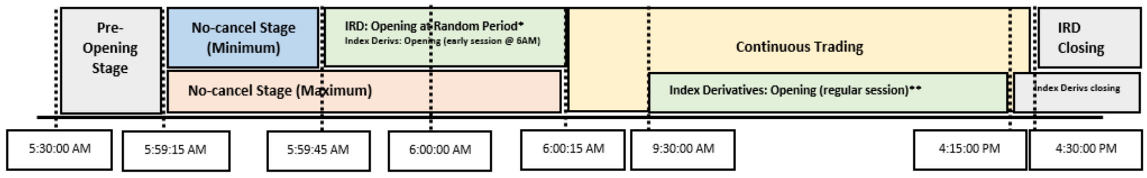
[4] Refer to *Trading Hours and Stages* for the complete list of products in each category.

[5] See Appendix *Trading Hours and Stages* for more information.

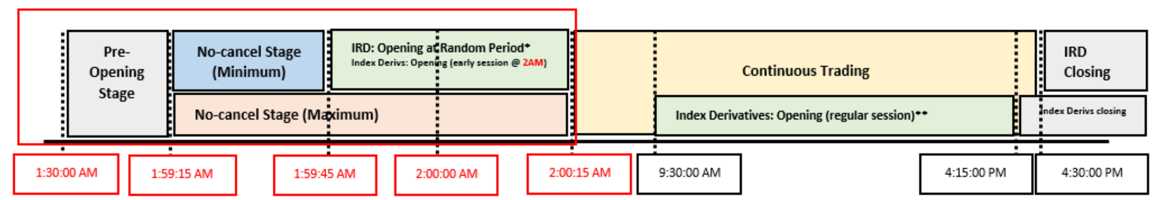
[6] Money Market and Bond Market derivatives are collectively referred as Interest Rate Derivatives (IRD).

9:15, followed by a second pre-opening stage from 9:15 to 9:29 am (identical to the current regular trading session). At 9:30 am, markets will open (second trading session) and products will trade continuously until the end of the trading day (4:15 pm). The current and proposed timeline are summarized below.

Current Trading Stages:



Proposed Trading Stages:



* +/- 15 seconds (random open for IRD)
** Includes a pre-opening at 9:15 am and a no-cancel stage at 9:29 am for Index Futures & Sector Index Futures

Summary - Trading Sessions

- As mentioned above, for IRD, the trading day will start at 2:00 am (+/- 15 seconds) and end at 4:30 pm[7], and will consist of one single continuous trading session.
- For Index Derivatives, the trading day will consist of two trading sessions: a first session from 2:00 am to 9:15 am and a second session from 9:30 am to 4:15 pm.

Impacts on trading and related services

It is the Bourse's objective to offer the same level of services and trading experience for the full length of the trading day, regardless of the time. Therefore, the Bourse will make the necessary adjustments (see section IV) to its system to ensure a seamless transition for participants throughout the entire trade lifecycle. Additionally, the Bourse will offer continuous support (trading and connectivity) and market operations supervision during the entire trading day.

Impacts on clearing

Following the extension of the trading hours, the Canadian Derivatives Clearing Corporation ("CDCC") will implement changes to its clearing processes. Both the Bourse and CDCC consider clearing to be an essential component of this initiative. Therefore, the Bourse is committed to designing trading and clearing models that capture and mitigate risks for all the stakeholders. The proposed model for clearing has been elaborated in consultation with Clearing Members in order to foresee and manage all considerations and potential impacts. As a result of the extended hours project, CDCC will add an intra-day margin call at 7:15 am to minimize intraday

[7] During early closing days, IRD would still close for trading at 1:30 pm.

uncovered exposure. CDCC will use the same procedures as the ones currently used for existing intraday margin calls. As per its regulatory requirements, CDCC should have the authority and operational capacity to make unscheduled intraday margin calls to participants. Additionally, CDCC has developed an internal overnight escalation and notification process to facilitate the management of unanticipated situations and market conditions during the extended hours period.

Impacts on Regulatory Division of the Bourse

Similarly, the Regulatory Division has reviewed and evaluated the impacts of the project on its regulatory activities. The Regulatory Division is responsible for the oversight of the application of the Rules and Procedures of the Bourse by the Approved Participants and their employees, agents and clients, and enforcement thereof as needed to ensure market integrity. While the Regulatory Division should be and is involved in any commercial initiative that may have regulatory consequences or require rule modifications with respect to which it may have an interest, the Regulatory Division independently reviews and analyzes such proposals to assess the impacts on its activities as well as those of the approved participants and, when appropriate, propose rule changes. The Regularly Division has determined that the extended hours project will not have any impact on the compliance, supervision and reporting rules.

Impacts on market liquidity

The Bourse recognizes that the existence of market liquidity during non-regular hours may be more challenging, especially at the launch and in the early stage of implementation. Like any new product the liquidity of which needs to be built over some period of time, the Bourse is confident that liquidity can and will develop during extended hours. The Bourse is committed to doing everything in its power to foster the development of healthy liquidity during extended as well as regular trading hours. Some of the products in scope are currently supported by Canadian-based and/or foreign-based market makers during regular hours. For extended trading hours specifically, the Bourse is seeking partnerships with domestic and international firms to support such liquidity, either by way of market making programs, volume rebate programs, or other potential incentive programs to ensure all winning conditions are present to allow liquidity to develop. These programs will be open to all qualifying market participants.

Impacts on market integrity

Ensuring the most optimal levels of market integrity is also an unequivocal commitment of the Bourse. While the Bourse certainly agrees that market depth and liquidity are strong and effective natural protections against market integrity risks, the Bourse has appropriate tools in place to protect and maintain market integrity where market depth and liquidity alone are not enough. The same tools and standards used during today's trading hours will apply consistently during extended hours. For example, the Market Operation Department will be open and appropriately staffed during extended hours. The Bourse's Regulatory Division will expand the scope of its market monitoring to include the trading activities occurring during extended hours to determine whether the Rules and the Procedures of the Bourse are being complied with and to detect and take appropriate actions against any potential abusive or manipulative trading practices. As is presently the case, the Rules and Procedures of the Bourse will apply for the entire trading day, during all trading sessions.

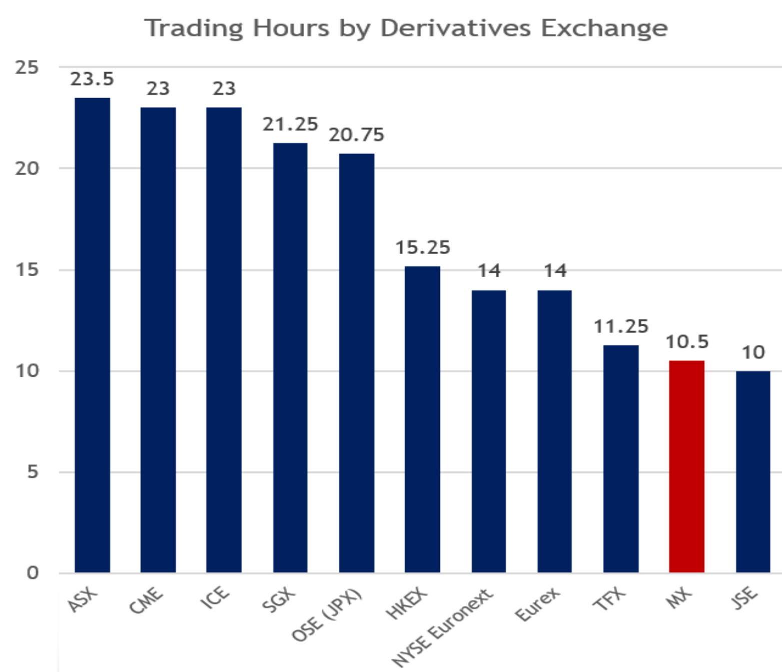
Impacts on Canadian market participants

The Bourse has engaged with its stakeholders, including the Canadian dealer community represented by the Investment Industry Association of Canada ("IIAC"), in order to develop and design the extended hours project in a way that is as beneficial as possible for the largest portion of market participants. The Bourse is aware that the resources required for adapting to such a change will inevitably vary from one participant to another. Ultimately, each firm will need to make business decisions with respect to its level of participation, within an extended trading hours model, in light of its own business plans. As previously stated, the Bourse has been in constant communication with the market regarding this project and will continue to do so until implementation, with the objective of providing as much transparency as possible.

c. Comparative Analysis

The Bourse is one of the few of its derivatives exchange peers currently open for trading during its local business hours only. The figure below illustrates the international trend of derivatives exchanges extending trading hours beyond local times in order to benefit from the globalisation of markets.

Figure 3.Trading Hours by competing exchange[8]



Note: Exchange trading hours could vary depending on products and market specificities. Trading hours can also be composed of multiple trading sessions and may include trading halts.

[8] Source: Exchanges' website

The Bourse has conducted a thorough review of its Rules and Procedures and has determined that the extended hours project does not require material amendments. Therefore, given the nature of the proposed amendments, the Bourse has determined that there was no need to perform a comparative analysis in order to justify such amendments. Notwithstanding the foregoing, one of the changes contemplated by the Bourse is the addition of a different set of block thresholds and an extended reporting time delay in the *Procedures for the Execution of Block Trades* during extended hours period. Changes to these parameters are also implemented by other exchanges to address market specificities of operating during non-local business hours. Please refer to Section d) below for a complete comparative analysis of this change.

d. Proposed Amendments

The Bourse has determined that the extended hours project does not require any material amendments. Nevertheless, certain amendments are required to the Rules and Procedures of the Bourse:

<u>Trading Day vs. trading session</u>

The Bourse has decided to take the extended hours project as an opportunity to clarify two terms currently used in the Rules and Procedures: trading day and trading session. Although these two terms may have been used interchangeably in certain instances in the Rules and Procedures, the Bourse is of the view that there should be a clear distinction between the two terms. In fact, a trading day, with respect to a product listed on the Bourse, may be composed of one or more trading sessions. As indicated earlier, this is currently the case for index derivatives products. It is also important to note that a trading day may differ from one listed product to another (different closing times, early close on specific days, etc.). The proposed definition of Trading Day will also capture this reality. The term trading session will remain undefined. The Bourse has replaced, in certain instances and where appropriate, the term trading session by "Trading Day" in the Rules and Procedures of the Bourse. The Bourse has also fixed some inconsistencies between the English version and French version of the Rules and Procedures. For example, the term "business day" (*jour ouvrable*) has been used in a couple of instances where "Trading Day" should have been used (and vice versa). Finally, because defined terms begin with an uppercase letter in the English version of the Rules and Procedures, but not in the French version, a lot of modifications only consist of replacing "trading day" by "Trading Day".

<u>Article 6005</u>

As indicated earlier, the Bourse proposes to implement the project using a phased-in approach. The Bourse will initially start with a limited number of products and gradually increase the offering as deemed appropriate. As a result, the Bourse would like to ensure that during the extended hours period, the permitted off-exchange transactions will be those applicable to the products being progressively rolled out, as determined by the Bourse from time to time.

<u>Procedures for the Execution of Block Trades</u>

As stated previously, the Bourse would like to introduce modifications to its *Procedures for the Execution of Block Trades* to accommodate trading in non-local business hours. During the early hours, the Bourse proposes to have thresholds equivalent to ¼ of the actual block thresholds[9]. This is the same ratio as the one used by CME on most of its contracts during Asian trading hours. The Bourse is of the view that having lower block thresholds during non-local trading hours will help promote trading opportunities and will be more adapted to a market environment in which liquidity may initially be more challenging. To take into account the potential lower market liquidity in the early trading hours, the Bourse also intends to introduce block trades on BAX Whites (first year of expiries) during the extended hours. The threshold for BAX Whites was determined by applying the same threshold as for the options on BAX (OBX). This threshold is also consistent with ICE Europe's Whites-to-Reds threshold ratio (Whites are two times the Reds' threshold).

Additionally, the Bourse proposes to increase the prescribed time delay to report block transactions to 1 hour during the extended hours period. Again, a delayed reporting mechanism is also used by ASX, CME and ICE US for block trades executed outside their respective regular business trading hours, although the Bourse recognizes some difference in their applicability[10]. This market practice is put in place to allow participants accommodating block trades to reasonably hedge themselves and minimize price impact before the market reacts to these sizable trades. The Bourse feels that a delayed reporting period of 1 hour is justified in the context of potential reduced liquidity that might initially accompany the extended hours period. The CME's reporting time delay during Asian trading hours is three times the regular hours reporting time delay. The Bourse suggests to use a similar multiplier for the early hours prescribed time delay, thus proposing a 1 hour maximum delay. The Bourse considers these adjustments to be favorable to the development of its market during the extended hours period.

Table 1. Proposed Block Thresholds & Prescribed Time Delays

Eligible securities and derivatives instruments	**Prescribed time delay (from 6AM until the end of the Trading Day)**	**Block - Minimum volume threshold (from 6AM until the end of the Trading Day)**	**Prescribed time delay (from 2AM until 6AM)**	**Block - Minimum volume threshold (from 2AM until 6AM)**
	(As soon as practicable and in any event within the following time delay)		(As soon as practicable and in any event within the following time delay)	
30-Day Overnight Repo Rate Futures Contracts (ONX)	15 minutes	1,000 contracts	1 hour	250 contracts
Overnight Index Swap Futures Contracts (OIS)	15 minutes	200 contracts	1 hour	50 contracts
Ten-Year Government of Canada Bond Futures Contracts (CGB)	15 minutes	1,500 contracts	1 hour	350 contracts

[9] Rounded down to the nearest fifty or hundred figures if applicable, to have multiple of 10 contracts.

[10] For the "extended hours" period, delayed reporting time varies from 15 minutes (CME) up to the next morning (ASX, ICE US).

Two-Year Government of Canada Bond Futures Contracts (CGZ)	15 minutes	500 contracts	1 hour	100 contracts
30-Year Government of Canada Bond Futures Contracts (LGB)	15 minutes	500 contracts	1 hour	100 contracts
Five-Year Government of Canada Bond Futures Contracts (CGF)	15 minutes	500 contracts	1 hour	100 contracts
Options on Three-Month Canadian Bankers Acceptance Futures Contracts	15 minutes	2,000 contracts	1 hour	500 contracts
Three-Month Canadian Bankers' Acceptance Futures Contracts quarterlies one through four (BAX Whites)	15 minutes	-	1 hour	500 contracts
Three-Month Canadian Bankers' Acceptance Futures Contracts quarterlies five through eight (BAX Reds)	15 minutes	1,000 contracts	1 hour	250 contracts
Three-Month Canadian Bankers' Acceptance Futures Contracts quarterlies nine through twelve (BAX Greens)	15 minutes	500 contracts	1 hour	100 contracts

The following tables 2 and 3 summarize the Bourse's benchmarking findings and analysis on this particular matter. One can see that it is not uncommon for derivatives exchange to accommodate block trading during non-regular hours, by allowing different block thresholds and reporting time delays. Therefore, the Bourse proposes to adopt a similar market practice as part of its extended hours project.

Table 2. Benchmarking of block thresholds for interest rate derivatives, by derivatives exchange[11]

Exchange	Futures Contract	Futures Block Threshold
MX	BAX (3-mo BA futures)	1,000 for Reds & 500 for Greens (no blocks in Whites)
	OBX (options on BAX)	2,000
	CGZ (2-yr GoC bond futures)	500
	CGF (5-yr GoC bond futures)	500
	CGB (10-yr GoC bond futures)	1,500
	LGB (30-yr GoC bond futures)	500
CME	Eurodollars	RTH*: 4,000 contracts - or 1,000 contracts provided that a minimum of 1,000 contracts are transacted in years 6-10. ETH*: 2,000 contracts – or 500 contracts provided that a minimum of 500 contracts are transacted in years 6-10 (half of RTH size). ATH*: 1,000 contracts – or 250 contracts provided that a minimum of 250 contracts are transacted in years 6-10 (1/4 RTH size).

[11] Sources: Exchange Websites.

	Options on Eurodollars	RTH: 10,000 ETH: 5,000 (half of RTH size) ATH: 2,500 (1/4 RTH size)
	2- 5- and 10-Year Treasury Notes	RTH: 5000 ETH: 2,500(half of RTH size) ATH: 1,250(1/4 of RTH size)
	Options on 2- 5- and 10-Year Treasury Notes	RTH: 2,000 for 2-Year & 7,500 for 5- and 10-Year ETH: 1,000 for 2-Year & 3,750for 5- and 10-Year(half of RTH size) ATH: 500 for 2-Year & 1,875 for 5- and 10-Year (1/4 RTH size)
	Long-Term (Ultra) Treasury Bonds	RTH: 2,000 ETH: 1,500 ATH: 750
	Options on Long-Term (Ultra) Treasury Bonds	RTH: 800 ETH: 600 ATH: 300
ICE Europe	Euribor	3,000 for Whites, 1,500 for Reds & 500 for Greens
	Options on Euribor	3,000 for Whites, 1,000 for Reds & 500 for Greens
	Short Sterling	2,000 for Whites, 1,000 for Reds & 500 for Greens
	Options on Short Sterling	2,000 for Whites, 1,000 for Reds & 500 for Greens
	Short Gilt	250 for standard publication and 1,000 for delayed publication
	Short Bund	100 for standard publication and 300 for delayed publication
	Medium Gilt	100 for standard publication and 1,000 for delayed publication
	Medium Bund	100 for standard publication and 300 for delayed publication
	Long Gilt	500 for standard publication and 1,500 for delayed publication
	Long Bund	100 for standard publication and 300 for delayed publication
	Ultra Long Gilt	50 for standard publication and 250 for delayed publication
	Ultra Long Bund	100 for standard publication and 300 for delayed publication
EUREX	Three-Month Euribor	100
	Options on Three-Month Euribor	50
	Euro-Schatz	4,000
	Options on Euro-Schatz	300
	Euro-Bobl	3,000
	Options on Euro-Bobl	200
	Euro-Bund	2,000
	Options on Euro-Bund	100

	Euro-Buxl	100
ASX	90-day bank bill (expiry month Spot + 1)	1,500
	90-day bank bill (expiry months Spot + 2 to Spot + 5)	1,000
	90-day bank bill (all other expiry months)	500
	3 year treasury bond, spot month only	2000 (night session only)
	10 year treasury bond, spot month only	750 (night session only)
	20 year treasury bond, spot month only	500

*RTH = Regular trading hours; ETH = European Trading Hours; ATH = Asian Trading Hours

Table 3. Benchmarking of block reporting and publication time, by derivatives exchanges.

Exchange	**Block Reporting time**	**Block Publication time**	**Link**
MX	Prescribed Time Delay (As soon as practicable and in any event within the following time delay): 15 minutes	**Once the block trade has been validated and processed**, the following information with respect to **the block trade will be disseminated by the Bourse:** i) date and time of transaction; ii) security(ies) or derivative instrument(s) and contract month(s); iii) price of each contract month(s) and strike price(s) (as applicable); and iv) volume of each contract month.	https://www.m-x.ca/f_en/proce_block_trading_en.pdf
ASX	Day session: Participants must report block trades within 5 minutes after the message was sent to the Operation department (which is about 10 minutes after the trade is agreed) **Night session: Participants must report trades between 8.30am - 9.30am local time on the following business day**. (Night session is considered between 5.10pm to 7.00am)	**Extended disclosure period** - **all block trades**, with the exception of those conducted in the energy and environmental products, **are disclosed to the market by the Exchange from 9:30am on the following business morning. This provision enables brokers facilitating block trades to unwind their risk prior to the market reacting to the large trade.** Block trades in the energy and environmental products ar disclosed immediately to the market after approval by the Exchange.	http://www.asx.com.au/products/block-trade-facility.htm. http://www.asx.com.au/documents/products/block-trade-procedures.pdf http://www.asx.com.au/documents/products/bt_procedures_night.pdf

CME	Block trades reporting during regular trading hours (IRD): 5 minutes **Block trades reporting during European or Asian trading hours (IRD): 15 minutes**	**Block Trade Dissemination:** The date, execution time, contract month, price and quantity of block trades **are reported upon receipt of the block information by GCC.** Block trade information is reported on the MerQuote system and may be accessed by entering the code "BLK". The information will also be displayed on the CME Group website at the following link: http://www.cmegroup.com/tools-information/blocktrades.html. Block trade information is also displayed on the trading floor. Block trade prices are published separately from transactions in the regular market. Block trade volume is also identified in the daily volume reports published by the Exchange.	http://www.cmegroup.com/rulebook/files/cme-group-ra1706-5.pdf (Section 7 a) and 10)
ICE US	Block trades reporting: Five (5) minutes from the time of execution for single leg trades and 10 minutes from of time of execution for block trades consisting of two or more legs. **For block trades executed outside of normal trading hours, the block trade must be reported to the Exchange no later than 5 minutes prior to the open of the next trading session for the particular block eligible contract.**	N/A	https://www.theice.com/publicdocs/futures_us/exchange_notices/Block_Trade_FAQ.pdf
ICE Europe	Outright contracts: Futures: Reporting must be within 5 minutes. Options: Reporting must be done within 15 minutes. Strategy: Reporting must be done within 15 minutes.	Standard publication (lower block thresholds): Price and volume will be broadcast to the market immediately following acceptance by the Exchange for Block Trades and Asset Allocations, apart from where delayed or non-publication has been selected. **Delayed publication (higher block thresholds) is done 75 minutes after acceptance by the Exchange** or at the daily close of trading in the Contract on the central order book, whichever is sooner.	https://www.theice.com/publicdocs/futures/ICE_Futures_Block_Trade_Policy.pdf
Eurex	The initiating Exchange Participant must confirm the offer conditions within 15 minutes after the joint agreement to conclude such trade at the Eurex Exchanges.	Trades are consummated once they have been matched pursuant to Paragraph (1) and subsequently saved in the Eurex Exchange system. Immediately after consummation of an off-book trade, exchange participants receive a trade confirmation generated by the Eurex system. Off-book trades are indicated in the daily reports generated by the Eurex system and are designated as trades outside of the order book.	https://www.eurexchange.com/blob/294830/e3f637cbf479e329ee326456e004d5a0/data/trading_conditions_en_20170710.pdf (section 4.4)

It is worth noting that at this time, the Bourse considers that the Rules and Procedures currently in place are adequate for Index Derivatives, as the above proposed modifications only relate to IRD. Following the implementation of the extended hours project, the Bourse will continue to closely monitor the market environment and product dynamics to make sure that the Rules and Procedures are conducive to a healthy marketplace for market participants.

III. AMENDMENT PROCESS

The amendment process was triggered by the Bourse's plan to extend its trading hours by opening its market at 2:00 am ET rather than the current 6:00 am ET open, in order to enable more growth opportunities, fulfill market participants' needs and align with international standards. With the exception of the amendments proposed to the *Procedures for the Execution of Block Trades*, the Bourse is of the view that the proposed changes are relatively minor in nature and scope.

IV. IMPACTS ON TECHNOLOGICAL SYSTEMS

Technological impact assessment and management are an integral part of the extended hours project. The Bourse is engaging with its participants and members as well as independent software vendors with respect to technological and operational impacts, and will continue to do so along the course of the project, in order to ensure technological and operational readiness upon launch. Communications will also continue to take place following the launch.

To support the launch of the extended hours initiative, the Bourse needs to further develop and modify its systems, predominantly with respect to the trading timeline. The Bourse will also bring changes to its various system gateway schedules (including connectivity, trading and post trading related gateways). This shall ensure the orderly dissemination of information and a smooth transition to an earlier opening time. These developments have been clearly identified internally and an appropriate rollout plan has been established.

V. OBJECTIVES OF THE PROPOSED AMENDMENTS

The main objective of the proposed amendments is to make the necessary changes to the Rules and Procedures of the Bourse in order to accommodate trading in the context of a 2:00 am opening. As previously stated, the Bourse proposes to extend its trading hours in order to remain relevant, continue to grow the market and address the needs of existing market participants and end-users.

VI. PUBLIC INTEREST

Because the extended hours project addresses the needs of existing market participants and aims at enhancing market participation, among other things, the Bourse considers this initiative to be in the interest of the public. To help ensure a smooth transition to a 2:00 am market open environment (given the potential impacts on participants' usual tradeflow and operations), the Bourse is providing market participants with as much transparency as possible regarding the trading and clearing models, as well as the implementation phases. The Bourse continues to work with all relevant stakeholders to deliver a solution that will be beneficial to Canadian and foreign market participants. Additionally, the extended hours project is expected to bring further price discovery and transparency to the Canadian listed derivatives marketplace in the long term, which the Bourse believes to be two desirable features of a healthy functioning financial market.

VII. EFFICIENCY

By proposing to extend its trading hours and opening the market to a wider range of participants globally, the Bourse aims to foster and enhance even more market participation, price discovery and transparency, which should in turn bring more market depth and liquidity to its listed derivatives longer term. This should ultimately benefit the Canadian listed derivatives market and its participants overall. The Bourse is committed to dedicating significant resources to help and support the establishment of an efficient market during the extended hours period, notably by implementing liquidity development programs and ensuring constant market monitoring.

VIII. PROCESS

The proposed amendments, including this analysis, must be approved by the Bourse's Rules and Policies Committee and submitted to the Autorité des marchés financiers, in accordance with the self-certification process, and to the Ontario Securities Commission for information purposes.

IX. ATTACHED DOCUMENTS

1) Trading Hours and Stages
   https://www.m-x.ca/f_publications_en/tradinghoursphases_en.pdf

2) Revised Rules and Procedures of the Bourse.

PRODUCTS – TRADING HOURS & STAGES

All trading hours for products listed on SOLA are determined by the Montréal Exchange (MX). In the case of a modification to these trading hours or stages, MX will issue a circular describing the modification.

Definitions of stages

Pre-opening:	Order entry, cancellation and modification *permitted*
No-cancellation:	Order entry *permitted*; cancellation and modification *not permitted*
Opening:	Order entry, cancellation and modification *permitted*
Closing:	Order entry, cancellation and modification *not permitted*
Extended session:	Order entry, cancellation and modification *permitted*

Money Market Derivatives

ONX - OIS - BAX OBW – OBX - OBY OBZ	5:30 a.m.	Pre-opening
	5:59:15 a.m.	No-cancel
	6:00* a.m.	**Opening (regular session)**
	4:30 p.m.**	Closing

STRATEGIES: ONX – OIS - BAX OBW – OBX - OBY OBZ	5:30 a.m.	Pre-opening
	5:59:15 a.m.	No-cancel (BAX Strategies)
	6:00:15 a.m.	No-cancel (OBX - ONX - OIS Strategies)
	6:01* a.m.	**Opening (regular session)**
	4:30 p.m.**	Closing

*** +/- 15 seconds**
**During early closing days, money market derivatives close for trading at 1:30 p.m.

Bond Market Derivatives

CGZ – CGF - CGB OGB - LGB	5:30 a.m.	Pre-opening
	5:59:15 a.m.	No-cancel
	6:00* a.m.	**Opening (regular session)**
	4:30 p.m.**	Closing

STRATEGIES: CGZ – CGF - CGB OGB - LGB	5:30 a.m.	Pre-opening
	5:59:15 a.m.	No-cancel
	6:01* a.m.	**Opening (regular session)**
	4:30 p.m.**	Closing

*** +/- 15 seconds**
**During early closing days, bond market derivatives close for trading at 1:30 p.m.

Index Derivatives

Note: A trading range of -5% to +5% (based on previous day's settlement price) for index futures has been established for the early session only.

EMF SXF SXM SCF SXA SXB SXH SXY SXK SXU	5:30 a.m.	Pre-opening	**STRATEGIES: EMF SXF SXM SCF SXA SXB SXH SXY SXK SXU**	5:30 a.m.	Pre-opening
	5:59 a.m.	No-cancel		5:59 a.m.	No-cancel
	6:00 a.m.	**Opening (early session)**		**6:01 a.m.**	**Opening (early session)**
	9:15 a.m.	Pre-opening		9:15 a.m.	Pre-opening
	9:29 a.m.	No-cancel		9:29 a.m.	No-cancel
	9:30 a.m.	**Opening (regular session)**		**9:31 a.m.**	**Opening (regular session)**
	4:15 p.m.	Closing		4:15 p.m.	Closing

SXO -	5:30 a.m.	Pre-opening
SXJ -	**9:31 a.m.**	**Opening**
SXV	4:15 p.m.	Closing

Equity Derivatives

EQUITY AND ETF OPTIONS	5:30 a.m.	Pre-opening	**STRATEGIES: EQUITY AND ETF OPTIONS**	5:30 a.m.	Pre-opening
	9:30 a.m.*	**Opening**		**9:35 a.m.***	**Opening**
	4:00 p.m.	Closing		4:00 p.m.	Closing

* The regular session of the equity option market opens at 9:30 a.m. Each option class then opens for trading when a trade occurs on its underlying security on Toronto Stock Exchange . If no such trade has yet occurred, the option class then opens for trading at 9:35 a.m.

SHARE FUTURES	5:30 a.m.	Pre-opening	**STRATEGIES: SHARE FUTURES**	5:30 a.m.	Pre-opening
	5:59 a.m.	No-cancel		5:59 a.m.	No-cancel
	6:00 a.m.*	**Opening (early session)**		**6:01 a.m.**	**Opening (early session)**
	9:15 a.m.	Pre-opening		9:15 a.m.	Pre-opening
	9:29 a.m.	No-cancel		9:29 a.m.	No-cancel
	9:30 a.m.	**Opening (regular session)**		**9:31 a.m.**	**Opening (regular session)**
	4:00 p.m.	Closing		4:00 p.m.	Closing

* A trading range of -5% to +5% (based on previous day's settlement price) has been established for the early session only.

Currency Options

USX	5:30 a.m.	Pre-opening
	9:30 a.m.	**Opening**
	4:00 p.m.	Closing

RULE ONE
REGULATIONS OF THE BOURSE

1101 General
(17.12.81, 21.11.85, 02.09.03)

The Regulations of the Bourse as defined herein shall be binding on all approved participants, partners, shareholders, directors, officers, employees, registered representatives, investment representatives and other approved persons of approved participants and on all permit holders. They shall apply without any territorial restrictions whatsoever.

1102 Definitions
(07.09.99, 31.01.01, 08.07.02, 02.09.03, 17.06.05, 30.07.13, 17.07.15, 00.00.00)

The following is an alphabetical index of each term defined in English in this article with the corresponding French term in brackets.

Approved Lenders (Prêteurs autorisés)
Approved Participant (Participant agréé)
Approved Persons (Personnes approuvées)
Bankruptcy Act (Loi sur la faillite)
Board of Directors of the Bourse (Conseil d'administration de la Bourse)
Bond (Obligation)
Bourse Approval (Approbation de la Bourse)
Bourse or The Bourse (Bourse)
Call (Option d'achat)
CDCC (CCCPD)
CDCC Option (Option CCCPD)
Chartered Bank (Banque à charte)
Class of Options (Classe d'options)
Clearing Approved Participant (Participant agréé compensateur)
Clearing Corporation (Corporation de compensation)
Client Account (Compte client)
Closing Trade (Options and futures contracts) (Opération de liquidation-Options et contrats à terme)
Corporate Approved Participant (Participant agréé corporatif)
Current Index Value (Valeur courante de l'indice)
Cycle (Cycle)
Dealer (Négociant)
Debt (Dette)
Defaulter (Défaillant)
Delivery (Livraison)
Delivery or Settlement Month (Mois de livraison ou de règlement)
Derivative Instrument (Instrument dérivé)
Designated Representative (Représentant attitré)
Director (Administrateur)
Disciplinary Committee (Comité de discipline)
Escrow Receipt (Récépissé d'entiercement)
Exchange Contract (Contrat de bourse)
Exercise (Lever)

Exercise Price (Prix de levée)
Financial Institution (Institution financière)
Firm Account or **Approved Participant Account** (Compte de firme ou compte de participant agréé)
Foreign Approved Participant (Participant agréé étranger)
Futures Contract (Contrat à terme)
Futures Contract on Index (Contrat à terme sur indice)
Guaranteeing (Garantissant)
Hedger (Contrepartiste)
Holding Company (Société de portefeuille)
In-the-money (En jeu)
Index Option (Option sur indice)
Index Participation Unit (IPU) (Unité de participation indicielle (UPI))
Industry Investor (Investisseur de l'industrie)
Industry Member (Membre de l'industrie)
Intercommodity Spread (futures contracts) (Position mixte inter-marchandise – contrats à terme)
Intermarket Spread (futures contracts) (Position mixte inter-marché – contrats à terme)
Introducing Broker (Courtier remisier)
Investment (Investissement)
Jitney (Jitney)
Listed Product (Produit inscrit)
Long Position (futures contracts) (Position acheteur - contrats à terme)
Long Position (options) (Position acheteur - options)
Major Position (Position importante)
Margin (Marge)
Market-Maker Account (Compte de mainteneur de marché)
Officer (Dirigeant)
Omnibus Account (Compte omnibus)
Open Interest (Intérêt en cours)
Open Position (Position en cours)
Opening Purchase Transaction - (options and futures contracts)
(Achat initial – options et contrats à terme)
Opening Trade (Opération initiale)
Opening Writing Transaction - options and futures contracts
(Vente initiale – options et contrats à terme)
Option Contract (Contrat d'option)
Out-of-the-money (Hors jeu)
Outside Investor (Investisseur externe)
Outstanding (En cours)
Over-the-counter Trade (Opération hors bourse)
Parent Company (Société-mère)
Participating Securities (Valeurs participantes)
Partnership (Société de personnes)
Partnership Approved Participant (Participant agréé en société)
Permit Holder (Détenteur de permis)
Person (Personne)
Premium (Prime)
Professional Account (Compte professionnel)
Put (Option de vente)
Recognized Exchange (Bourse reconnue)
Regulations of the Bourse (Réglementation de la Bourse)
Related Firm (Entreprise liée)

Restricted Trading Permit (Permis restreint de négociation)
Restricted Trading Permit Holder (Détenteur de permis restreint de négociation)
Rules (Règles)
Rulings (Ordonnances)
Securities (Valeurs mobilières)
Securities Act (Loi sur les valeurs mobilières)
Security Deposit (Dépôt de garantie)
Series of Options (Série d'options)
Settlement Price (Prix de règlement)
Share Futures Contract (Contrat à terme sur actions)
Short Position (futures contracts) (Position vendeur - contrats à terme)
Short Position (options) (Position vendeur - options)
Special Committee (Comité spécial)
Spread Position (futures contracts) (Position mixte – contrats à terme)
Trade (Opération)
Trader (Négociateur)
Trading Day (Jour de négociation)
Trading Permit (Permis de négociation)
Uncovered (À découvert)
Underlying Index (Indice sous-jacent)
Underlying Interest (Valeur sous-jacente)
Unit of Trading (Quotité de négociation)
Voting Securities (Valeurs mobilières avec droit de vote)

Throughout the Regulations of the Bourse, unless the subject matter or context otherwise requires:

Approved Lenders means a chartered bank or any other lending institution approved as such by the Bourse.

Approved Participant means an approved participant of the Bourse, whose name is duly recorded as such on the register referred to in article 3010 of the Rules of the Bourse and who has been approved by the Bourse pursuant to its Rules for the purpose of trading products listed on the Bourse.

Approved Persons are related firms and, employees of approved participants and related firms that have received the approval of the Bourse, and partners in and shareholders, directors and officers of approved participants and approved related firms who carry on activities related to securities or futures contracts.

Bankruptcy Act means the Bankruptcy and Insolvency Act, R.S. 1985, chapter B-3 as amended from time to time.

Board of Directors of the Bourse means the Board of Directors of Bourse de Montréal Inc. as defined in the By-Laws of the Bourse and the resolutions of Directors.

Bond means a bond, debenture, note or other instrument of government or corporate indebtedness.

Bourse Approval means any approval given by the Bourse (including any committee or officer of the Bourse so authorized) under any provision of the Regulations of the Bourse.

Bourse or The Bourse means Bourse de Montréal Inc.

Call means an option by the terms of which its holder has the right, in accordance therewith, to:

in the case of a delivery settlement option, purchase from the clearing corporation the number of units of the underlying interest covered by the option;

in the case of a cash settlement option, require from the clearing corporation a cash payment corresponding to the amount by which the contract is in-the-money.

CDCC means Canadian Derivatives Clearing Corporation, a limited liability company, incorporated under the Canada Business Corporations Act, which issues and guarantees CDCC option contracts and futures contracts.

CDCC Option means a call or put option issued and guaranteed by Canadian Derivatives Clearing Corporation.

Chartered Bank means any bank incorporated under the Bank Act (Canada).

Class of Options means all options of the same style, covering the same underlying interest which are guaranteed by the same clearing corporation.

Clearing Approved Participant means, with respect to each category of listing, any approved participant which is a member of the clearing corporation.

Clearing Corporation means a corporation or other entity which provides trade reporting, confirmation and settlement services and which is designated as such by the Bourse for each category of listing.

Client Account means an account established by an approved participant which is confined to securities or futures contracts transactions executed by the approved participant and positions carried by the approved participant on behalf of his clients.

Closing Trade (options and futures contracts) means a transaction on the market which results in the reduction or elimination of a position in options or futures contract:

a) in relation to a long position, by taking an offsetting short position in an option or futures contract having the same deliverable or cash settled underlying interest deliverable and the same expiry;

b) in relation to a short position, by taking an offsetting long position in an option or futures contract having the same deliverable or cash-settled underlying interest and the same expiry.

Corporate Approved Participant means an Approved Participant approved as such by the Bourse and meeting the requirements set forth under article 3401 of the Rules.

Current Index Value means the current level of a particular underlying stock index established on the basis of the reported prices of the component stocks comprising such index.

Cycle means a combination of months including the expiration dates (e.g. February/May/August/November).

Dealer means a person or company that trades in options, futures contracts or options on futures contracts in the capacity of principal or agent.

Debt is an investment which provides its holder with a legal right, in specified circumstances, to demand payment of the amount owed; this term is used to include debtor-creditor relationships whether or not represented by a written instrument or security.

Defaulter means a person declared a defaulter pursuant to article 4306 of Rule Four of the Bourse.

Delivery means the voluntary transfer of possession of securities or the making of appropriate entries in respect of securities in the records of the clearing corporation.

Delivery or Settlement Month means the calendar month in which a futures contract may be settled by making or taking delivery or by making or receiving a cash settlement of the contract.

Derivative Instrument means a financial instrument, the value of which derives from the value of an underlying interest. Without limiting the foregoing, this underlying interest may be a commodity or a financial instrument such as a stock, a bond, a currency, a stock or economic index or any other asset.

Designated Representative means a physical person appointed to represent an approved participant in accordance with article 3501 of the Rules.

Director means a physical person who is a member of the Board of Directors of Bourse de Montréal Inc.

Disciplinary Committee means the committee constitued by the Bourse in order to hear complaints brought under Rule Four of the Bourse.

Escrow Receipt means a document issued by a financial institution, approved by the clearing corporation, certifying that the underlying interest, or its direct substitute approved by the Bourse and the clearing corporation, is held by such financial institution to guarantee a specified option of a particular client of an approved participant .

Exchange Contract means a) any contract between approved participants for the purchase or sale of any exchange listed product and b) any contract between approved participants for delivery or payment of any listed product (or product which was listed when the contract was made) arising from settlement through the clearing corporation.

Exercise means, in the case of a call option settled by the delivery of the underlying interest, means to submit an exercise notice in order to take delivery of and pay for or, in the case of a put option, to sell and receive payment for the underlying interest which is the object of the option;

in the case of a cash settlement option, means to submit an exercise notice in order to receive the cash value amount by which the option is in-the-money.

Exercise Price means, in the case of a delivery settlement option, the specified price per unit at which the underlying interest may be purchased, in the case of a call, or sold, in the case of a put, upon exercise of the option, plus accrued interest in the case of options on debt instruments;

in the case of a cash settlement option, the specified price per unit against which the marking price is compared in the event of an exercise to determine the amount by which the contract is in-the-money.

Financial institution means any entity engaged in the banking, loan, trust, pension fund, mutual fund or life insurance businesses.

Firm Account or **Approved Participant Account** means an account established by an approved participant which is confined to securities or futures contracts transactions executed by the approved participant and positions carried by the approved participant on its own behalf.

Foreign Approved Participant means an approved participant approved as such by the Bourse, pursuant to article 3004 of the Rules.

Futures Contract means the obligation incurred to make or receive delivery or a cash settlement of the value of an underlying asset during specified months, which obligation may be satisfied by offset, by delivery or by cash settlement during such months.

Futures Contract on Index means a futures contract whose underlying interest is an index.

Guaranteeing means being liable for, ensuring the delivery of a security for or entering into an agreement (contingent or otherwise) having the effect or result of so becoming liable or ensuring the delivery of a security for a person, including any agreement to purchase an investment, property or services, to supply funds, property or services or to make an investment for the purpose of directly or indirectly enabling such person to perform its obligations in respect of such security or investment or assuring the investor of such performance.

Hedger means a person or company who carries on activities in a particular field and, as a necessary part of these activities, becomes exposed from time to time to risk attendant upon fluctuations in the price of goods which are related to such activities and offsets that risk through trading in options, futures contracts or options on futures contracts on these goods or on related goods whether or not any particular trade is effected for that purpose.

Holding company means, in respect of any corporation, any other corporation which owns more than 50% of each class of voting securities and more than 50% of each class of participating securities of the first-mentioned corporation or of any other corporation which is a holding company of the first-mentioned corporation, but an industry investor shall not be considered to be a holding company by reason of the ownership of securities in its capacity as an industry investor.

In-the-money in respect of an option means the market price of the underlying interest is above, in the case of a call, or below, in the case of a put, the exercise price of the option.

Index Option means an option contract traded on the Bourse whose underlying interest is an index. In the case of the exercise of an index option, the seller pays to the buyer via the clearing corporation a cash amount equivalent to the amount by which the exercised option contract is in-the-money on the date of exercise.

Index Participation Unit (IPU) means a unit of beneficial interest in the assets of a fund established under a trust agreement, the underlying assets of which are securities underlying an index.

Industry Investor means, in respect of any approved participant or holding company of an approved participant, any of the following who owns a beneficial interest in an investment in the approved participant or its holding company:

i) the approved participant’s full-time officers and employees;

ii) spouses of individuals referred to in paragraph i);

iii) a personal investment corporation, if:

a) a majority of each class of the voting shares is held by the persons referred to in paragraph i); and

b) all interests in all other equity shares of the personal investment corporation are beneficially owned by the persons referred to in paragraphs i) or ii) or by investors approved as industry investors with respect to the particular approved participant or its holding company;

iv) a family trust established and maintained for the benefit of the children of the persons referred to in paragraph i) or ii) above, if:

a) these persons maintain full direction and control of the family trust, including, without limitation, its investment portfolio and the exercise of voting and other rights attaching to instruments and securities contained in the investment portfolio; and

b) all the beneficiaries of the family trust are children of the persons referred to in paragraph i) or ii) above or are investors approved as industry investors with respect to the particular approved participant or its holding company;

v) a registered retirement savings plan established under the Income Tax Act (Canada) (or pursuant to equivalent provisions) by one of the persons referred to in paragraph i) if control over the investment policy of the registered retirement savings plan is held by that person and if no other person has any beneficial interest in the registered retirement savings plan;

vi) a pension fund established by an approved participant for the benefit of its officers and employees, if the pension fund is organized so that full power over its investment portfolio and the exercise of voting and other rights attaching to instruments and securities contained in the investment portfolio is held by persons referred to in paragraph i);

vii) the estate of one of the persons referred to in paragraph i) or ii), for a period of one year after the death of such person or such longer period as may be permitted by the applicable board of directors and the Bourse;

but, any of the foregoing is an industry investor only if an approval for purposes of this definition has been given, and not withdrawn, by:

a) the board or directors of the approved participant or of its holding company, as the case may be; and

b) the Bourse.

Industry Member means, in respect of any approved participant, a physical person who has been approved by the Bourse for purposes of this definition and is actively engaged in the business of the approved participant and devotes a major part of his or her time to that business; to determine whether or not a person may be approved as an industry member, the Bourse shall take into account whether the person:

i) has experience acceptable to the Bourse as a broker or dealer in securities or futures contracts for a period of five years or such lesser period as may be approved by the Bourse;

ii) to an extent acceptable to the Bourse, is actively engaged in the business of the approved participant and devotes the major portion of his or her time thereto; and

iii) has successfully completed such training or such course as may from time to time be required by the Bourse.

Intercommodity Spread (futures contracts) means the purchase and sale of futures contracts with different but related underlying interests in the same or different markets in the same or different delivery months.

Intermarket Spread (futures contracts) means the purchase and sale of futures contracts with the same or substantially similar underlying interests in the same or different delivery months in two different markets.

Introducing Broker means a broker for whom clients' accounts are recorded in the books of another broker as if the clients were those of the latter.

Investment means, in respect of any person, any security or debt obligation issued, assumed or guaranteed by such person, any loan to such person, and any right to share or participate in the assets, profit or income of such person.

Jitney means an approved participant or an employee of an approved participant who, under a contractual agreement, executes trades for another approved participant.

Listed Product means any derivative instrument listed for trading on the Bourse.

Long Position (futures contracts) means, in the case of a futures contract with a delivery feature, to take delivery of the underlying interest or, in the case of a futures contract with a cash settlement feature, to make or receive a cash settlement as per the futures contract specifications.

Long Position (options) means a person's interest as the holder of one or more option contracts.

Major Position means having the power to direct or cause the direction of the management or policies of a person whether through ownership of securities, by contract or otherwise. A person is considered to hold a major position in the capital of another person if such person, directly or indirectly:

a) has the right to vote 10% or more of the voting securities; or

b) is entitled to receive 10% or more of the net profits of the other person.

Margin means the minimum deposit required for each listed product in accordance with the Rules of the Bourse.

Market-Maker Account means an account established by an approved participant which is confined to exchange transactions executed by and positions carried by the approved participant on behalf of a market-maker.

Officer means any person exercising the functions of a president, vice-president, chief executive officer, chief financial officer, chief operating officer, secretary, any other person designated an officer of an approved participant by law or similar authority, or any person acting in a similar capacity on behalf of an approved participant.

Omnibus Account means an account held in the name of an entity or person which may be utilized for recording and clearing the trades of two or more undisclosed customers of the account holder.

Open Interest means the total outstanding long or short positions for each series and in aggregate, in options, futures contracts or options on futures contracts relating to a particular underlying interest.

Open Position means the position of a buyer or seller of a futures contract.

Opening Purchase Transaction (options and futures contracts) means an exchange transaction in which the result is to create or increase a long position in options or futures contracts involved in such transaction.

Opening Trade means a trade in a futures contract that is not a liquidating trade.

Opening Writing Transaction (options and futures contracts) means an exchange transaction in which the result is to create or increase a short position in options or futures contracts involved in such transaction.

Option Contract means, in the case of settlement by delivery of the underlying interest, a contract guaranteed by a designated clearing corporation granting to the holder a right to sell (put) or a right to buy (call) a unit of trading of the underlying interest at a fixed price during a predetermined period, in the case of an American option or at the end of this predetermined period in the case of a European option; in the case of cash settlement, a contract guaranteed by a designated clearing corporation granting to the holder a right to receive a cash payment equivalent to the in-the-money amount of the option at the time of exercise or expiry (e.g. index options).

Out-of-the-money in respect of an option, means the market price of the underlying interest is below, in the case of a call, or above, in the case of a put, the exercise price of the option.

Outside investor means, in respect of an approved participant or a holding company of an approved participant, a person who is not:

i) an approved lender with respect to that approved participant or holding company of an approved participant;

ii) an industry investor with respect to that approved participant or holding company of an approved participant;

but an outside investor who becomes an industry member shall cease to be an outside investor only six months after becoming an industry member or on such earlier date as he obtains the requisite approvals to become an industry member.

Outstanding, in respect of an option, means that the option is duly recorded and guaranteed by the Clearing Corporation and has neither been exercised, assigned or the subject of a closing transaction nor has expired.

Over-the-counter Trade means a trading of a derivative instrument, or of a security, by mutual agreement between two parties without the use of an organized market.

Parent Company means a corporation that has another corporation as a subsidiary.

Participating Securities of an organization, whether incorporated or unincorporated, are those of its securities outstanding from time to time which entitle the holders thereof to a participation, limited or unlimited, in the earnings or profits of the issuing organization, either alone or in addition to a claim for interest or dividends at a fixed rate, and includes, except where the reference is to outstanding participating securities, those securities which entitle the holders thereof, on conversion, exchange, the exercice of rights under a warrant, or otherwise, to acquire participating securities.

Partnership means an enterprise in which two or more persons (the partners) put assets, their credit and their expertise in common with the view of sharing the benefits that may result from such pooling.

Partnership Approved Participant means an Approved Participant approved as such by the Bourse and meeting the requirements set forth under article 3301 of the Rules.

Permit Holder means the holder of a trading permit granted pursuant to the Regulations of the Bourse.

Person means an individual, a partnership, a corporation, a government or any department or agency thereof, a court, a trustee, any unincorporated organization and the heirs, executors, administrators or other legal representatives of an individual.

Premium means the price of the option, per unit of the underlying interest, agreed upon between the purchaser and seller in a transaction on the option market.

Professional Account means an account in which a direct or indirect beneficial interest is held by an approved participant, a related firm, an approved person or a permit holder.

Put means an option by the terms of which the holder has the right in accordance therewith, to:

> in the case of a delivery settlement option, sell to the clearing corporation the number of units of the underlying interest covered by the option contract;
>
> in the case of cash settlement option, require from the clearing corporation a cash payment corresponding to the amount by which the contract is in-the-money.

Recognized Exchange means any exchange carrying on its activities within the territory of one of the Basle Accord Countries and of the countries that have adopted the banking and supervisory rules set out in that Accord, and any other exchange or group of exchanges with whom the Bourse has entered into a collaboration agreement.

Regulations of the Bourse means the Rules, Rulings and Policies of the Bourse, and the instructions, decisions and directions of the Bourse (including those of any committee or person so authorized) as amended, supplemented and in effect from time to time.

Related Firm means a sole proprietorship, partnership or corporation which is related with an approved participant in that either of them, together with the partners and directors, officers, shareholders and employees of it, collectively have at least a 20% ownership interest in the other of them, including an interest as a partner or shareholder, directly or indirectly, and whether or not through holding companies; which carries on as a substantial part of its business that of a broker, dealer or adviser in securities or futures contracts; which deals with or has obligations to any person other than such approved participant or for obligations to any person incurred through such approved participant; and which is under the audit jurisdiction of a self-regulatory organization which is a participant to the Canadian Investor Protection Fund.

Restricted Trading Permit means a permit to trade specific listed products issued to a physical person who is not an approved participant and who is qualified pursuant to the Regulations of the Bourse.

Restricted Trading Permit Holder refers to a physical person who is not an approved participant and who is authorized and registered as such by the Bourse to trade as a market maker, an independent trader or a jitney in accordance with the provisions of Rule Three of the Bourse.

Rules refers to those Regulations of the Bourse of general application to all approved participants or to a class of approved participants which the Bourse is empowered to adopt.

Rulings refer to those Regulations of the Bourse whose application is limited to one or more specific approved participants and which the Board of Directors of the Bourse or any other committee or person appointed by the Board is empowered to make, including without limitation all orders, decisions and adjudications.

Securities refer to forms of investment contemplated by section 1 of the Quebec Securities Act, R.S.Q., chapter V-1.1 and shall include, where the contract requires, futures contracts.

Securities Act means the Quebec Securities Act, R.S.Q. chapter V-1.1 as amended from time to time.

Security Deposit means the amount required to be deposited with a clearing corporation as security for obligations to such clearing corporation.

Series of Options means all options of the same class, the same type, covering the same quantity of an underlying interest and having the same exercise price and expiration date.

Settlement Price means the price which is used by the Bourse and the clearing corporation to determine daily the net gains or losses in the value of open positions in futures contracts;

Share Futures Contract means a futures contract whose underlying interest is a Canadian or a foreign share listed on a recognized exchange.

Short Position (futures contracts) where used in relation to a futures contract, means, in the case of a futures contract with a delivery feature, to be under an obligation to make delivery of the underlying interest or, in the case of a futures contract with a cash settlement feature, to make or receive a cash payment.

Short Position (options) means a person's obligation as the writer of one or more option contracts.

Special Committee means the Special Committee of the Regulatory Division appointed by the Board of Directors of Bourse de Montréal Inc. pursuant to the rules adopted in that regard.

Spread Position (futures contracts) means the assumption of a long and a short position in futures contracts having different expiry months in the same underlying interest for the same account.

Trade means a contract for the purchase or sale of a listed product.

Trader means a person approved as such by the Bourse.

Trading Day means, with respect to each Listed Product, a business day during which trading of the Listed Product is permitted on the electronic trading systems of the Bourse, during hours determined by the Bourse from time to time, and may be composed of one or more trading sessions, as the case may be.

Trading Permit means a permit issued by the Bourse to an approved participant and entitling its holder to the rights, privileges and obligations provided in the Regulations of the Bourse.

Uncovered in respect of a short position in an option, means that the short position is not covered.

Underlying Index means a stock index calculated by a calculation agent on which an option, a futures contract or an option on a futures contract is listed and which reflects representative stock market values of either a broad segment of the stock market ("broad market index") or of a particular industry or group of related industries ("sectorial index").

Underlying interest means an asset which underlies and determines the value of a derivative instrument. The underlying interest may be a commodity, a financial instrument, such as a stock, a currency, a stock or economic index or any other asset.

Unit of Trading means in respect of any series of derivative instrument, the number of units of the underlying interest which has been designated by the clearing corporation and the Bourse as the number to be the subject of a single derivative instrument contract.

Voting securities of an approved participant or its holding company means all securities of that approved participant or its holding company outstanding from time to time that carry the right to vote for the election of directors, and includes:

i) except where the reference is to outstanding voting securities, those securities which entitle the holders thereof, on conversion, exchange, the exercise of rights under a warrant, or otherwise, to acquire voting securities; and

ii) prefered shares which carry the right to vote for the election of directors only upon the occurrence of a specific event if such specific event has occured.

[…].

RULE SIX

TRADING

A. GENERAL FRAMEWORK AND PROCEDURES

Section 6001 - 6020
Limitation on Trading by Members

[…]

6005 Off-Exchange Transactions
(10.10.91, 19.11.93, 14.07.95, 22.11.99, 21.04.08, 30.05.08, 29.01.10, 14.01.16, 00.00.00)

Unless otherwise determined or limited by the Bourse for any reason from time to time, t~~T~~he only transactions in any securities or derivative instruments listed on the Bourse which an A~~a~~pproved P~~p~~articipant may make off the Bourse during a Trading Day are the following:

a) a transaction made to adjust an execution error on a client's order;

b) a transaction made as a result of the exercise of an option or of a delivery pursuant to a futures contract;

c) an Exchange for Physicals (EFP) transaction or an Exchange for Risk (EFR) transaction pursuant to article 6815 or a Substitution of over-the-counter derivative instruments for futures contracts pursuant to article 6815A;

d) an off-exchange transfer of securities or derivative instruments pursuant to article 6816;

e) a block trade in a security or derivative instrument designated by the Bourse and executed according to the provisions of article 6380;

f) a riskless basis cross transaction in a security or derivative instrument designated by the Bourse and executed according to provisions of article 6380.

g) an over-the-counter trade in any put or call option, provided that such option:

  i) does not relate to underlying securities which are the object of options issued by the Canadian Derivatives Clearing Corporation; or

  ii) does relate to underlying securities which are the object of options issued by the Canadian Derivatives Clearing Corporation, but whose terms are materially different from those of any series of options issued by the Canadian Derivatives Clearing Corporation.

For the purposes of this paragraph g), writing over-the-counter options means the distribution of securities for which a prospectus may be required or for which specific or blanket exemptions may be necessary under the applicable securities legislation. The writer of over-the-counter options may, in effect, be an issuer distributing securities and so must, accordingly, ensure that such distribution complies with applicable securities legislation.

[…]

Section 6201 - 6210
Trading Sessions of The Exchange

6201 Daily Trading Sessions
(03.07.87, 10.10.91, 05.12.97, 02.10.98, 22.11.99, 28.07.14, 00.00.00)

a) Except as may be otherwise determined by the Bourse, trading sessions shall be held on the Bourse every day except Saturdays, Sundays and holidays.

b) If certain urgent events require it, market opening and closing times are established by the Bourse.

These times may be different for each category of L~~l~~isted P~~p~~roducts. An advance notice must be given to approved participants of any changes.

[…]

6203 Suspension of Trading Sessions
(10.10.91, 28.07.14, 00.00.00)

When urgent circumstances warrant it, the Bourse may suspend trading for one trading session or more, or any part of a trading session.

[…]

Section 6211 - 6240
Bids, Offers, Transactions

6211 Validity of Bids and Offers
(10.10.91, 22.11.99, 00.00.00)

To be valid, bids and offers must be made :

a) during a trading session, or a Trading Day, as the case may be~~ ~~;

b) made to all members generally and without discrimination ;

c) in the manner prescribed by the Rules and Procedures established by the Exchange.

[…]

Section 6301 - 6320
Restrictions on Trading

6301 Bids, Asks and Trades at the Close of a Trading Day~~Session~~
(10.10.91, 00.00.00)

At the close of a T~~t~~rading Day~~session~~, no person shall enter or accept to enter a bid or an ask, nor execute a trade for the purpose of establishing an artificial price or effecting a high or low closing price in a listed security.

6302 Unreasonable Quotations May Be Disallowed
(10.10.91, 00.00.00)

At the close of any T~~t~~rading Day~~session~~ of the Exchange, if the buying and selling quotations are at the same price, or are more than five per cent apart, a Floor Official may refuse to allow either or both of them to be recorded; he may also refuse to allow any unreasonable quotations to be recorded at any time.

Section 6365- 6401
Electronic Trading of Derivatives Instruments Traded on the Bourse

[…]

6368 Trading Stages
(25.09.00, 24.09.01, 12.09.14, 02.10.17, 00.00.00)

The following is a list of trading stages:

- Pre-opening

  No-cancellation stage – Lasting for a time period as prescribed by the Bourse not exceeding the last 2 minutes of the Pre-opening stage, orders cannot be cancelled or CFO'ed (Modification of an order). Orders can only be entered.

- Opening/ Closing

- Market Session (Continuous Trading)

  Depending on the product, trading stages and no-cancellation stage may vary, as determined by the products specifications.

Intra-session Auction Period

Intra-session auction periods will be determined and scheduled by the Bourse from time to time. The Bourse will determine and publish the list of derivative instruments subject to intra-session auctions, the number of intra-session auctions for each selected derivative instrument during one T~~t~~rading Day~~session~~, and the trading hours of such intra-session auctions including, without limitation, the time periods for:

- the pre-auction stage;
- the no-cancellation stage; and
- when applicable, the random opening of the intra-session auctions;

the whole customized for each derivative instrument and reassessed by the Bourse from time to time.

6369 Regular Orders
(25.09.00, 24.09.01, 29.10.01, 24.04.09, 26.06.15, 22.01.16, 00.00.00)

The orders routed by Approved Participants (regular orders) which can be executed are defined hereinafter:

a) Market order (best limit; bid/ask)

- A Market order is executed at the best limit that is available on the other side of the market at the moment the order is introduced into the electronic trading system, at the quantity available at this limit. If the order is partially filled, the unfilled quantity is posted at the price which the first part of the order was executed.

- A Market order can only be entered during the Market Session (Continuous Trading).

- A Market order is only accepted by the system if a price limit exists on the other side.

b) Limit order:

An order to buy or sell at a specified price, or better.

c) Stop limit order:

An order to buy or sell which becomes a limit order once the contract has traded at the stop-price or higher in the case of a buy order; at the stop-price or lower in the case of a sell order.

If more than one stop order has the same trigger price, then the first in, first out basis (FIFO) rule will apply. Once the stop order becomes a limit order, a new time priority is given to it.

- Stop limit orders can only be entered as day orders.

d) Opening / Closing price order (Market on Open and Market on Close):

Order by which a trader is the buyer or the seller of contracts at the opening / closing price defined by the electronic trading system at the pre-opening / pre-closing session. Therefore, this order must be input during the pre-opening / pre-closing session. If an order is not filled in full, the order is assigned the opening price Calculated Theoretical-Opening (CTO) as defined in article 6375 of the Rules, as its new limit.

e) Hidden quantity order:

A trader may hide a certain quantity of the order to the market :

- Disclosed quantity: quantity of contracts initially parameterized by the user to be seen by the market.

- Hidden quantity: difference between the whole order quantity (total quantity) and the disclosed quantity. The hidden quantity is only seen by the Bourse.

- Displayed quantity: Quantity of contracts effectively seen by the market.

- When the order is executed for the disclosed quantity, it is renewed for the same disclosed quantity and the order is positioned at the end of the queue at the same limit. It loops until the whole order quantity (total quantity) has been filled.

f) Fill and kill order

An order which is executed at the given price for the quantity which can be executed. Any portion of the order, which cannot be executed, will be cancelled.

g) A committed order must conform to the following criteria:

- Both the initial order and the opposing order must be entered at the same price.

- Both the initial order and the opposing order must be entered for the same quantity.

- The identification code provided on the initial order must match the identification code of the approved participant that agreed to enter the opposing order; and the identification code provided on the opposing order must match the identification code of the approved participant that entered the initial order.

- The initial order and the opposing order will only be matched at a better price, that is, between the best bid price and the best offer price.

- An opposing order meeting all criteria specified above must be entered before the close of the T~~t~~rading Day~~session~~ during which the initial order was submitted or the initial order will be cancelled automatically.

h) All or none bids or offers and minimum amount orders are not allowed during any trading session.

The Bourse may decide that certain types of orders are not available.

[…]

6375 Allocation of tradeable orders
(25.09.00, 24.09.01, 29.10.01, 22.01.16, 02.10.17, 00.00.00)

a) Pre-opening, Pre-closing and Intra-session Auctions

During the pre-opening stage and the pre-closing stage of the T~~t~~rading D~~d~~ay, and during the pre-auction stage of an intra-session auction period, orders are entered but no trades are generated until the end of the stage. The electronic trading system will calculate the opening price, the closing price or the auction price, as the case may be, using the Calculated Theoretical-Opening price methodology (CTO).

The CTO price represents the overlapping bid/ask price range that results in the maximum possible trade volume.

When there is more than one possible CTO at which the maximum volume is reached, the price with the lowest residual is used. Furthermore under the following conditions:

- if there is an imbalance on the buy side, the highest price is taken;
- if there is an imbalance on the sell side, the lowest price is taken; and
- where the residuals are the same, the price which is closest to the previous settlement is taken.

Stop limit orders do not enter into the CTO calculation.

b) Market Session (Continuous Trading)

The electronic trading system allocates the tradeable orders first on a price basis, and then on a first in, first out basis (FIFO) except when part of the allocation is subject to an execution guarantee as defined by the Bourse.

[…]

6380 Prenegotiation Discussions, Cross Transactions, Prearranged Transactions, Block Trades, Riskless Basis Cross Transactions and Block Trades Priced at a Basis to the Index Close
(25.09.00, 24.09.01, 29.10.01, 31.01.05, 10.11.08, 29.01.10, 09.06.14, 21.01.16, 00.00.00)

For the purpose of this article, the terms hereunder are defined as follows:

1) Prenegotiation Discussions

Prenegotiation discussions are considered having occurred when approved participants engage in negotiations with each other or with other approved participants and/or clients prior to entering orders which may result in a cross transaction, a prearranged transaction, a block trade, an exchange-for-physical or exchange-for-risk transaction (according to the provisions of article 6815 of this Rule), a substitution transaction (according to the provisions of article 6815A of this Rule) or a riskless basis cross transaction. Clients must consent to allow approved participants to engage in prenegotiation discussions with other approved participants and/or clients with respect to an order.

2) Cross Transactions

A cross transaction is considered having occurred when two orders of opposite sides originating from the same approved participant are intentionally executed against each other in whole or in part as a result of prenegotiation discussions.

3) Prearranged Transactions

A prearranged transaction is considered having occurred when one or more approved participants engage in prenegotiation discussions in order to agree on the terms of a transaction before entering the orders in the electronic trading system of the Bourse.

Execution of cross transactions and prearranged transactions are permitted by the Bourse when:

i) they are on eligible securities or derivative instruments;

ii) the orders are for a volume equal to or greater than the minimum volume threshold established for that eligible security or derivative instrument;

iii) the prescribed time delay between the input of an order and its opposite side order is respected;

iv) the transactions are executed in accordance with the Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions.

The eligible securities or derivative instruments, the prescribed time delays and the minimum volume thresholds are determined by the Bourse and published in the Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions.

It is forbidden to use the hidden volume functionality of the electronic trading system of the Bourse to execute a cross transaction or a prearranged transaction.

4) Block Trades

A block trade is considered having occurred when one or more approved participants and/or clients engage in prenegotiation discussions to arrange large size transactions away from the electronic trading system of the Bourse (as permitted by article 6005 of this Rule) at prices mutually agreed upon, report to the Bourse the terms of their agreement and the Bourse agrees to them.

An approved participant of the Bourse may execute a block trade for a volume equal to or greater than the applicable minimum volume threshold in a security or derivative instrument, other than an equity option or a share futures contract, designated by the Bourse pursuant to the following conditions and those of article 6380 6) of this Rule, if applicable:

i) A block trade may be arranged in a designated security or derivative instrument only during the trading hours and business days authorized by the Bourse. Once a block trade has been arranged, an approved participant must submit details of the block trade to the Bourse as soon as practicable and in any event within the period of time prescribed by the Bourse.

ii) A block trade may be arranged only in a security or derivative instrument that has been designated by the Bourse for that purpose. Such designations will be published by the Bourse, together with the minimum volume thresholds applying to those designated securities or derivative instruments. Approved participants are permitted to enter into block trades in any strategy recognized by the Bourse.

iii) Where a strategy involves the trading of two or more different securities or derivative instruments, the smaller of the minimum volume thresholds of the securities or derivative instruments comprised in the block trade will be applied to each of these securities or derivative instruments. Where the strategy involves the trading of two or more different contract months and/or strike prices of the same contract month, the minimum volume threshold will apply to each leg of the trade, except where specific provision has been made within the published minimum thresholds.

iv) Approved participants may not aggregate separate orders in order to meet the minimum volume thresholds.

v) The price at which a block trade is arranged must be “fair and reasonable” in light of (i) the size of such a block trade; (ii) currently traded prices and bid and ask prices in the same contract, at the relevant time; (iii) currently traded prices and bid and ask prices in other contract months for futures contracts or other option series for options contracts; (iv) currently traded prices and bid and ask prices in other relevant markets, including without limitation the underlying markets; (v) the volatility and liquidity of the relevant market; and (vi) general market conditions.

vi) Block trades shall not set off special terms orders or otherwise affect orders in the regular market.

vii) With the exception of futures contracts on the FTSE Emerging Markets Index, it is strictly prohibited for an approved participant, for both the buyer and the seller, to enter into a block trade to circumvent the contract month roll in the corresponding security or derivative instrument.

The eligible securities or derivative instruments and the minimum volume thresholds are determined by the Bourse and published in the Procedures for the Execution of Block Trades.

5) Riskless Basis Cross Transactions

A riskless basis cross transaction occurs when an approved participant and a client engage in pre negotiation discussions to conclude a riskless basis cross transaction outside of the posted order book (as permitted by article 6005 of this Rule) at a pre-determined price. The futures contract price is comprised of an average price resulting from a preliminary transaction in the cash market plus a prenegotiated basis spread mutually agreed upon between the approved participant and the client.

A riskless basis cross transaction can be executed on the Bourse once the approved participant has acquired market exposure using cash instruments as prescribed in the procedures established by the Bourse.

In order to qualify as a riskless basis cross transaction, the following conditions must be respected:

i) Riskless basis cross transactions must at all times be executed in accordance with such other procedures, terms and conditions that the Bourse may prescribe from time to time.

ii) The futures contracts that are eligible to riskless basis cross transactions, and the last day and time for executing such transactions shall be determined by the Bourse.

iii) The cash components acceptable for the purpose of a riskless basis cross transaction are those specified in the procedures set by the Bourse.

iv) Each party to a riskless basis cross transaction must satisfy the Bourse, upon request, that the transaction is a bona fide transaction. To this effect, parties to such a transaction must maintain and must provide to the Bourse upon request complete records and documentary evidence relating to such transaction including all records relating to the purchase or sale of securities and futures contracts and to any transfer of positions made in connection with such transaction.

v) It is prohibited for any party to a riskless basis cross transaction to effect a transaction which is contrary to the requirements and practices prescribed by the rules, policies and procedures of the Bourse or to effect such a transaction for the sole purpose of reporting, registering or recording a price that is not a bona fide price or of making a transaction which is a "wash trade", an accommodation trade or a fictitious sale.

vi) A riskless basis cross transaction may be made at such prices that are mutually agreed upon by the two parties to this transaction. However, the price at which the futures contract leg of the transaction is arranged must be fair and reasonable in light of factors such as, but not limited to, the size of the transaction, the currently traded prices and bid and ask prices in the same contract at the relevant time, the volatility and liquidity of the relevant market as well as the general market conditions.

vii) Each riskless basis cross transaction must be reported to the Bourse in accordance with the procedures set by the Bourse. Such report must be in the form prescribed by the Bourse and must contain all the information required on such prescribed form.

viii) Each riskless basis cross transaction must be immediately disseminated by the Bourse once it has validated it.

ix) It is strictly prohibited for any party, for both the buyer and the seller, to enter into a riskless basis cross trade to circumvent the contract month roll in the corresponding security or derivative instrument.

6) Block Trades Priced at a Basis to the Index Close (BICs)

Block trade priced at a basis to the index close (BICs) are block trade transactions on a security or derivative instrument designated by the Bourse that are priced in reference to the closing price of the relevant underlying index and the basis as determined during prenegotiation discussions.

The futures price assigned to a BIC is based on the applicable closing price of the relevant index adjusted by a valid price increment ("basis").

The basis and final price of the BIC must be fair and reasonable taking into consideration, but without limitation to the consideration of, the following factors: financing rates, expected dividend income, time remaining until the index futures contract expiration, and any factors set forth in article 6380 4) v) of this Rule, as applicable.

A BIC is considered having occurred when one or more approved participants and/or clients engage in prenegotiation discussions to arrange large size transactions, in accordance with the minimum volume thresholds determined by the Bourse, away from the electronic trading system of the Bourse (as set forth by article 6005 of this Rule) at a basis that has been mutually agreed upon, report to the Bourse the terms of their agreement and the Bourse agrees to them.

While the basis to a prospective index price or the applicable closing price of the relevant index is established during prenegotiation discussions, the outright price for the transaction will only be established once the applicable closing price of the relevant underlying index has been established.

On all T~~t~~rading D~~d~~ays up to but excluding the last T~~t~~rading D~~d~~ay of an expiring contract month, an approved participant of the Bourse may execute a BIC for a volume equal to or greater than the applicable minimum volume threshold in a security or derivative instrument designated by the Bourse pursuant to the conditions set forth in article 6380 4) of this Rule.

[…]

6393 Trading Price Limits
(25.09.00, 24.09.01, 29.10.01, 00.00.00)

In order to minimize errors of the approved participant during order entry in the electronic trading system, trading price limits are in place for each instrument. This will protect the approved participant from entering a wrong price, which could move the market dramatically.

The approved participant who has placed an order which is not in the trading price limits, will receive a specific message that his order has been rejected.

The trading price limits will be set at the start of the T~~t~~rading Day based on the previous day's settlement price (plus or minus). These limits will be adjusted by the Market Supervisor of the Bourse during the T~~t~~rading D~~d~~ay, based on the movement of the market. The Bourse will be responsible to make sure the limits will not affect trading in any way. The new limits will be broadcasted to the market. Once the trading price limit has reached the daily price limits, the daily price limits are effective.

The Bourse will advise the approved participants of any change to the spread of the trading price limits.

[…]

B. SPECIAL RULES FOR TRADING EQUITIES - CDNX

[…]

Section 6621 - 6650
Trading – Options

[…]

6637 Expiration Date
(06.08.86, 20.03.91, 17.12.91, 10.11.92, 07.04.94, 07.09.99, 11.02.00, 28.01.02, 26.09.05, 24.05.13, 19.06.14, 07.05.15, 03.09.15, 00.00.00)

a) No transaction of options contracts in expiring series shall be made after the close of trading on the last Trading D~~d~~ay~~ of trading~~.

b) In the case of equity options, bond options, exchange-traded fund options, index options and currency options other than weekly options, the expiration date shall be the third Friday of the contract month, provided it is a business day. If it is not a business day, the expiration date shall be the preceding business day.

In the case of futures options, the expiration date shall be the last T~~t~~rading D~~d~~ay.

In the case of weekly index, equity and exchange-traded fund options, the expiration date shall be any of the five Fridays following the listing week which is a business day, but which is not an expiration day for any other options already listed on the same underlying. If any such Friday is not a business day, then the expiration date will be the first preceding business day that is not an expiration day for any other options already listed on the same underlying.

c) In the case of sponsored options, the expiration date is determined by the sponsor as per the information provided to investors and the Bourse or as provided in the product documentation and set out in article 6643 of the Rules of the Bourse.

[…]

Section 6651 - 6670
Limits and Restrictions

[…]

6654 Reports Related to Positions in Options Traded on the Bourse and reports related to transactions in over-the-counter options
(05.08.75, 15.11.79, 24.04.84, 20.03.91, 10.11.92, 07.04.94, 07.09.99, 11.02.00, 28.01.02, 26.09.05, 25.06.12, 01.04.13, 14.01.16, 00.00.00)

Each approved participant shall file with the Bourse, in the prescribed manner and frequency, a report related to positions in options traded on the Bourse prepared in compliance with article 14102.

For all transactions executed in over-the-counter options, approved participants are required to report as of the close of business on the fifteenth and last days of each month or, when either of these days is not a T~~t~~rading D~~d~~ay, on the preceding trading day, the total puts and calls written and issued or guaranteed during the period which has ended. This report must be transmitted to the Bourse within two (2) business days following the above-mentioned dates and this in the form prescribed by the Bourse.

[…]

C. OPTIONS

OPTIONS ON TEN-YEAR GOVERNMENT OF CANADA BOND FUTURES

[…]

6707 Last Day of Trading
(20.03.91, 17.12.91, 18.01.16, 00.00.00)

Trading ceases on the third Friday of the month preceding the option contract month provided that it is a business day and precedes by at least two business days the first notice day of the underlying futures.

If it is not a business day, the last Trading D~~d~~ay~~ of trading~~ of the option is the business day prior to such Friday and preceding by at least two business days the first notice day of the underlying futures.

6707.1 Expiration Day
(18.01.16, 00.00.00)

Expiration occurs on the last Trading D~~d~~ay~~ of trading~~.

[…]

REGULAR OPTIONS ON THREE-MONTH CANADIAN BANKERS' ACCEPTANCE FUTURES

[…]

6752 Contract Type
(07.04.94, 18.01.16, 00.00.00)

A buyer of one regular Three-month Canadian Bankers' Acceptance futures option may exercise his option on any business day up to and including the last T~~t~~rading D~~d~~ay to assume a position in one Three-month Canadian Bankers' Acceptance future (long position, if the option is a call and short position, if the option is a put) of a specified contract month at a specified strike price.

The seller of one regular Three-month Canadian Bankers' Acceptance futures option incurs, if the option is exercised, the obligation of assuming a position in one Three-month Canadian Bankers' Acceptance future (short position, if the option is a call and long position, if the option is a put) of a specified contract month at a specified strike price.

[…]

6757.1 Expiration Day
(18.01.16, 00.00.00)

Expiration occurs on the last T~~t~~rading D~~d~~ay of the contract month.

[…]

SERIAL MID-CURVE OPTIONS ON THREE-MONTH CANADIAN BANKERS' ACCEPTANCE FUTURES

[…]

6763.2 Contract Type
(18.01.16, 00.00.00)

A buyer of one Serial Mid-Curve option on Three-month Canadian Bankers' Acceptance futures may exercise his option on any business day up to and including the last T~~t~~rading D~~d~~ay to assume a position in one Three-month Canadian Bankers' Acceptance future (long position, if the option is a call and short position, if the option is a put) of a specified contract month at a specified strike price.

The seller of one Serial Mid-Curve option on Three-month Canadian Bankers' Acceptance futures incurs, if the option is exercised, the obligation of assuming a position in one Three-month Canadian Bankers' Acceptance futures (short position, if the option is a call and long position, if the option is a put) of a specified contract month at a specified strike price.

[…]

6763.10 Expiration Day
(18.01.16, 00.00.00)

Expiration occurs on the last T~~t~~rading D~~d~~ay of the contract month.

[…]

ONE-YEAR QUARTERLY MID-CURVE OPTIONS ON THREE-MONTH CANADIAN BANKERS’ ACCEPTANCE FUTURES

[…]

6764.2 Contract Type
(18.01.16, 00.00.00)

A buyer of one One-year Quarterly Mid-Curve option on Three-month Canadian Bankers' Acceptance futures may exercise his option on any business day up to and including the last T~~t~~rading D~~d~~ay to assume a position in one Three-month Canadian Bankers' Acceptance future (long position, if the option is a call and short position, if the option is a put) of a specified contract month at a specified strike price.

The seller of one One-year Quarterly Mid-Curve option on Three-month Canadian Bankers' Acceptance futures incurs, if the option is exercised, the obligation of assuming a position in one Three-month Canadian Bankers' Acceptance future (short position, if the option is a call and long position, if the option is a put) of a specified contract month at a specified strike price.

[…]

6764.10 Expiration Day
(18.01.16, 00.00.00)

Expiration occurs on the last T~~t~~rading D~~d~~ay of the contract month.

[…]

TWO-YEAR QUARTERLY MID-CURVE OPTIONS ON THREE-MONTH CANADIAN BANKERS’ ACCEPTANCE FUTURES

[…]

6765.2 Contract Type
(18.01.16, 00.00.00)

A buyer of one Two-year Quarterly Mid-Curve option on Three-month Canadian Bankers' Acceptance futures may exercise his option on any business day up to and including the last T~~t~~rading D~~d~~ay to assume a position in one Three-month Canadian Bankers' Acceptance future (long position, if the option is a call and short position, if the option is a put) of a specified contract month at a specified strike price.

The seller of one Two-year Quarterly Mid-Curve option on Three-month Canadian Bankers' Acceptance futures incurs, if the option is exercised, the obligation of assuming a position in one Three-month Canadian Bankers' Acceptance future (short position, if the option is a call and long position, if the option is a put) of a specified contract month at a specified strike price.

[…]

6765.10 Expiration Day
(18.01.16, 00.00.00)

Expiration occurs on the last T~~t~~rading D~~d~~ay of the contract month.

[…]

OPTIONS ON THE S&P/TSX COMPOSITE INDEX BANKS (INDUSTRY GROUP)

[…]

6767.7 Last Trading Day
(18.01.16, 00.00.00)

Options on the S&P/TSX Composite Index Banks (Industry Group) cease trading on the T~~t~~rading D~~d~~ay prior to the expiration day.

[…]

EQUITY OPTIONS

[…]

6789.7 Last Trading Day
(18.01.16, 00.00.00)

Equity options cease trading on the third Friday of the contract month, provided it is a business day. If it is not a business day, the first preceding business day is the last T~~t~~rading D~~d~~ay.

6789.8 Expiration Day
(18.01.16, 00.00.00)

The expiration day for an equity option contract is the last T~~t~~rading D~~d~~ay of the contract month.

[…]

CURRENCY OPTIONS

[…]

6795.1 Expiration Day
(18.01.16, 00.00.00)

The expiration day for currency options is the last T~~t~~rading D~~d~~ay of the contract month.

[…]

OPTIONS ON EXCHANGE-TRADED FUNDS

[…]

6796.8 Expiration Day
(18.01.16, 00.00.00)

The expiration day of an exchange-traded fund option is the last T~~t~~rading D~~d~~ay of the contract month.

[…]

D. SPECIAL RULES FOR TRADING FUTURES CONTRACTS

Section 6801 - 6820
Terms of Trade Futures

[…]

6812 Last ~~Day of~~ Trading Day
(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, 30.05.08, 15.05.09, 18.06.10, 16.02.12, 09.06.14, 18.01.16, 00.00.00)

The last T~~t~~rading D~~d~~ay for each futures contract is set forth in Rule 15 in the section specific to a futures contract.

[…]

6815A Substitution of over-the-counter derivative instruments for futures contracts
(30.05.08, 12.02.16, 00.00.00)

a) Transactions allowing to substitute an over-the-counter derivative instrument and/or a swap agreement for futures contracts listed and traded on the Bourse are permitted if such transactions are executed in accordance with the requirements of this article and of the procedures established by the Bourse.

b) A substitution of an over-the-counter (OTC) derivative instrument and/or swap agreement for futures contracts consists of two discrete transactions: a risk transaction and a futures contract transaction. At the time such transaction is effected, the parties to the futures contract transaction must be the same parties to the risk transaction and the buyer and the seller of the futures contract must be, respectively, the buyer and the seller of the OTC derivative instrument and/or swap agreement. The risk component of the substitution transaction must involve the interest underlying the futures contracts (or a derivative, by-product or related product of such underlying interest) and must have a reasonable price correlation with the underlying interest of the futures contract involved in the substitution transaction or the futures contract itself where the use of the underlying interest is not practical. The quantity or value covered by the risk component of the substitution of over-the-counter derivative instruments for futures contracts must be approximately equivalent to the quantity or value covered by the futures contract transaction.

c) Substitution transactions involving over-the-counter derivative instruments must at all times be executed in accordance with such other procedures, terms and conditions that the Bourse may prescribe from time to time.

d) The futures contracts that are eligible to substitution transactions, and the last day and time for executing such transactions shall be determined by the Bourse.

e) The risk components acceptable for the purpose of a substitution transaction are those specified in the procedures set by the Bourse.

f) Each party to a substitution transaction must satisfy the Bourse, upon request, that the transaction is a bona fide substitution transaction. To this effect, parties to such a transaction must maintain and must provide to the Bourse upon request complete records and documentary evidence relating to such transaction including all records relating to the purchase or sale of securities, physical underlyings, sub-instruments of these physical underlyings, instruments related thereto or over the counter derivative instruments and to any transfer of funds or ownership made in connection with such transaction.

g) It is prohibited for any party to a substitution transaction to effect a transaction which is contrary to the requirements and practices prescribed by the rules, policies and procedures of the Bourse or to effect such a transaction for the sole purpose of reporting, registering or recording a price that is not a bona fide price or of making a transaction which is a "wash sale", an accommodation trade or a fictitious sale.

h) A substitution transaction may be made at such prices that are mutually agreed upon by the two parties to this transaction. However, the price at which the futures contract leg of the transaction is arranged must be fair and reasonable in light of factors such as, but not limited to, the size of the transaction, the currently traded prices and bid and ask prices in the same contract at the relevant time, the volatility and liquidity of the relevant market as well as the general market conditions.

i) Each substitution transaction must be reported to the Bourse in accordance with the procedures set by the Bourse. Such report must be in the form prescribed by the Bourse and must contain all the information required on such prescribed form.

j) Each substitution transaction executed during the usual trading hours of the futures contract to which the transaction applies must be immediately reported to the Bourse. Each substitution transaction executed after the usual trading hours of the futures contract to which the transaction applies must be reported to the Bourse no later than 10:00 a.m. (Montréal time) on the next T~~t~~rading D~~d~~ay following the execution of the transaction.

k) The accounts involved on each side of a substitution transaction must satisfy at least one of the following conditions:

   i) they have different beneficial ownership;

ii) they have the same beneficial ownership, but are under separate control;

iii) the accounts are commonly controlled, but involve separate legal entities which may or may not have the same beneficial ownership.

In cases where the parties to a substitution transaction involve the same legal entity, same beneficial ownership, or separate legal entities under common control, the parties must be able to demonstrate that the transaction was a legitimate arms-length transaction.

l) It is strictly prohibited for any party, for both the buyer and the seller, to enter into a substitution transaction to circumvent the contract month roll in the corresponding security or derivative instrument.

[…].

RULE NINE
MARGIN AND CAPITAL REQUIREMENTS FOR OPTIONS, FUTURES CONTRACTS AND OTHER DERIVATIVE INSTRUMENTS

Section 9001 – 9100
General Provisions

9001 Definitions

(01.01.05, 01.02.07, 30.11.15, 14.01.16, 23.11.16, 00.00.00)

For the purpose of the present Rule:

"**approved participant account**" means all non-client accounts including firm accounts, market maker accounts, restricted trading permit holder accounts for which a clearing approved participant has issued a letter of guarantee and sponsor accounts;

"**client account**" means an account for a client of an approved participant, but does not include account in which a member of a self-regulatory organization, or a related firm, approved person or employee of such an approved participant, member or related firm, as the case may be, has a direct or indirect interest, other than an interest in a commission charged;

"**escrow receipt**" means:

i) in the case of an equity, exchange-traded fund or income trust unit or bond option, a document issued by a financial institution approved by the Canadian Derivatives Clearing Corporation certifying that a security is held and will be delivered upon exercise by such financial institution in respect of a specified option of a particular client of an approved participant; or

ii) in the case of an OCC option, a document issued by a depository approved by the clearing corporation, after executing and delivering agreements required by The Options Clearing Corporation, certifying that a security is held and will be delivered upon exercise by such financial institution in respect of a specified OCC option of a particular client of an approved participant;

"**firm account**" means an account established by an approved participant, which is confined to positions carried by the approved participant on its own behalf;

"**floating margin rate**" means:

i) the last calculated regulatory margin interval, effective for the regular reset period or until a violation occurs, such rate to be reset on the regular reset date, to the calculated regulatory margin interval determined at that date; or

ii) where a violation has occurred, the last calculated regulatory margin interval determined at the date of the violation, effective for a minimum of twenty business~~trading~~ days, such rate to be reset at the close of the twentieth business~~trading~~ day, to the calculated regulatory margin interval determined at that date, where a reset results in a lower margin rate.

For the purpose of this definition, the term "regular reset date" is the date subsequent to the last reset date where the maximum number of business~~trading~~ days in the regular reset period has passed.

For the purpose of this definition, the term "regular reset period" is the normal period between margin rate resets. This period must be determined by the Canadian self-regulatory organizations with member regulation responsibilities and must not be no longer than sixty business~~trading~~ days.

For the purpose of this definition, the term "regulatory margin interval" means the margin interval calculated by the Bourse in collaboration with the Canadian Derivatives Clearing Corporation.

For the purpose of this definition, the term "violation" means the circumstance where the maximum 1 or 2 day percentage change in the daily closing prices is greater than the margin rate;

"**index**" means an equity index where:

i) the basket of equity securities underlying the index is comprised of eight or more securities;

ii) the weight of the single largest security position in the basket of equity securities underlying the index represents no more than 35% of the overall market value of the basket;

iii) the average market capitalization for each security position in the basket of equity securities underlying the index is at least $50 million; and

iv) in the case of foreign equity indices, the index is both listed and traded on an exchange that meets the criteria for being considered a recognized exchange as set out in the definition of "regulated entities" included in the General Notes and Definitions of the ''Joint Regulatory Financial Questionnaire and Report'' form of the Investment Industry Regulatory Organization of Canada;

"**market maker account**" means a firm account of an approved participant that is confined to transactions initiated by a market maker;

"**non-client account**" means an account established with an approved participant by another member of a self-regulatory organization, a related firm, an approved person or employee of an approved participant or of a member of self-regulatory organization or of a related firm, as the case may be, in which the approved participant does not have an interest, direct or indirect, other than an interest in fees or commissions charged;

"**OCC option**" means a call option or a put option issued by The Options Clearing Corporation;

"**tracking error margin rate**" means the last calculated regulatory margin interval for the tracking error resulting from a particular offset strategy. The meaning of the term "regulatory margin interval" and the margin rate policy are the same as for the floating margin rate.

[…].

RULE FOURTEEN
DERIVATIVE INSTRUMENTS – MISCELLANEOUS RULES

Section 14001 – 14050
Miscellaneous

[…]

14005 Emergency Situations
(01.06.84, 13.09.05, 04.03.08, 00.00.00)

a) The Bourse has the power and the authority to act in the event that it determines the existence of an emergency situation which threatens the integrity, liquidity or orderly liquidation of any class of derivative instruments listed on the Bourse. The Bourse may exercise these emergency powers in the event that it has valid reasons to believe that any of the circumstances similar to the following exist:

1) a manipulation, attempted manipulation, corner or squeeze is occurring or threatens to occur;

2) the liquidity of a derivative instruments listed on the Bourse or its orderly liquidation is threatened by the concentration of positions in the hands of entities or individuals who are unable or unwilling to settle or to make or take delivery in the ordinary course;

3) an action of the Government of Canada, of a Canadian provincial government or any foreign government or of any other derivative instruments market is likely to have a direct and adverse impact on the integrity, liquidity and orderly liquidation of any derivative instrument listed on the Bourse; or

4) an unusual, unforeseeable, and adverse circumstance has occurred.

b) In the event that the Bourse determines that an emergency situation exists, it may take any of the following actions or any other action that may be appropriate to remedy the situation:

1) terminate trading;

2) limit trading to liquidation of derivative instruments only;

3) order liquidation of all or a portion of an approved participant's accounts;

4) order liquidation of positions as to which the holder is unable or unwilling to settle or to make or take delivery;

5) confine trading to a specific price range or otherwise modify the daily price limit when such a limit exists;

6) modify the ~~t~~Trading ~~d~~Days or hours;

7) alter conditions of delivery or of settlement;

8) fix the settlement price at which derivative instruments are to be liquidated according to the Rules of the clearing corporation;

9) require additional margins to be deposited with the clearing corporation.

c) When the clearing corporation informs the Bourse of any emergency situation, whether in progress or apprehended, of which it has become aware, the Bourse shall act within 24 hours to consider appropriate measures, if any. The clearing corporation shall have the right to participate in any deliberation made pursuant to the present article.

d) As soon as practicable following the imposition of emergency action, the Board of Directors must be promptly notified. Any action taken pursuant to this article may not extend beyond the duration of the emergency. In no event shall actions taken pursuant to this rule remain in effect for more than 90 days following their imposition.

[…]

Section 14201 – 14225
(04.03.08, 00.00.00)

Margins for Derivative Instruments

[…]

14205 Margins on ~~Day~~ Trading
(10.03.81, 24.04.84, 13.09.05, 04.03.08, 00.00.00)

An approved participant may use his discretion in permitting a client having an established account to make day trades in derivative instruments without margining each transaction, provided that any such transactions which are not closed out on the same Trading D~~d~~ay shall be subject to the full amount of margin required.

[…].

RULE FIFTEEN
FUTURES CONTRACTS SPECIFICATIONS

[…]

CANADIAN BANKERS' ACCEPTANCE FUTURES

[…]

15552 Cash Settlement Procedures
(16.04.92, 06.09.96, 16.10.97, 15.10.02, 28.02.17)

In the case of 1-month and 3-month Canadian bankers' acceptance futures:

a) The Final Settlement Price as determined below by the Bourse shall be used to settle all open Canadian bankers' acceptance futures:

- on the last Trading Day~~day of trading~~ and at the time of termination of trading, the Bourse shall determine the Reference 1-month and the Reference 3-month Bankers' Acceptance Rate (yield);

- final Settlement Price for 1-month Canadian Bankers' Acceptance futures contracts shall be 100 minus the Reference 1-month Bankers' Acceptance Rate;

- final Settlement Price for 3-month Canadian Bankers' Acceptance futures contracts shall be 100 minus the Reference 3-month Bankers' Acceptance Rate;

- Reference 1-month and Reference 3-month Bankers' Acceptance Rate means the daily "Canadian Dollar Offered Rate" (CDOR) as determined by the appointed CDOR benchmark administrator, currently Thomson Reuters. The value of such CDOR shall be rounded to the nearest 1/1,000th of a percentage point. Any value ending by 0.0005 or more shall be rounded up and any value ending by 0.0004 or less shall be rounded down. For example, a CDOR value of 2.7725 percent would be rounded up to 2.773 percent to determine a contract final settlement price of 97.227.

[…]

TWO-YEAR GOVERNMENT OF CANADA BOND FUTURES

[…]

15612 Last Trading Day ~~of Trading~~
(08.09.89, 18.01.16)

Trading of Two-year Government of Canada Bond futures ceases at 1:00 p.m. on the seventh business day preceding the last business day of the delivery month.

[…]

15619 Emergencies, Acts of God, Actions of Governments
(08.09.89, 19.01.95, 05.08.97, 22.12.99, 03.05.04, 16.11.07, 01.09.10, 18.01.16)

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 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 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 Bond bearing the coupon rate specified in the rules applicable to each designated Two-year Government of Canada Bond futures contract, as determined by using the yield curve of Government of Canada Bonds on the last Trading D~~d~~ay~~ of trading~~.

FIVE-YEAR GOVERNMENT OF CANADA BOND FUTURES

[…]

15638 Emergencies, Acts of God, Actions of Governments
(18.01.16)

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 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 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 Bond bearing the coupon rate specified in the rules applicable to each designated 5-year Government of Canada Bond futures contract, as determined by using the yield curve of Government of Canada Bonds on the last Trading D~~d~~ay~~ of trading~~.

TEN-YEAR GOVERNMENT OF CANADA BOND FUTURES

[…]

15658 Emergencies, Acts of God, Actions of Governments
(18.01.16)

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 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 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 Bond bearing the coupon rate specified in the rules applicable to each designated Ten-year Government of Canada Bond futures contract, as determined by using the yield curve of Government of Canada Bonds on the last Trading D~~d~~ay~~ of trading~~.

THIRTY-YEAR GOVERNMENT OF CANADA BOND FUTURES

[…]

15678 Emergencies, Acts of God, Actions of Governments
(18.01.16)

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 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 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 Bond bearing the coupon rate specified in the rules applicable to each designated Thirty-year Government of Canada Bond futures contract, as determined by using the yield curve of Government of Canada Bonds on the last Trading D~~d~~ay~~ of trading~~.

S&P/TSX 60 INDEX STANDARD FUTURES

[…]

15706.2 Last Trading Day
(18.01.16)

Trading of S&P/TSX 60 standard futures ceases on the business~~trading~~ day prior to the final settlement day.

[…]

15722 Final Settlement Price
(07.09.99, 06.05.11, 18.01.16)

The final settlement price determined on the Final Settlement Day is:

$200 times the official opening level of the S&P/TSX 60 Index in the case of standard futures on the S&P/TSX 60 Index.

This final settlement price is based on the opening prices of the component stocks in the Index, or on the last sale price of a stock that does not open for trading on the regularly scheduled day of final settlement. All open positions at the close of the last ~~t~~Trading D~~d~~ay will be marked to market using the official opening level of the S&P/TSX 60 Index on final settlement day and terminated by cash settlement.

[…]

S&P/TSX 60 INDEX MINI FUTURES

[…]

15746 Final Settlement Price
(18.01.16)

The final settlement price determined on the final settlement date is $50 multiplied by the official opening level of the S&P/TSX 60 Index mini futures.

This final settlement price is based on the opening prices of the component stocks in the Index, or on the last sale price of a stock that does not open for trading on the regularly scheduled day of final settlement. All open positions at the close of the last ~~t~~Trading ~~d~~Day will be marked to market using the official opening level of the S&P/TSX 60 Index on final settlement day and terminated by cash settlement.

[…]

S&P/TSX GLOBAL GOLD INDEX FUTURES

[…]

15772 Final Settlement Price
(31.01.01, 29.04.02, 04.06.15, 18.01.16)

The final settlement price determined on the Final Settlement Date is the trading unit of the S&P/TSX Global Gold Index, as determined by the Bourse, multiplied by the official opening level of the S&P/TSX Global Gold Index based on the opening prices of the component stocks in the Index, or on the last sale price of a stock that does not open for trading on the regularly scheduled day of final settlement. All open positions at the close of the last ~~t~~Trading ~~d~~Day will be marked to market using the official opening level of the S&P/TSX Global Gold Index on final settlement day and terminated by cash settlement.

[…]

S&P/TSX CAPPED FINANCIALS INDEX FUTURES

[…]

15783.13 Final Settlement Price
(18.01.16)

The final settlement price determined on the Final Settlement Date is the trading unit of the S&P/TSX Capped Financials Index, as determined by the Bourse, multiplied by the official opening level of the S&P/TSX Capped Financials Index based on the opening prices of the component stocks in the Index, or on the last sale price of a stock that does not open for trading on the regularly scheduled day of final settlement. All open positions at the close of the last ~~t~~Trading ~~d~~Day will be marked to market using the official opening level of the S&P/TSX Capped Financials Index on final settlement day and terminated by cash settlement.

[…]

S&P/TSX CAPPED INFORMATION TECHNOLOGY INDEX FUTURES

[…]

15784.13 Final Settlement Price
(18.01.16)

The final settlement price determined on the Final Settlement Date is the trading unit of the S&P/TSX Capped Information Technology Index, as determined by the Bourse, multiplied by the official opening level of the S&P/TSX Capped Information Technology Index based on the opening prices of the component stocks in the Index, or on the last sale price of a stock that does not open for trading on the regularly scheduled day of final settlement. All open positions at the close of the last ~~t~~Trading ~~d~~Day will be marked to market using the official opening level of the S&P/TSX Capped Information Technology Index on final settlement day and terminated by cash settlement.

[…]

S&P/TSX CAPPED ENERGY INDEX FUTURES

[…]

15785.13 Final Settlement Price
(18.01.16)

The final settlement price determined on the Final Settlement Date is the trading unit of the S&P/TSX Capped Energy Index, as determined by the Bourse, multiplied by the official opening level of the S&P/TSX Capped Energy Index based on the opening prices of the component stocks in the Index, or on the last sale price of a stock that does not open for trading on the regularly scheduled day of final settlement. All open positions at the close of the last T~~t~~rading ~~d~~Day will be marked to market using the official opening level of the S&P/TSX Capped Energy Index on final settlement day and terminated by cash settlement.

[…]

S&P/TSX COMPOSITE INDEX BANKS (INDUSTRY GROUP) FUTURES

[…]

15786.13 Final Settlement Price
(18.01.16)

The final settlement price determined on the Final Settlement Date is the trading unit of the S&P/TSX Composite Index Banks (Industry Group), as determined by the Bourse, multiplied by the official opening level of the S&P/TSX Composite Index Banks (Industry Group) based on the opening prices of the component stocks in the Index, or on the last sale price of a stock that does not open for trading on the regularly scheduled day of final settlement. All open positions at the close of the last ~~t~~Trading ~~d~~Day will be marked to market using the official opening level of the S&P/TSX Composite Index Banks (Industry Group) on final settlement day and terminated by cash settlement.

[…]

S&P/TSX CAPPED UTILITIES INDEX FUTURES

[…]

15787.13 Final Settlement Price
(18.01.16)

The final settlement price determined on the Final Settlement Date is the trading unit of the S&P/TSX Capped Utilities Index, as determined by the Bourse, multiplied by the official opening level of the S&P/TSX Capped Utilities Index based on the opening prices of the component stocks in the Index, or on the last sale price of a stock that does not open for trading on the regularly scheduled day of final settlement. All open positions at the close of the last ~~t~~Trading ~~d~~Day will be marked to market using the official opening level of the S&P/TSX Capped Utilities Index on final settlement day and terminated by cash settlement.

[…]

CANADIAN AND INTERNATIONAL SHARE FUTURES CONTRACTS

[…]

15812 Last Trading Day
(31.01.01, 18.01.16)

Trading in Canadian share futures contracts ends at 4:00 p.m. on the third Friday of the contract month or, if not a business day, the first preceding business day.

Trading in international share futures contract ends on the last Trading D~~day of trading~~ of corresponding stock index futures contracts traded on a recognized exchange for which the underlying stock is a constituent,

[…]

15815 Submission of Delivery Notice
(31.01.01)

To initiate the delivery process, a member holding a seller's position must submit a delivery notice to the Clearing Corporation before the time limit set by the Clearing Corporation after the close of the last T~~t~~rading ~~d~~Day.

15816 Assignment of Delivery Notice
(31.01.01)

a) The assignment of a delivery notice to a member holding a long position shall be done by the Clearing Corporation, in the manner set forth by the Clearing Corporation;

b) The member holding an assigned long position shall receive a delivery notice from the Clearing Corporation on the business day following the submission of the delivery notice by the member holding the seller's position.

[…]

15819 Emergencies, Acts of God, Actions of Governments
(31.01.01, 22.01.16)

a) In the event 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 Exchange and the Clearing Corporation. In the event that the Exchange 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 event the Board of Directors decides that a shortage of deliverable of Canadian shares issues exists or might exist, it shall take all necessary action to correct, prevent or alleviate the situation. The Board of Directors may, for instance:

i) designate as a deliverable issue any other issue of the same issuer 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 Canadian share on the last Trading D~~d~~ay~~ of trading~~.

[…]

15821 Settlement Procedures
(31.01.01)

a) Canadian shares futures contracts are subject to settlement after the close of the last T~~t~~rading ~~d~~Day by the delivery of the underlying shares on the final settlement day pursuant to the rules of the Clearing Corporation.

b) For International shares futures contracts, all open positions at the close of the last ~~t~~Trading ~~d~~Day are marked-to-market using the final settlement price on the final settlement day and terminated by cash settlement pursuant to the rules of the Clearing Corporation.

15822 Final Settlement Day
(31.01.01, 05.09.17)

a) For the Canadian share futures contract, the final settlement day shall be the second business day after the last ~~t~~Trading ~~d~~Day.

b) For International share futures contracts, the final settlement day of a given contract month shall be the first business day following the last Trading D~~d~~ay~~ of trading~~ in the contract month.

15823 Final Settlement Price
(31.01.01, 23.11.16)

a) For Canadian shares futures contracts, the final settlement price shall be the trading unit of the futures contract times the closing price of the stock underlying the futures contract posted by the Toronto Stock Exchange on the last ~~t~~Trading ~~d~~Day.

b) For International shares futures contracts, the final settlement price determined on the final settlement day shall be the price of the underlying stock as determined by the recognized exchange to compute the final settlement price of the corresponding stock index futures contract for which the underlying stock is a constituent, or by such other method as prescribed by the Exchange.

[…]

30-DAY OVERNIGHT REPO RATE FUTURES

[…]

15921 Final Settlement Date
(14.06.02)

The final settlement date of a given contract month shall be the first business day following the last Trading D~~d~~ay~~ of trading~~.

[…]

FUTURES CONTRACTS ON CARBON DIOXIDE EQUIVALENT (CO_2e) UNITS WITH PHYSICAL SETTLEMENT

[…]

15941 Last Trading Day~~ of Trading~~
(30.05.08)

The last Trading D~~d~~ay of trading of futures contracts on carbon dioxide equivalent (CO_2e) units with physical settlement will be the third business day preceding the last business day of the contract expiry. For contracts with daily expiries, the last Trading D~~d~~ay~~ of trading~~ will be the first ~~t~~Trading ~~d~~Day of the contract.

[…]

15944 Submission of Physical Settlement Notice
(30.05.08)

To initiate the physical settlement process of a futures contract on carbon dioxide equivalent (CO_2e) units with physical settlement, an approved participant holding a seller's position must submit a physical settlement notice to the clearing corporation on the last T~~t~~rading D~~d~~ay.

[…]

FUTURES CONTRACTS ON CARBON DIOXIDE (CO_2e) EQUIVALENT UNITS WITH CASH SETTLEMENT

[…]

15961 Last Trading Day~~ of Trading~~
(30.05.08)

The last Trading D~~d~~ay~~ of trading~~ of futures contracts on carbon dioxide equivalent (CO_2e) units with cash settlement will be the third business day preceding the last business day of the contract expiry. For contracts with daily expiries, the last Trading D~~d~~ay~~ of trading~~ is the first T~~t~~rading ~~d~~Day of the contract.

[…]

15963 Final Cash Settlement Date
(30.05.08)

The final cash settlement date of a given futures contract on carbon dioxide equivalent (CO_2e) units with cash settlement shall be the first business day following the last Trading D~~d~~ay~~ of trading~~ of the expired contract.

15964 Cash Settlement Procedures
(30.05.08)

In the case of futures contracts on carbon dioxide equivalent (CO_2e) units with cash settlement:

a) On the last Trading D~~d~~ay~~ of trading~~, open futures contracts on carbon dioxide equivalent (CO_2e) units will be marked to market based on the final settlement price.

b) On the final settlement date, the final settlement price, as determined by the Bourse, shall be used to settle all open positions in futures contracts on carbon dioxide equivalent (CO_2e) units with cash settlement.

[…]

S&P/TSX COMPOSITE INDEX MINI FUTURES

[…]

15987 Final Settlement Price
(15.05.09)

The final settlement price determined on the Final Settlement Day shall be CAN $5 times the official opening level of the S&P/TSX Composite Index based on the opening prices of the component stocks in the Index, or on the last sale price of a stock that does not open for trading on the regularly scheduled day of final settlement. All open positions at the close of the last ~~t~~Trading ~~d~~Day will be marked to market using the official opening level of the S&P/TSX Composite Index on final settlement day and terminated by cash settlement.

[…]

FUTURES CONTRACTS ON CANADIAN CRUDE OIL

[…]

15996.10 Last Trading Day~~ of Trading~~
(18.06.10, 18.01.16)

The last T~~t~~rading ~~d~~Day is the first business day prior to the crude oil "Initial Notice of Shipment Date" of the delivery month as determined by the Bourse, or such other day as prescribed by the Bourse. Initial Notice of Shipment Date means, with respect to the contract month, the first due date and time generally accepted by industry for the filing of the Notice of Shipment.

[…]

15997.2 Final Settlement Day
(18.06.10)

The final settlement day of a given futures contract on Canadian Crude Oil with cash settlement shall be the first business day following the last Trading D~~d~~ay~~ of trading~~ of the contract expiry.

15997.3 Final Settlement Price
(18.06.10)

The final settlement price determined on the Final Settlement Day shall be 1,000 U.S. barrels times the price of the designated Canadian Crude Oil, expressed in U.S. dollars per barrel, as determined by the Bourse on the last T~~t~~rading ~~d~~Day. All open positions at the close of the last T~~t~~rading ~~d~~Day will be marked to market using the price of the designated Canadian Crude Oil as determined by the Bourse on final settlement day and terminated by cash settlement.

[…]

OVERNIGHT INDEX SWAP FUTURES

[…]

15998.5.2 Last Trading Day
(18.01.16)

The last T~~t~~rading D~~d~~ay for an overnight index swap futures is the day of a Bank of Canada fixed announcement date.

[…]

15999.1 Final Settlement Date
(16.02.12)

The final settlement date of a given contract month shall be the first business day following the last Trading D~~d~~ay~~ of trading~~.

15999.2 Cash Settlement Procedures
(16.02.12, 28.02.17)

In the case of overnight index swap futures contracts:

a) On the last Trading D~~d~~ay~~ of trading~~, open contracts will be marked to market based on the daily settlement price. A final settlement price will be determined on the Final Settlement Date.

b) The Final Settlement Price as determined below by the Bourse shall be used to settle all open overnight index swap futures:

 i) on the Final Settlement Date, the Bourse shall determine the overnight index swap reference rate;

 ii) Final Settlement Price for the overnight index swap futures shall be 100 minus the overnight index swap reference rate, rounded to the nearest 1/1000th of a percentage point. Any value ending by 0.0005 or more shall be rounded up and any value ending by 0.0004 or less shall be rounded down. For example, an overnight index swap reference rate value of of 1.2635 percent would determine a Final Settlement Price of 98.737;

 iii) the overnight index swap reference rate means the compounded daily “Canadian Overnight Repo Rate Average” (CORRA), as determined by the appointed CORRA benchmark administrator, currently Thomson Reuters, over the period of the contract month that begins the day following the last Bank of Canada Fixed Announcement Date to the day of the next Bank of Canada Fixed Announcement Date. Weekend and holiday rates are considered to be the rate applicable on the previous business day. For example, Friday’s rate is used for Saturday and Sunday rates.

[…]

FTSE EMERGING MARKETS INDEX FUTURES

[…]

15999.8.2 Last Trading Day
(18.01.16)

Trading ceases at 4:15 p.m. (ET) on the third Friday of the contract month if the underlying index is published that day. IF it is not published that day, trading will cease on the first preceding T~~t~~rading ~~d~~Day for which the underlying index is scheduled to be published.

[…]

15999.13 Final Settlement Day
(09.06.14, 18.01.16)

The final settlement day is the last T~~t~~rading ~~d~~Day.

15999.14 Final Settlement Price
(09.06.14, 18.01.16)

The final settlement price shall be determined on the last T~~t~~rading ~~d~~Day by multiplying the official closing level of the FTSE Emerging Markets Index by $100.

All open positions at the close of the last T~~t~~rading ~~d~~Day will be marked to market using the official closing level of the FTSE Emerging Markets Index on the last T~~t~~rading ~~d~~Day and terminated by cash settlement.

[…].

PROCEDURES FOR THE CANCELLATION OR ADJUSTMENT OF TRADES

1. APPLICABLE RULES

The procedures herein are consistent with and refer to the following Rule Six articles of the Bourse:

6303 - Validation, Alteration or Cancellation of a Trade
6381 - Cancellation of Trades
6383 - Acceptable Market Price
6384 - Decision by the Market Supervisor of the Bourse
6385 - Delays of Decision and Notifications

2. SUMMARY OF THE RELATED RULES

In order to maintain a fair and equitable market, trades may be cancelled by the Bourse if such transactions are detrimental to the normal operation or quality of the market or in any other circumstance deemed appropriate considering market conditions at the time of the trade or if the parties involved in the trade agree to the cancellation.

3. OBJECTIVE

The objective of the procedures described herein is:

- To ensure that all transactions are executed at a price coherent with prevailing market conditions (integrity) and to ensure that input errors can be corrected.

4. LIMITATIONS FOR TRADING SESSIONS DURING WHICH THE UNDERLYING IS NOT OPEN FOR TRADING

The present procedures have a limited application in the case of trading sessions during which the underlying exchange-traded products are not open for trading.

4.1 ORDER ENTRY ERROR TRADES

During such trading sessions, the Market Operations Department of the Bourse ("Market Operations") will not establish a No Cancel Range. As a result, during such trading sessions, no trade shall be adjusted by the Market Operations and all trades will stand at the traded price level unless one of the parties to the trade reports an order entry error ("error trade") and both parties consent to cancel the resulting trade. Therefore, an error trade identified as such by a party to the trade and which both parties consent to cancel shall be cancelled by the Market Operations. The Market Operations shall proceed with the agreed upon cancellation of the error trade within the 15 minutes that follow the execution of the trade as prescribed by article 6381 of the Rules of the Bourse.

4.2 TRADING RANGE

The Bourse will establish a trading range based on the previous day's settlement price for trading sessions where the underlying exchange-traded instruments are not open for trading. For that given session, trading will only be allowed within the trading range. Orders outside of the trading range will not be accepted by the system. Should either the high or the low of the trading range be reached, trading will only be allowed at that limit level until the market re-aligns itself back within the trading range.

4.3 EARLY SESSION NO CANCEL RANGE

Notwithstanding Section 4.1, when the Trading Day of a Listed Product contains more than one trading session, ~~during early sessions,~~ the last traded price registered in the underlying security during that the first session (also known as early session) on a Recognized Exchange or an Alternative Trading System as this term is defined in Regulation 21-101 Respecting Marketplace Operation ("Canadian ATS") shall be used to determine the No Cancel Range. If the Market Supervisor determines that the price of the trade executed during the first~~early~~ session was inside the No Cancel Range, the Market Supervisor will take the appropriate measures in accordance with Section 5.4. If the Market Supervisor determines that the price of the trade executed during the first~~early~~ session was outside the No Cancel Range, the Market Supervisor will take the appropriate measures in accordance with Section 5.5.

5. DESCRIPTION FOR TRADING SESSIONS DURING WHICH THE UNDERLYING IS OPEN FOR TRADING OR WHOSE VALUE IS READILY AVAILABLE

5.1 DETECTION AND DELAYS

a) Trades Resulting from an Order Entry Error

Approved participants have the responsibility to report trades resulting from an error trade to the Market Operations without delay. As soon as an error trade resulting from an order entry error is identified by the approved participant, the approved participant must request an adjustment or cancellation of the error trade from a Market Supervisor of the Bourse by calling the Market Operations Department of the Bourse at 514 871-7871 or 1-888-693-6366. If the Market Supervisor determines that the price of the error trade was inside the No Cancel Range, the Market Supervisor will take the appropriate measures in accordance with Section 5.4. If the Market Supervisor determines that the price of the error trade was outside the No Cancel Range, the Market Supervisor will take the appropriate measures in accordance with Section 5.5.

b) Transactions Detrimental to the Normal Operation or Quality of the Market

If the Market Operations identifies transactions that are deemed detrimental to the normal operation or quality of the market, market supervisors can adjust or cancel the transaction. For the purpose of the present procedures, trades executed at a price outside the No Cancel Range shall be deemed transactions detrimental to the normal operation or quality of the market. If the Market Supervisor determines that a transaction detrimental to the normal operation or quality of the market has occurred, the Market Supervisor will take the appropriate measures in accordance with Section 5.5.

5.2 IMPLIED STRATEGY ORDERS

"Regular orders": Orders routed by approved participants to the Montréal Exchange trading system.

"Implied orders": Orders generated by the implied pricing algorithm (using regular orders) and registered in the order book by the trading engine.

"Implied strategy orders": Orders generated by the implied pricing algorithm composed of regular orders, one order for each individual leg.

"Regular strategy orders": Orders routed by approved participants to the Montréal Exchange trading system on instruments composed of two or more legs.

A strategy trade resulting from an implied strategy order is in reality composed of two or more separate regular orders, one order for each individual leg. For the purposes of this procedure, if an error trade occurs on an implied strategy order, the strategy trade will be deemed to have been executed using separate regular orders for each individual leg.

As a result, the prescribed increment utilized to establish the No Cancel Range to adjust an error strategy trade resulting from an implied strategy order will be at least the increment on one of the individual legs and at the most, the sum of each individual legs' increments.

5.3 VALIDATION – NO CANCEL RANGE

The No Cancel Range is defined as the price interval within which a trade shall not be cancelled outright or adjusted by the Market Operations.

To establish the No Cancel Range, Market Supervisors:

- Determine, in accordance with article 6383 of the Rules, what was the acceptable market price for the derivative instrument before the trade occurred. In making that determination, the Market Supervisor will consider all relevant information, including the last trade price, a better bid or offer, a more recent price for a related derivative instrument (for example a different expiry month) and the prices of similar derivative instruments trading on other markets;

- Apply (add and deduct) the following increments to the acceptable market price:

DERIVATIVE INSTRUMENT	INCREMENT
Three-Month Canadian Banker's Acceptance Futures – BAX (all quarterly and serial months)	5 basis points
Three-Month Canadian Banker's Acceptance Futures – BAX Strategies: - Regular strategy orders - Implied strategy orders	 5 basis points Sum of the strategy's individual legs' increments.
Options on Three-Month Canadian Banker's Acceptance Futures	5 basis points

DERIVATIVE INSTRUMENT	INCREMENT
Two-Year Government of Canada Bond Futures (CGZ) - Regular strategy orders - Implied Strategy orders	 20 basis points 20 basis points Sum of strategy's individual legs' increments
Five-Year Government of Canada Bond Futures (CGF) - Regular strategy orders - Implied Strategy orders	 20 basis points 20 basis points Sum of strategy's individual legs' increments
Ten-Year Government of Canada Bond Futures (CGB) - Regular strategy orders	 40 basis points 20 basis points
30-Year Government of Canada Bond Futures (LGB) - Regular strategy orders - Implied Strategy orders	 40 basis points 40 basis points Sum of strategy's individual legs' increments
Options on Government of Canada Bond Futures	40 basis points
Futures Contracts on S&P/TSX Indices and on the FTSE Emerging Markets Index - Regular strategy orders	1% of the acceptable market price of these futures contracts 5% of the increments for the outright month
30-Day Overnight Repo Rate Futures Regular strategy orders	5 basis points 5 basis points
Overnight Index Swap Futures	5 basis points
Overnight Index Swap Futures – OIS Strategies: - Regular strategy orders - Implied strategy orders	 5 basis points Sum of the strategy's individual legs' increments.
Futures and Options on Futures Inter-Group Strategies: - Regular strategy orders - Implied Strategy orders	Sum of strategy's individual legs' increments
Equity, Currency, ETF and Index Options Price ranges: Below $2.00 $2.00 to $5.00 Above $5.00 to 10.00$ Above $10.00 to $20.00 Above $20.00 to $50.00 Above $50.00 to $100.00 Above $100.00	 $0.25 $0.40 $0.50 $0.80 $1.00 $1.50 $2.00
Equity, Currency, ETF and Index Options Strategies: - Regular strategy orders - Implied strategy orders	 Sum of the strategy's individual legs' increments
Sponsored Options Price ranges: $0.001 to $0.99 $1.00 up	 $0.25 $0.50

DERIVATIVE INSTRUMENT	INCREMENT
Canadian Share Futures Contracts Sessions other than the first session of the Trading Day (Regular and extended sessions):	1. 0.50$, if the acceptable market price of these futures contracts is less than 25$; 2. 1.00$, if the acceptable market price of these futures contracts is equal to or higher than 25$ but less than 100$; 3. 1% of the acceptable market price of these futures contracts if the acceptable market price of these futures contracts is equal to or higher than 100$.
First session of the Trading Day (Early session):	5% of the acceptable market price of these futures contracts
Futures Contracts on Canadian Crude Oil	5% of the acceptable market price of these futures contracts.

5.4 TRADE PRICE INSIDE THE NO CANCEL RANGE

If the Market Supervisor determines that the price of the reported error trade was inside the No Cancel Range, then the trade will be maintained and no further action will be taken unless both parties to the error trade agree to the cancellation.

Error trades that both parties have agreed to cancel, can be cancelled within the trading session ~~(early, regular or extended)~~ during which they have occurred. The Market Operations shall proceed with the agreed upon cancellation of the error trade within the 15 minutes that follow the execution of the trade as prescribed by article 6381 of the Rules of the Bourse.

5.5 TRADE PRICE OUTSIDE THE NO CANCEL RANGE

When a trade with an execution price outside the No Cancel Range is reported to Market Operations as an error, or otherwise detected by Market Operations, the Market Supervisor will determine whether the trade price is within or outside the No Cancel Range for the particular derivative instrument.

If the Market Supervisor determines that the price of the trade is outside the No Cancel Range, then the Market Supervisor will endeavor to contact all parties involved in the transaction to advise them of the situation.

a) General Rule

The trade with an execution price that falls outside the No Cancel Range shall be adjusted by the Market Operations to the limit of the No Cancel Range.

The Market Operations will adjust error trades in the best interests of the market and the participants.The main objective when adjusting error trades is to minimize the impact for all market participants involved in the error trades and more particularly those who had a regular order in the order book.

b) Exceptions

However, in the following circumstances, the trade will be cancelled by Market Operations:

1. Both parties to the trade can be contacted within a reasonable delay and agree to the cancellation of the trade.

2. Neither party to the trade is either an approved participant or the registered holder of a SAM ID.

c) Implied Orders

Under the General Rule, the trades with an execution price that falls outside the No Cancel Range and that have not been cancelled will be adjusted to the limit of the No Cancel Range. In such a case, if the trade involved a linked implied order(s), the initiator of the original error trade will be responsible for the trade resulting from the linked implied order(s). The initiator of the error may therefore end up being party to the trades resulting from the linked implied order(s).

d) Decision

A decision to cancel or adjust will be rendered by a Market Supervisor within 30 minutes following the communication of the error and cancellation request by one of the parties, or detection by Market Operations, in accordance with article 6385 of the Rules of the Bourse.

5.6 OTHER SITUATIONS JUSTIFYING THE CANCELLATION OF TRADES

The Market Operations will review all circumstances surrounding a trade to determine whether the trade occurred in accordance with the rules of the Bourse. The factors that will be considered include, among other things, the market conditions immediately before and after the trade was executed; the volatility of the market; the prices of related instruments in other markets and the fact that one or many parties to the transaction consider that it was executed at a valid price.

In the case of a system failure, it is possible that the Bourse's automated trading system will freeze with orders queuing and waiting to be processed. Once the problem is resolved, the market will be placed into a pre-opening phase during which trading in each derivative instrument will be halted in order to modify the opening time parameters. This pre-opening phase will allow market participants to modify orders and will ensure that the system failure does not impact the integrity of the market. Nevertheless, when the system is not frozen, pending orders could be executed before the Bourse can halt the derivative instruments. In such circumstances, Market Supervisors may, in the best interest of the market and the participants, cancel trades resulting from such executions.

In case an underlying instrument experiences excessive volatile price swings, the exchange on which the underlying instrument is listed may freeze the instrument and may adjust any trades that fall outside the context of the market. When Market Operations becomes aware of such a freeze, the Bourse will freeze the corresponding derivative instrument. If pending orders in the corresponding derivative instrument are executed before the Market Operations can manually freeze the derivative instrument the Market Operations will cancel trades resulting from such executions.

5.7 DECISION

A decision to cancel or to refuse to cancel a transaction subject to Section 5.6 will be rendered by a Market Supervisor within 30 minutes following the cancellation request or detection by Market Operations, in accordance with article 6385 of the Rules of the Bourse.

If the decision is to cancel the trade, the Market Supervisor will remove the trade from the records. Furthermore, if “stop” orders were triggered and therefore executed as a result of the cancelled trade, then these “stop” trades will also be cancelled and the “stop” orders will have to be re-instated in the order book by the initiators of such orders. Trade cancellation messages will be disseminated.

When a trade is cancelled, if it originated from a regular order posted in the order book, the original price/time priority (FIFO) will not be maintained if the initiator of the original order wishes to re-instate his order after the cancellation. This cancelled order shall therefore be re-entered in the trading system by the initiator of the original order. This new order entry time will be the official entry time of the re-instated order.

If the Market Supervisor’s decision is to not cancel the trade, the parties to the trade can not themselves decide to cancel it by making a position transfer through the Canadian Derivatives Clearing Corporation.

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PROCEDURES FOR THE EXECUTION AND REPORTING OF EXCHANGE FOR PHYSICAL (EFP), EXCHANGE FOR RISK (EFR) AND SUBSTITUTION OF OTC DERIVATIVE INSTRUMENTS FOR FUTURES CONTRACTS TRANSACTIONS

The purpose of the following procedures is to explain as fully as possible: a) the requirements of article 6815 of the Rules of Bourse de Montréal Inc. (the Bourse) relating to the execution of transactions involving the exchange of futures contracts for a corresponding cash position (Exchange for Physical (EFP)) and of transactions involving the exchange of futures contracts for a corresponding over-the-counter derivative instrument (Exchange for Risk (EFR)); and b) of article 6815A of the Rules of the Bourse relating to the execution of transactions involving the substitution of an over-the-counter derivative instrument for futures contracts. Approved participants must ensure that all of their employees who are involved in the execution of this type of transactions are fully aware of these procedures. Any violation of the requirements set forth in articles 6815 and 6815A of the Rules of the Bourse and in these procedures could result in disciplinary action being taken by the Bourse.

Exchanges for Physicals (EFP)

An EFP is a transaction whereby two parties enter into an agreement in which one party purchases a cash market position and simultaneously sells a corresponding futures contract position and the other party sells the cash market position and simultaneously purchases the corresponding futures contract position.

The Bourse permits EFP transactions on the following instruments:

Interest rate futures contracts
Futures contracts on S&P/TSX indices & on the FTSE Emerging Markets Index
Futures contracts on carbon dioxide equivalent (CO_2e) units (MCX)
Futures contracts on Canadian crude oil
Canadian Share Futures Contracts

Exchange for Risk (EFR)

An EFR is a transaction whereby two parties enter into an agreement in which one party purchases an over-the-counter derivative instrument and simultaneously sells a corresponding futures contract and the other party sells the over-the-counter derivative instrument and simultaneously purchases the corresponding futures contract.

The Bourse permits EFR transactions on the following instruments:

Interest rate futures contracts
Futures contracts on S&P/TSX indices & on the FTSE Emerging Markets Index
Futures contracts on carbon dioxide equivalent (CO_2e) units (MCX)
Futures contracts on Canadian crude oil
Canadian Share Futures Contracts

Substitution of an OTC derivative instrument for futures contracts (Substitution)

A Substitution is a transaction whereby two parties enter into an agreement to substitute an over-the-counter derivatives position for a corresponding futures contract position. The party who is the buyer of the over-the-counter derivative instrument substitutes this position and buys the corresponding futures contract and the other party who is the seller of the over-the-counter derivative instrument substitutes this position and sells the corresponding futures contract.

The Bourse currently permits Substitution transactions on futures contracts on carbon dioxide equivalent (CO_2e) units.

Pricing the Cash component of an EFP or the Risk component of an EFR or of a Substitution

The cash component of an EFP or the risk component of an EFR or of a Substitution is priced at such level that is mutually agreed upon by the two parties to the transaction.

The futures contract leg of an EFP, an EFR or a Substitution must be priced at a fair and reasonable level in light of factors such as, but not limited to, the size of such an EFP, EFR or Substitution transaction, the currently traded prices and bid and ask prices in the same contract at the relevant time, the volatility and liquidity of the relevant market and the general market conditions prevailing at the time the EFP, EFR or Substitution transaction is executed.

The cash component of an EFP or the risk component of an EFR or of a Substitution transaction must be the futures contract underlying interest, a by-product of this underlying interest or a similar product that is reasonably correlated to the underlying interest of the futures contract being exchanged or the futures contract itself where the use of the underlying interest is not practical.

Also, the number of futures contracts exchanged must be approximately equivalent to the quantity or value of the cash market position being exchanged in an EFP transaction or of the risk component being exchanged in the case of an EFR or substituted in the case of a Substitution. Approved participants that are parties to an EFP, EFR or Substitution transaction may be required to demonstrate such equivalency.

Acceptable EFP, EFR and Substitution Transactions

In order to have an EFP, EFR or Substitution transaction accepted by the Bourse, the transaction must satisfy the following conditions:

- There must be separate but integrally related futures contracts and cash (in the case of an EFP) or risk component (in the case of an EFR or Substitution) transactions.

- The exchange or substitution transaction must be done between two separate accounts that must satisfy at least one of the following criteria:
  - accounts have different beneficial ownership;
  - accounts have the same beneficial ownership but are under separate control; or
  - accounts are under a common control but involve separate legal entities which may or may not have the same beneficial ownership.

  If the parties to an EFP, EFR or Substitution transaction involve the same legal entity, same beneficial owner or separate legal entities under common control, the approved participant (or the parties themselves) must be able to demonstrate that the EFP, EFR or Substitution transaction is a legitimate arm's length transaction.

- The cash market instrument leg of the EFP or the risk component leg of an EFR transaction must provide for a transfer of ownership of the cash market instrument of an EFP or of the over-the-counter derivative instrument of the EFR to the buyer of this instrument and the delivery of this instrument must take place within a reasonable period of time (in accordance with cash market or over-the-counter practice).

- The relation between the prices of the futures contract and of the cash instrument leg of the EFP or the risk component leg of the EFR or Substitution transaction and the relevant prices in either market must be established.

- If he does not have actual possession of the cash instrument, in the case of an EFP transaction, or of the over-the-counter derivative instrument, in the case of an EFR transaction, before the execution of the transaction, the seller of this cash instrument or over-the-counter derivative instrument must be able to demonstrate his ability to satisfy his delivery obligation.

- The Bourse may request that approved participants involved in an EFP, EFR or a Substitution transaction demonstrate that the related cash position and futures position is reasonably correlated.

Acceptable Cash Components for the purpose of an EFP Transaction

In order to have an EFP transaction accepted by the Bourse, the cash component of the transaction must satisfy the following conditions:

- **For interest rate futures contracts:** fixed income instruments that have a reasonable price correlation, maturities as well as risk characteristics that parallel the instrument underlying the futures contract being exchanged or the futures contract itself where the use of the underlying interest is not practical. Such instruments include, but are not necessarily limited to, money market instruments including asset backed commercial paper, Government of Canada and Federal Crown Corporation fixed income instruments, provincials fixed income instruments, investment grade corporates including Maple Bonds and mortgage instruments including collateralized mortgage obligations (CMOs). Fixed income instruments denominated in the currency of a G7 member country that satisfy these conditions are also acceptable.

- **For futures contracts on S&P/TSX indices and on the FTSE Emerging Markets index:** stock baskets must be reasonably correlated to the underlying index with a correlation coefficient (R) of 0.90 or more. Furthermore, these stock baskets must represent a weight of at least 50% of the underlying index or must include at least 50% of the securities of the underlying index. The notional value of the basket must be fairly equal to the value of the futures contract component of the exchange transaction. Exchange-traded funds are also acceptable, provided they mirror the index futures contract against which the EFP transaction is made.

- **For futures contracts on carbon dioxide equivalent (CO_2e) units:** The eligible Canadian CO_2e units are regulated emitters' credits, and / or offset credits

- **For futures contracts on Canadian crude oil:**

  - For Canadian heavy crude oil: specific domestic crude oil streams with not less than 2.5% nor more than 3.5% sulfur by weight, not less than 19° API gravity nor more than 22° API gravity. Domestic crude oil streams include, but are not limited to: Western Canadian Select, Western Canadian Blend, Lloyd Blend, Bow River, Cold Lake Blend and Wabasca.

- **For Canadian share futures contracts:** The underlying stock of the futures contract being exchanged.

Permissible Over-the-Counter Derivative Instruments for the purpose of an EFR Transaction

A list of permissible over-the-counter derivative instruments for the purpose of effecting an EFR transaction is included in Appendix I.

Permissible Over-the-Counter Derivative Instruments for the purpose of a Substitution Transaction

- **For futures contracts on carbon dioxide equivalent (CO_2e) units:** Over-the-counter derivative instruments on carbon dioxide equivalent units that are reasonably correlated (with a correlation coefficient (R) of 0.80 or more) to the futures contract being substituted.

As a guideline, the time period used to calculate the correlation coefficient must be based on daily price data for a period of at least six (6) months or, if weekly price data are used, for a period of at least one (1) year.

Reporting an EFP, EFR or Substitution transaction to the Bourse

EFP, EFR and Substitution transactions must be reported to the Bourse's Market Operations Department for approval and subsequent input into the Montréal Automated System (SAM). Approved participants for both the seller and buyer must complete and submit to the Market Operations Department the Special Terms Transaction Reporting Form prescribed by the Bourse. This form is available on the Web sites of the Bourse at http://sttrf-frots.m-x.ca/ and at http://sttrf-frots.m-x.ca/ in the case of futures contracts on carbon dioxide equivalent (CO_2e) units. If the EFP, EFR or Substitution transaction is executed before the closing of the Trading Day~~trading session~~ of the futures contract involved in the transaction, the Special Terms Transaction Reporting Form must be submitted within one hour upon determination of all the relevant terms of the trade. If the EFP, EFR or Substitution transaction is made after the closing of the T~~t~~rading Day~~session~~, the Special Terms Transaction Reporting Form must be submitted no later than 10:00 a.m. (Montréal time) on the next T~~t~~rading D~~d~~ay.

If the Special Terms Transaction Reporting Form is not accurately filled out with all the relevant information required by the Market Operations Department of the Bourse, the transaction will not be approved neither recorded in SAM and the approved participant will have to resubmit a new Special Terms Transaction Reporting Form correctly completed.

Once correctly completed Special Terms Transaction Reporting Forms have been received, the Market Operations Department will validate the transaction. The Bourse has the discretion to refuse an EFP, EFR or Substitution transaction if it deems that it is not in compliance with the requirements, as the case may be, of articles 6815 or 6815A of the Rules of the Bourse or of these procedures. In case of refusal, the Market Operations Department will ensure that the approved participant(s) involved in the EFP, EFR or Substitution transaction are promptly informed of such refusal and of the reasons for it.

Once an EFP, an EFR or Substitution transaction has been validated and has been entered into SAM by the Market Operations Department, the following information with respect to this transaction will be disseminated by the Bourse on its Web sites at http://www.m-x.ca/dailycrosses_en.php or at http://www.mcex.ca/trading_transactionReport in the case of case of futures contracts on carbon dioxide equivalent (CO_2e) units:

- Date and time of transaction
- product description (code);
- Contract month(s);
- Volume of the transaction; and
- Transaction price

Trade validation and market dissemination by the Bourse of an EFP, EFR or Substitution transaction will not preclude the Bourse from initiating any investigation and, as the case may be, disciplinary procedures in the event that the transaction is subsequently found to have been made other than in accordance with the requirements of articles 6815 and 6815A of the Rules of the Bourse or of these procedures.

Audit Trail Requirements for EFP, EFR and Substitution Transactions

Approved participants who enter into an EFP, EFR or Substitution transaction must maintain all documents relevant to the futures contracts and corresponding cash market or over-the-counter derivative instruments transactions and must be able to promptly provide copies of such documents to the Regulatory Division of the Bourse upon request. Documents that may be requested include, but are not limited to, the following:

- Futures contracts order tickets;
- Futures contracts account statements;
- Documentation customarily generated in accordance with the cash market, over-the-counter or other relevant market practices such as cash account statements, trade confirmation statements, ISDA® Master Agreements or other documents of title;
- Third party documentation to support proof of payment or allowing to verify that the ownership title of the related cash market position or, as the case may be, of the related over-the-counter derivative instrument position was transferred from the seller to the buyer. This may include, but is not limited to canceled checks, bank statements; cash account statements and cash instruments clearing corporation documents (e.g.: CDS Depository and Clearing Services Inc.).

All futures contracts order tickets must clearly indicate the time of execution of the EFP, EFR or Substitution transactions.

APPENDIX 1
Exchange for Risk: List of permissible OTC derivative instruments

	Bond Futures Contracts	Short-Term Interest Rate Futures Contracts	Stock Index Futures/ Single Stock Futures	Commodities Futures
Vanilla Interest Rate Swaps	√	√		
Equity and Index Swaps			√	
Commodities Swaps or Forwards				√
Forward Rate Agreements - FRAs		√		
OTC Options and Options Strategies	√	√	√	

The following outlines the characteristics of OTC derivative instruments that would be acceptable for EFR transaction purposes.

Swaps:

Interest rate

- standard plain vanilla OTC swap;
- written under the terms of an ISDA® Master Agreement;
- providing for regular fixed rate payments against regular floating rate payments;
- All swap payments must be denominated in the currency of a G7 member country;
- The OTC interest rate swap must be reasonably correlated with an R = 0.70 or greater so that the futures contract is a suitable instrument for hedging the OTC derivative instrument transactions. As a guideline, the time period used to calculate the correlation must be based on daily price data for a period of at least six (6) months or, if weekly price data are used, for a period of at least one (1) year.

Equities and indices

- standard plain vanilla OTC swap;
- written under the terms of an ISDA® Master Agreement;
- providing for regular fixed rate payments or regular floating rate payments against the positive or negative performance of a basket of securities or a stock index;
- All swap payments must be denominated in the currency of a G7 member country;
- The OTC equity or index swap must be reasonably correlated with an R = 0.90 or greater so that the futures contract is a suitable instrument for hedging the OTC derivative instrument transaction. As a guideline, the time period used to calculate the correlation must be based on daily price data for a period of at least six (6) months or, if weekly price data are used, for a period of at least one (1) year.

Swaps or Forwards on Commodities:

- written under the terms of an ISDA® Master Agreement;
- The OTC commodities swap or forward must be reasonably correlated with an R = 0.80 or greater so that the futures contract is a suitable instrument for hedging the OTC derivative instrument transaction. As a guideline, the time period used to calculate the

correlation must be based on daily price data for a period of at least six (6) months or, if weekly price data are used, for a period of at least one (1) year.

Forward Rate Agreements (FRAs):

- conventional FRA;
- written under the terms of an ISDA® Master Agreement;
- predetermined interest rate;
- agreed start/end date;
- have a defined interest (repo) rate.

OTC Options and OTC Option Strategies:

- Any individual or combination of OTC equity or stock index option positions can form the risk transaction component of an EFR transaction against any of the Bourse's stock index or single stock futures contracts.
- Any individual or combination of OTC bond, interest rate swap or FRA options (e.g. caps, floors, collars) can form the risk component of an EFR transaction against any of the Bourse's interest rate futures contracts

Stock baskets used in an EFR transaction must have the following characteristics:

- be reasonably correlated to the index underlying the futures contract with an R = 0.90 or greater and the time period used to calculate the correlation must be based on daily price data for a period of at least six (6) months or, if weekly price data is used, for a period of at least one (1) year;

- represent at least 50% of the weight of the index underlying the futures contract or include at least 50% of the stocks comprised in the index underlying the futures contract;

- have a notional value equivalent to the value of the futures contract component of the EFR transaction;

- exchange-traded funds (ETFs) are acceptable provided that they mirror stock index products traded on the Bourse.

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PROCEDURES FOR THE EXECUTION OF BLOCK TRADES

1. Block Trades

a) Once a block trade has been arranged, in accordance with the predetermined minimum volume threshold level as determined and published by the Bourse, details of the block trade must be reported to the Bourse by contacting a market official of the Bourse's Market Operations Department at 1-888-693-6366 or at 514 871-7871 within the period of time prescribed by the Bourse.

b) Approved participants for both the seller and buyer must complete and electronically submit the Block Trade Reporting Form, available on the Bourse's web site at http://www.m-x.ca/rob_formulaire_en.php, to the Bourse's Market Operations Department for validation.

c) A market official will check the validity of the block trade details submitted by the approved participant(s).

d) Confirmation by a market official of a block trade transaction will not preclude the Bourse from initiating disciplinary procedures in the event that the transaction is subsequently found to have been made other than in compliance with the rules.

e) Once the block trade has been validated and processed, the following information with respect to the block trade will be disseminated by the Bourse:

   i) date and time of transaction;
   ii) security(ies) or derivative instrument(s) and contract month(s);
   iii) price of each contract month(s) and strike price(s) (as applicable); and
   iv) volume of each contract month.

f) Upon the Bourse's request, the approved participant who arranges a block trade must provide satisfactory evidence that the block trade has been arranged in accordance with the Rules of the Bourse. Failure to provide satisfactory evidence of compliance with these Rules may result in the initiation of disciplinary action.

In accordance with article 6380 4) of the Rules of the Bourse, the following are the eligible securities and derivative instruments, the relevant prescribed time delays and the minimum volume thresholds for the execution of block trades (only to the extent the eligible security or derivative instrument is available for trading).

Table 1: Prescribed time delays and minimum volume thresholds for eligible securities and derivative instruments for the execution of block trades

Eligible securities and derivatives instruments	Prescribed time delay (from 6AM until the end of the Trading Day)	Block - Minimum volume threshold (from 6AM until the end of the Trading Day)	Prescribed time delay (from 2AM until 6AM)	Block - Minimum volume threshold (from 2AM until 6AM)
	(As soon as practicable and in any event within the following time delay)		(As soon as practicable and in any event within the following time delay)	
30-Day Overnight Repo Rate Futures Contracts (ONX)	15 minutes	1,000 contracts	1 hour	250 contracts
Overnight Index Swap Futures Contracts (OIS)	15 minutes	200 contracts	1 hour	50 contracts
Ten-Year Government of Canada Bond Futures Contracts (CGB)	15 minutes	1,500 contracts	1 hour	350 contracts
Two-Year Government of Canada Bond Futures Contracts (CGZ)	15 minutes	500 contracts	1 hour	100 contracts
30-Year Government of Canada Bond Futures Contracts (LGB)	15 minutes	500 contracts	1 hour	100 contracts
Five-Year Government of Canada Bond Futures Contracts (CGF)	15 minutes	500 contracts	1 hour	100 contracts
Options on Three-Month Canadian Bankers Acceptance Futures Contracts	15 minutes	2,000 contracts	1 hour	500 contracts
Three-Month Canadian Bankers' Acceptance Futures Contracts quarterlies one through four (BAX Whites)	15 minutes	-	1 hour	500 contracts
Three-Month Canadian Bankers' Acceptance Futures Contracts quarterlies five through eight (BAX Reds)	15 minutes	1,000 contracts	1 hour	250 contracts
Three-Month Canadian Bankers' Acceptance Futures Contracts quarterlies nine through twelve (BAX Greens)	15 minutes	500 contracts	1 hour	100 contracts

~~ELIGIBLE SECURITIES AND DERIVATIVE INSTRUMENTS~~	~~PRESCRIBED TIME DELAY~~	~~MINIMUM VOLUME THRESHOLD~~
	~~(As soon as practicable and in any event within the following time delay)~~	
~~30-Day Overnight Repo Rate Futures Contracts (ONX)~~	~~15 minutes~~	~~1,000 contracts~~

~~Overnight Index Swap Futures Contracts (OIS)~~	~~15 minutes~~	~~200 contracts~~
~~Ten-Year Government of Canada Bond Futures Contracts (CGB)~~	~~15 minutes~~	~~1,500 contracts~~
~~Two-Year Government of Canada Bond Futures Contracts (CGZ)~~	~~15 minutes~~	~~500 contracts~~
~~30-Year Government of Canada Bond Futures Contracts (LGB)~~	~~15 minutes~~	~~500 contracts~~
~~Five-Year Government of Canada Bond Futures Contracts (CGF)~~	~~15 minutes~~	~~500 contracts~~
~~Options on Three-Month Canadian Bankers Acceptance Futures Contracts~~	~~15 minutes~~	~~2,000 contracts~~
~~Canadian Crude Oil Futures Contracts~~	~~15 minutes~~	~~100 contracts~~
~~Futures contracts on the FTSE Emerging Markets Index~~	~~15 minutes~~	~~100 contracts~~
~~Three-Month Canadian Bankers' Acceptance Futures Contracts quarterlies five through eight (BAX Reds)~~	~~15 minutes~~	~~1,000 contracts~~
~~Three-Month Canadian Bankers' Acceptance Futures Contracts quarterlies nine through twelve (BAX Greens)~~	~~15 minutes~~	~~500 contracts~~

2. Block trades priced at a basis to the index close (BIC)

a) Once a BIC has been arranged, in accordance with the predetermined minimum volume threshold level as determined and published by the Bourse, details of the BIC must be reported to the Bourse by contacting a market official of the Bourse's Market Operations Department at 1-888-693-6366 or at 514 871-7871 within the period of time prescribed by the Bourse. Approved P~~p~~articipants for both the seller and buyer must subsequently complete and submit a Block Trade Reporting Form as stipulated above, specifying the agreed-upon basis in lieu of the price. The Bourse will disseminate the relevant information through its website at www.m-x.ca.

b) Approved P~~p~~articipants for both the seller and buyer must also complete and submit a second Block Trade Reporting Form to the Bourse's Market Operations Department once the closing price of the relevant index has been published.

c) In addition to the agreed-upon basis, this second form must specify both the closing level of the index and the price of the BIC to the nearest 0.01 index point increment. The Bourse will disseminate the relevant information both through its website at www.m-x.ca and also through its High Speed Vendor Feed.

In accordance with article 6380 6) of the Rules of the Bourse, the following are the eligible securities and derivative instruments, the relevant prescribed time delays, the minimum volume thresholds and the second Block Trade Reporting Form filing requirements for the BIC.

Table 2: Prescribed time delays, minimum volume thresholds and second Block Trade Reporting Form filing requirements for eligible securities and derivative instruments for the execution of block trades priced at a basis to the index close (BIC)

ELIGIBLE SECURITIES AND DERIVATIVE INSTRUMENTS	PRESCRIBED TIME DELAY	MINIMUM VOLUME THRESHOLD	FILING OF SECOND BLOCK TRADE REPORTING FORM
	(As soon as practicable and in any event within the following time delay)		
Futures contracts on the FTSE Emerging Markets Index	15 minutes	100 contracts	After 9:30 p.m. GMT on the next trading day
Futures contracts on S&P/TSX indices and sectorial indices	15 minutes	100 contracts	After 4:00 p.m. ET on the same trading day

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PROCEDURES APPLICABLE TO THE EXECUTION OF STRATEGIES INVOLVING OPTIONS

1) OBJECTIVE

The objective of these procedures is to provide and facilitate the trading of strategies involving equity options for approved participants. For the purposes of these procedures, equity options also include options on indices, currencies and exchange-traded funds. Approved participants may create user-defined strategies ("**UDS**") via individual trading terminals which allow customized strategies to be disseminated and traded. When not feasible, an approved participant must contact Bourse de Montréal Inc.'s ("**Bourse**") Market Operations Department ("**MOD**") at 1 866 576-8836 or 514 871-7877 for assistance in creating or executing a UDS when applicable.

2) DESCRIPTION

<u>Creation by Approved Participant</u>

An approved participant requests the creation of a UDS instrument by sending a message to the Bourse's trading system through any of the protocols supported by the Bourse. This message contains the parameters of the strategy the approved participant wishes to display.

Bourse will determine from time to time the strategy types that will be accepted by the UDS functionality, and will notify the market of such acceptance criteria.

The UDS functionality will validate that the strategy created is among those that are accepted by the system. If accepted, the newly created strategy instrument will be broadcast to the market via Bourse's High Speed Vendor Feed ("HSVF") and the Order Book Feed ("OBF"), similar to the broadcast of any instrument. If the strategy is not accepted by the UDS functionality, an error message will be returned to the approved participant submitting the message.

A throttling mechanism is engaged in order to limit the number of strategy instruments created by an approved participant. Each approved participant is configured by MOD with a maximum number of instrument creation requests per T~~t~~rading ~~d~~Day. Bourse will determine that maximum number depending on the capacity of its systems and will notify the market of such number. If the counter falls to zero, the approved participant is not able to create any new strategy instrument on that day. Conversely, the counter is credited if a newly created strategy instrument generates at least one trade during that T~~t~~rading Day~~session~~.

<u>Creation by MOD</u>

If a strategy cannot be created using the UDS facility because it is not accepted by the Bourse's trading system, the approved participant may contact the MOD and request the creation of the UDS. The information provided by the approved participants to the MOD must include the option series involved and the quantity ratio.

If accepted, the newly created strategy instrument will be broadcast to the market via the Bourse's High Speed Vendor Feed (HSVF) and the Order Book Feed (OBF), similar to the broadcast of any instrument.

In such cases, the MOD's assistance is limited to creating the UDS. Approved participants are responsible for entering and executing the orders.

Execution by MOD

All option strategies must be executed using the Bourse's UDS facility. Notwithstanding the aforementioned, if a strategy cannot be created and broadcasted using the UDS because the strategy type is not supported by the UDS facility , or because one of the strategy legs is the ***underlying shares*** the approved participant may submit to the Bourse a strategy order for execution using the following procedure:

A) The approved participant must contact the MOD and indicate its option strategy. The information provided must include the option series involved, the quantity ratio, the price and the total quantity of the order. Approved participants must have received and time-registered their order prior to contacting the MOD. If the intended strategy includes an equity leg, the approved participant must also indicate the reference price of the underlying interest and the number of shares to be executed in the strategy.

B) The MOD will contact qualifying market makers assigned to the option class. A qualifying market maker is defined as a market maker that is showing a bid/ask market no wider than the no-bust range of that instrument, with a minimum of 10 contracts per side. The MOD will respect the following procedure:

    i) For strategies involving less than 50 contracts per leg, market makers will be contacted individually based on the market maker quoting the tightest market on the options legs comprising the strategy.

    ii) For strategies involving between 50 and 99 contracts per leg, market makers will be contacted by groups of two, according to their rank on their quotes.

    iii) For strategies involving 100 contracts or more per leg, all qualifying market makers quoting on the option legs of the strategy will be contacted.

    In the event that a strategy is comprised of multiple legs, the MOD will take into account the option with the furthest expiry to determine which participating market makers will be contacted. Qualifying market makers will be contacted and shown the strategy as submitted by the approved participant. If the market maker(s) accepts the prices provided by the MOD, the transaction will be entered and broadcast to all relevant parties (approved participants, market makers, and stock exchange, if necessary).

C) The market makers may provide responding bids, offers and quantities:

    i) If market makers choose to participate on the strategy, they must be willing to trade all parts inherent to the transaction (all series, shares) but they will not be obligated to trade the entire quantity.

    ii) If a particular market maker is not available within 15 seconds of the market supervisor of the MOD initiating the telephone call, no additional attempts to contact him will be made. The market maker should provide an answer to the MOD within approximately 30 seconds of the strategy description given by the MOD. Allowance will be made for a longer response time in the case of a particularly complex strategy. If all attempts fail the order will be rejected.

D) In some situations where the strategy cannot be executed, the MOD may inform the approved participant of the best corresponding bid/offer as well as the corresponding quantities obtained by market makers. Once the details of the transaction are negotiated and confirmed, information on the transaction will be entered into the Bourse's trading system by the MOD and broadcast to the marketplace. The strategy trade will be broadcast via the Bourse's Web site and the leg prices and volumes will be disseminated via the Bourse's data feed. If the transaction includes an equity leg and the option leg has been executed, the MOD will submit the equity portion of the strategy to the venue where the equity is traded.

Execution of Cross Transaction on Strategies Involving Options

(1) Cross Transactions with a 50% guaranteed minimum will not be accepted electronically – Please refer to the *Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions.*

(2) Cross transactions on equity options strategies **without** a 50% guaranteed minimum will be accepted electronically - Please refer to the *Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions.*

PROCEDURES APPLICABLE TO THE EXECUTION OF STRATEGIES INVOLVING FUTURES AND OPTIONS ON FUTURES

1. OBJECTIVE

The objective of these procedures is to provide for and facilitate the trading of strategies involving futures contracts and options on futures contracts from the same product group, .i.e. contracts with the same underlying ("**Intra-Group Strategies**") as well as from different product groups, .i.e. contracts with different underlyings ("**Inter-Group Strategies**"). Strategies involving futures contracts and options contracts on such futures contracts are Inter-Group Strategies. Approved participants may create user-defined Intra-Group or Inter-Group Strategies (each, a "**UDS**") via individual trading terminals which allow for customized strategies to be disseminated and traded. When not feasible, an approved participant must contact Bourse de Montréal Inc. ("**Bourse**") Market Operations Department ("**MOD**") at 1 888 693-6366 or 514 871-7871 for assistance in creating a UDS.

2. DESCRIPTION

Creation by Approved Participant

An approved participant requests the creation of a UDS instrument by sending a message to the Bourse's trading system through any of the protocols supported by the Bourse. This message contains the parameters of the strategy the approved participant wishes to display.

Bourse will determine from time to time the strategy types that will be accepted by the UDS functionality, and will notify the market of such acceptance criteria.

The UDS functionality will validate that the strategy created is among those that are accepted by the system. If accepted, the newly created strategy instrument will be broadcast in real time to the market via Bourse's High Speed Vendor Feed, similar to the broadcast of any instrument. If the strategy is not accepted by the UDS functionality, an error message will be returned to the approved participant submitting the message.

A throttling mechanism is engaged in order to limit the number of strategy instruments created by an approved participant. Each approved participant is configured by MOD with a maximum number of instrument creation requests per T~~t~~rading D~~d~~ay. Bourse will determine that maximum number depending on the capacity of its systems and will notify the market of such number. If the counter falls to zero, the approved participant is not able to create any new strategy instrument on that day. Conversely, the counter is credited if a newly created strategy instrument generates at least one trade during that T~~t~~rading Day~~session~~.

Creation by MOD

If a strategy cannot be created using the UDS facility because it is not accepted by the Bourse's trading system, the approved participant may contact the MOD and request the creation of the UDS. The UDS must conform to the acceptance criteria as determined by Bourse from time to time.

The UDS functionality will validate that the strategy created is among those that are accepted by the system. If accepted, the newly created strategy instrument will be broadcast to the market via the Bourse's High Speed Vendor Feed, similar to the broadcast of any instrument.

In such cases, the MOD's assistance is limited to creating the UDS. Approved participants are responsible for entering orders.

DAILY SETTLEMENT PRICE PROCEDURES FOR FUTURES CONTRACTS AND OPTIONS ON FUTURES CONTRACTS

1. RULE

Article 6390 of the Rules of Bourse de Montréal Inc. (the Bourse) stipulates that:

“The daily settlement price or the closing quotation are determined according to the procedures established by the Bourse for each derivative instrument.”

2. SUMMARY

FUTURES CONTRACTS AND OPTIONS ON FUTURES CONTRACTS DAILY SETTLEMENT PRICES

- These markets use the average price during the last minutes of trading, as specified for each instrument in the following procedures, so as to establish a single settlement price. These calculations are executed manually by market officials or, as the case may be, by an automated algorithm using pre-established guidelines for each product.
- The prices at which block trades, Exchange for Physical (EFP), Exchange for Risk (EFR) or Substitution transactions are arranged shall not be used to establish the open, high, low or daily settlement price.

3. OBJECTIVES

The objectives of establishing daily settlement prices are to:

- Ensure a fair and orderly market close and pricing for approved participants so that they can properly mark-to-market their positions for margin calculations and back office processing, including the clearing and settlement of their transactions ;
- Ensure that the Canadian Derivatives Clearing Corporation (CDCC) and all market participants are informed of the settlement prices.

4. DESCRIPTION

4.1 THREE-MONTH CANADIAN BANKERS' ACCEPTANCE FUTURES CONTRACTS (BAX)

The daily settlement price procedure for the Three-Month Canadian Bankers’ Acceptance Futures contract (BAX) is executed by a fully automated pricing algorithm which utilizes the parameters described in sections 4.1.1, 4.1.2 and 4.1.3 to ensure accuracy in the process.

DEFINITIONS:

"Regular orders": Orders routed by approved participants to the Montréal Exchange trading system.

"Implied orders": Orders generated by the implied pricing algorithm (using regular orders) and registered in the order book by the trading engine.

"Minimum Threshold": The applicable threshold for BAX will be:

- 150 contracts for the first four quarterly contract months ("whites");
- 100 contracts for quarterly contract months 5 to 8 ("reds"); and
- 50 contracts for quarterly contract months 9 to 12 ("greens").

4.1.1 IDENTIFICATION OF THE FRONT QUARTERLY CONTRACT MONTH

The automated daily settlement pricing algorithm identifies the front quarterly contract month from the first two quarterly contract months. The front quarterly contract month is the one, among the first two quarterly contract months, that has the largest open interest and the required market information. In the absence of both these criteria together, then the front quarterly contract month shall be determined by market officials based on available market information.

4.1.2 ALGORITHM UTILIZED FOR THE DETERMINATION OF THE DAILY SETTLEMENT PRICE OF THE FRONT QUARTERLY CONTRACT MONTH

Once the front quarterly contract month has been identified, the automated daily settlement price algorithm will determine the settlement price of the front quarterly contract month according to the following priorities: first, it will use the weighted average price of cumulated trades that meet the Minimum Threshold, during the last three minute prior to 3:00pm, or prior to 1:00pm on early closing days, on that contract month; if no such average price is available, it will then use the weighted average price of cumulated trades for a total equal to the Minimum Threshold on that contract month for a period not exceeding the last 30 minutes prior to 3:00pm, or prior to 1:00pm on early closing days. Trades resulting from both regular and implied orders will be used in the process. If no such average price is yet available, then the least variation between the bid or offer price that is not as a result of implied orders and the previous day settlement price will be used.

The settlement price must be within the bid/offer price of the individual contract provided that the bid or offer meets the Minimum Threshold of volumes required.

All volumes and orders on a spread will be weighted at 50% relative to the orders and volumes on individual contracts, whereas a butterfly spread will be weighted at 25% relative to the orders and volumes on individual contracts.

4.1.3 PROCEDURE FOR THE DETERMINATION OF THE DAILY SETTLEMENT PRICE OF THE REMAINING BAX CONTRACT MONTHS

Upon completion of the aforementioned steps, the automated daily pricing algorithm will then establish the settlement prices for all other BAX contract months sequentially. The daily settlement prices of all other BAX contract months will be based first on the last three minute outright market (resulting from regular and implied orders) prior to 3:00pm, or prior to 1:00pm on early closing days, and strategy combination traded weighted average or, if no weighted average price can be determined in this manner, the least variation between the bid or offer for booked orders.

The settlement price must be within the bid/offer price of the individual contract provided that the bid or offer meets the Minimum Threshold of volumes required.

All volumes and orders on a spread will be weighted at 50% relative to the orders and volumes on individual contracts, whereas a butterfly spread will be weighted at 25% relative to the orders and volumes on individual contracts.

4.1.4 ANCILLARY PROCEDURE

In the absence of any required items to apply the aforementioned procedure, market officials will establish the settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs close to 3:00pm, or close to 1:00pm on early closing days, and which is not compatible with a given settlement price.

In this situation, market officials will keep a record of the criteria used to establish the settlement price.

4.2 FUTURES CONTRACTS ON S&P/TSX INDICES AND ON THE FTSE EMERGING MARKETS INDEX

The settlement price shall be the weighted average of all trades during the closing range. The closing range is defined as the last minute of the T~~t~~rading Day ~~session~~ for all contract months. In the case of mini futures contracts on S&P/TSX indices, the settlement price shall be the same as the standard futures contracts on S&P/TSX indices when such standard futures contracts exist.

4.2.1 MAIN PROCEDURE

- **Booked orders**

  If there is an unfilled order with a higher bid or lower offer in an outright month, this bid or offer will override the settlement price obtained from the weighted average. The order must have been posted for 20 seconds or longer prior to the close and its size must be for a total of 10 contracts or more.

- **Last trades**

  If there are no trades in the last minute of trading, then the last trade will be taken into account while still respecting posted bids and offers in the market.

4.2.2 FIRST ANCILLARY PROCEDURE

When two contract months and the spread are trading (quarterly calendar roll), the ancillary procedure of this section will apply.

- The front month must be settled first (the establishment of the front month is based on the month with the greatest open interest).
- The spread between the two contract months must be settled next by taking into account the last minute average trading price and by examining the trades executed during the previous 10 minutes.
- The settlement price for the back month or far month is obtained by the difference between the front month settlement price and the value of the spread.

4.2.3 SECOND ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.2.1 and the ancillary procedure in 4.2.2, the following ancillary procedure will apply.

Market officials will post a settlement price that will reflect the same differential that was applied on the previous day settlement. The settlement price will be adjusted accordingly to respect that contract's previous settlement price.

4.2.4 THIRD ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.2.1 and the ancillary procedures in 4.2.2 and in 4.2.3, the following ancillary procedure will apply.

In this situation, market officials will establish the settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the Trading Day~~regular trading session~~ and which is not compatible with a given settlement price.

In this situation, market officials will keep a record of the criteria used to establish the settlement price.

4.3 GOVERNMENT OF CANADA BOND FUTURES CONTRACTS

4.3.1 MAIN PROCEDURE

The settlement price shall be the weighted average of all trades during the closing range. The closing range is defined as the last minute of trading prior to 3:00pm, or prior to 1:00pm on early closing days, for all contract months.

- **Booked orders**

  If there is an unfilled order with a higher bid or lower offer in an outright month, this bid or offer will override the settlement price obtained from the weighted average. This order must have been posted for 20 seconds or longer prior to 3:00pm, or prior to 1:00pm on early closing days, and its size must be for 10 contracts or more.

- **Last trades**

  If there are no trades in the last minute of trading, then the last trade will be taken into account while still respecting posted bids and offers in the market.

4.3.2 FIRST ANCILLARY PROCEDURE

When two contract months and the spread are trading (quarterly calendar roll), the following ancillary procedure will apply.

- The front month must be settled first (the establishment of the front month is based on the month with the greatest open interest).
- The spread between the two contract months must be settled next by taking into account the last minute average trading price prior to 3:00pm, or prior to 1:00pm on early closing days, and by examining the trades executed during the previous 10 minutes.
- The settlement price for the back month or far month is obtained by the difference between the front month settlement price and the value of the spread.

4.3.3 SECOND ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.3.1 and the ancillary procedure in 4.3.2, the following ancillary procedure will apply.

Market officials will post a settlement price that will reflect the same differential that was applied on the previous business day. The settlement price will be adjusted accordingly to respect that contract's previous settlement price.

4.3.4 THIRD ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.3.1 and the ancillary procedures in 4.3.2 and 4.3.3, the following ancillary procedure will apply.

In this situation, market officials will establish the settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs close to 3:00pm, or close to 1:00pm on early closing days, and which is not compatible with a given settlement price.

In this situation, market officials will keep a record of the criteria used to establish the settlement price.

4.4 OPTIONS ON THREE-MONTH CANADIAN BANKERS' ACCEPTANCE FUTURES CONTRACTS

4.4.1 MAIN PROCEDURE

4.4.1.1 Weighted average

The settlement price shall be the weighted average of the prices traded in the closing range (last minute of trading prior to 3:00pm, or prior to 1:00pm on early closing days). If there is, at the close, a higher bid or lower offer than the settlement price so obtained, that bid or offer shall be the settlement price.

4.4.1.2 Last trades

If no trade occurs during the closing range, the market officials will consider transactions executed during the last 30 minutes of trading prior to 3:00pm, or prior to 1:00pm on early closing days. Also, to be considered, the bids and offers shall be for a minimum of 25 contracts and shall have been posted at least one minute before 3:00pm , or before 1:00pm on early closing days, to be considered.

If no trade occurs in the closing range (or in the last 30 minutes of trading prior to 3:00pm, or prior to 1:00pm on early closing days), the settlement price shall be the theoretical price calculated by the Bourse (as described in section 4.4.2). If there is, at the close, a higher bid or lower offer than the settlement price so obtained, that bid or offer shall be the settlement price.

4.4.2 ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.4.1, the following ancillary procedure will apply.

The settlement price shall be determined by inserting the following parameters into a standard option pricing model (Black & Scholes):

Price of the underlying:

- The Bourse will capture the settlement price of the underlying BAX futures contract. This will be the price of the underlying.

Interest rate:

- The interest rate used will be the rate implied by the settlement price of the BAX futures contract nearest to expiration.

Volatility:

- The Bourse will use the implied volatility (per contract month, for puts and calls) obtained from the acting Market Maker. The same volatility will be applied for both calls and puts.

The strike price of the options' series and the time to expiration are the other parameters that will be inserted into the model.

In determining the closing price, the Bourse shall take into account the information provided by the posted strategy, for example; if the SEP 9200 straddle is 98 bid, the total of the closing prices of these two series should not be inferior to 98.

4.5 30-DAY OVERNIGHT REPO RATE FUTURES CONTRACTS (ONX)

4.5.1 MAIN PROCEDURE

The settlement price shall be the weighted average of all trades during the closing range. The closing range is defined as the last three minutes of trading prior to 3:00pm, or prior to 1:00pm on early closing days, for all contract months.

4.5.1.1 Weighted average of closing range trades

The weighted average will be derived from trades that occurred in the outright months during the closing range. The total volume traded in each outright month must be for 25 or more contracts.

4.5.1.2 Booked orders

If there is an unfilled order with a higher bid price or lower offer price in a month, this bid or offer will override the settlement price obtained from the weighted average. This order must have been posted for 15 seconds or longer prior to 3:00pm, or prior to 1:00pm on early closing days, and its size must be for a total of 25 or more contracts in each of the months.

4.5.1.3 Remaining balances of booked orders partially executed at the close

In the case of a booked order as stipulated in paragraph 4.5.1.2 above, which would be only partially executed, the trades during the closing period as well as the remaining balance of booked orders will be considered to establish the settlement price.

Example 1: If there is a booked order for 25 ONX contracts at 97.92 and 15 of those contracts are executed, the 10 remaining contracts, if they are still present on the market at the same price, will be considered to establish the required minimum of 25 contracts.

Example 2: If there is a trade of 15 ONX contracts during the closing period at 97.92 and there is a booked order bid for 10 ONX contracts at 97.91 (respecting the required time limit), the bid will be considered in addition to the trades in the closing period to establish a settlement price.

4.5.1.4 Strips and spreads

All trades and unfilled booked orders for strips and spreads related to any expiry months will be ignored.

4.5.2 FIRST ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.5.1, the following ancillary procedure will apply.

4.5.2.1 Weighted average of trades on strategies

The settlement price shall be the weighted average of the trades on the strategies traded during the last five minutes of trading prior to 3:00pm, or prior to 1:00pm on early closing days, provided the volume for the strategy taken into account was of 25 or more contracts.

4.5.2.2 Booked orders

If there is an unfilled order with a higher bid or lower offer, this bid or offer will override the settlement obtained from the weighted average described in 4.5.2.1. It has to have been posted for three minutes or longer prior to 3:00pm, or prior to 1:00pm on early closing days, and the size must be for 25 or more contracts.

4.5.3 SECOND ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.5.1 and the ancillary procedure in 4.5.2, the following ancillary procedure will apply.

4.5.3.1 Differential with the previous contract month's settlement price

The settlement price will be defined by a price that reflects an appropriate differential with the settlement price of the previous contract month always starting with the contract month closest to expiry.

4.5.3.2 Conflicts between spreads

If two spreads are in conflict, the calendar spread closest to expiry will have priority.

4.5.4 THIRD ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.5.1 and the ancillary procedures in 4.5.2 and 4.5.3, the following ancillary procedure will apply.

In this situation, market officials will establish the settlement price based on the available market information. They may also disregard any event (trade, bid or offer) which occurs close to 3:00pm, or close to 1:00pm on early closing days, and which is not compatible with a given settlement price.

In this situation, market officials will keep a record of the criteria used to establish the settlement price.

4.6 FUTURES CONTRACTS ON CARBON DIOXIDE EQUIVALENT (CO_2e) UNITS

4.6.1 MAIN PROCEDURE

The settlement price shall be the weighted average of all traded prices during the closing range. The closing range is defined as the last fifteen minutes of trading prior to 3:00pm, or prior to 1:00pm on early closing days, for all contract expiries.

- **Booked orders**

  If there is an unfilled order with a higher bid or lower offer in a particular contract expiry, this bid or offer will override the settlement price obtained from the weighted average. This order must have been posted for 20 seconds or longer prior to 3:00pm, or prior to 1:00pm on early closing days, and its size must be for 10 contracts or more.

- **Last trades**

  If there are no trades in the last fifteen minutes of trading prior to 3:00pm, or prior to 1:00pm on early closing days, then the last trade will be taken into account while still respecting posted bids and offers in the market.

4.6.2 FIRST ANCILLARY PROCEDURE

When two contracts expiries and the spread are trading (calendar roll), the following ancillary procedure will apply.

- The contract having the earliest expiry must be settled first.
- The spread between the two contracts must be settled next by taking into account the last fifteen minute average trading price prior to 3:00pm, or prior to 1:00pm on early closing days, and by examining the trades executed during the previous 30 minutes.
- The settlement price for the far-dated contracts corresponds to the difference between the settlement price of the contract having the earliest expiry and the value of the spread.

4.6.3 SECOND ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.6.1 and the ancillary procedure in 4.6.2, the following ancillary procedure will apply.

Market officials will post a settlement price that will reflect the same differential that was applied on the previous ~~trading~~ Trading ~~d~~Day. The settlement price will be adjusted accordingly to respect that contract's previous settlement price.

4.6.4 THIRD ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.6.1 and the ancillary procedures in 4.6.2 and 4.6.3, the following ancillary procedure will apply.

In this situation, market officials will establish the settlement price based on available market information. They may also disregard any event (a trade, a bid or an offer) which occurs close to 3:00pm, or close to 1:00pm on early closing days, and which is not compatible with a given settlement price.

Market officials will register in the “daily settlement price record” the criteria considered for determining the settlement price.

4.7 FUTURES CONTRACTS ON CANADIAN CRUDE OIL

The daily settlement price procedure for Futures contracts on Canadian Crude Oil is executed by a fully automated pricing algorithm which utilizes the parameters described in sections 4.7.1, 4.7.2 and 4.7.3 to ensure accuracy in the process.

DEFINITIONS:

“Regular orders”: Orders routed by approved participants to the Bourse’s trading system.

“Implied orders”: Orders generated by the implied pricing algorithm (using regular orders) and registered in the order book by the trading engine.

4.7.1 IDENTIFICATION OF THE FRONT CONTRACT MONTH

The automated daily settlement pricing algorithm identifies the front contract month from the first two contract months. The front contract month is the one, among the first two contract months, that has the largest open interest and the required market information. In the absence of both these combined criteria, the front contract month shall be determined by market officials based on available market information.

4.7.2 ALGORITHM UTILIZED FOR THE DETERMINATION OF THE DAILY SETTLEMENT PRICE OF THE FRONT CONTRACT MONTH

4.7.2.1 Main Procedure

A. Once the front contract month has been identified, the automated daily settlement price algorithm will determine the settlement price of the front contract month according to the following priorities:

1) first, it will use a weighted average price of cumulated trades executed during the last five minutes of trading prior to 3:00pm, or prior to 1:00pm on early closing days, and amounting to at least 10 contracts on that contract month;

2) if no such average price is available, it will then use the weighted average price of cumulated trades executed during the last 30 minutes of trading prior to 3:00pm, or prior to 1:00pm on early closing days, and amounting to at least 10 contracts on that contract month.

B. Trades resulting from both regular and implied orders will be used in the process.

C. If no such average price is yet available, the bid price or offer price, that is not the result of implied orders and representing the smallest variation compared to the previous day settlement price will be used.

Once the daily settlement price for the front contract month has been established, it will be verified against the booked orders and if there is a better outright bid or offer that is not resulting from implied orders, the latter will take precedence over the daily settlement price calculated as described in paragraphs 4.7.2.1 A), B) and C) above.

4.7.3 PROCEDURE FOR THE DETERMINATION OF THE DAILY SETTLEMENT PRICE OF THE REMAINING CONTRACT MONTHS

Upon completion of the aforementioned steps, the automated daily pricing algorithm will then establish the settlement prices for all other contract months sequentially. The daily settlement prices of all other contract months will be established as follows:

A. first it will use the weighted average price of transactions (resulting from regular and implied orders) and strategies executed during the last five minutes of trading prior to 3:00pm, or prior to 1:00pm on early closing days, ; or,

B. if no weighted average price can be determined in this manner, then the same variation from the previous day's settlement price as calculated for the preceding contract expiry will be applied while respecting the posted market;

4.7.4 ANCILLARY PROCEDURE

A. In the absence of the required items to apply the aforementioned procedure, market officials will establish the daily settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs close to 3:00pm, or close to 1:00pm on early closing days, and which is not compatible with a given settlement price.

B. In this situation, market officials will keep a record of the criteria used to establish the settlement price.

4.8 OVERNIGHT INDEX SWAP FUTURES CONTRACTS (OIS)

4.8.1 MAIN PROCEDURE

The settlement price shall be the weighted average of all trades during the closing range. The closing range is defined as the last three minutes of trading prior to 3:00pm, or prior to 1:00pm on early closing days, for all contract months.

4.8.1.1 Weighted average of closing range trades

The weighted average will be derived from trades that occurred in the outright months during the closing range. The total volume traded in each outright month must be for 25 or more contracts.

4.8.1.2 Booked orders

If there is an unfilled order with a higher bid price or lower offer price in a month, this bid or offer will override the settlement price obtained from the weighted average. This order must have been posted for 15 seconds or longer prior to 3:00pm, or prior to 1:00pm on early closing days, and its size must be for a total of 25 or more contracts in each of the months.

4.8.1.3 Remaining balances of booked orders partially executed at the close

In the case of a booked order as stipulated in paragraph 4.8.1.2 above, which would be only partially executed, the trades during the closing period as well as the remaining balance of booked orders will be considered to establish the settlement price.

Example 1: If there is a booked order for 25 OIS contracts at 97.92 and 15 of those contracts are executed, the 10 remaining contracts, if they are still present on the market at the same price, will be considered to establish the required minimum of 25 contracts.

Example 2: If there is a trade of 15 OIS contracts during the closing period at 97.92 and there is a booked order bid for 10 OIS contracts at 97.91 (respecting the required time limit), the bid will be considered in addition to the trades in the closing period to establish a settlement price.

4.8.1.4 Strips and spreads

All trades and unfilled booked orders for strips and spreads related to any expiry months will be ignored.

4.8.2 FIRST ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.8.1, the following ancillary procedure will apply.

4.8.2.1 Weighted average of trades on strategies

The settlement price shall be the weighted average of the trades on the strategies traded during the last five minutes of trading prior to 3:00pm, or prior to 1:00pm on early closing days, provided the volume for the strategy taken into account was of 25 or more contracts.

4.8.2.2 Booked orders

If there is an unfilled order with a higher bid or lower offer, this bid or offer will override the settlement obtained from the weighted average described in 4.8.2.1. It has to have been posted for three minutes or longer prior to 3:00pm, or prior to 1:00pm on early closing days, and the size must be for 25 or more contracts.

4.8.3 SECOND ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.8.1 and the ancillary procedure in 4.8.2, the following ancillary procedure will apply.

4.8.3.1 Differential with the previous contract month's settlement price

The settlement price will be defined by a price that reflects an appropriate differential with the settlement price of the previous contract month always starting with the contract month closest to expiry.

4.8.3.2 Conflicts between spreads

If two spreads are in conflict, the calendar spread closest to expiry will have priority.

4.8.4 THIRD ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.8.1 and the ancillary procedures in 4.8.2 and 4.8.3, the following ancillary procedure will apply.

In this situation, market officials will establish the settlement price based on the available market information. They may also disregard any event (trade, bid or offer) which occurs close to 3:00pm, or close to 1:00pm on early closing days, and which is not compatible with a given settlement price.

In this situation, market officials will keep a record of the criteria used to establish the settlement price.

4.9 CANADIAN SHARE FUTURES CONTRACTS

The settlement price shall be the weighted average of all trades during the closing range. The closing range is defined as the last minute of the T~~t~~rading Day~~session~~ for all contract months.

4.9.1 MAIN PROCEDURE

- **Booked orders**

If there is an unfilled order with a higher bid or lower offer in an outright month, this bid or offer will override the settlement price obtained from the weighted average. The order must have been posted for 20 seconds or longer prior to the close and its size must be for a total of 10 contracts or more.

- **Last trades**

If there are no trades in the last minute of trading, then the last trade will be taken into account while still respecting posted bids and offers in the market.

4.9.2 FIRST ANCILLARY PROCEDURE

When two contract months and the spread are trading (quarterly calendar roll), the ancillary procedure of this section will apply.

- The front month must be settled first (the establishment of the front month is based on the month with the greatest open interest).
- The spread between the two contract months must be settled next by taking into account the average trading price of the last minute and by examining the trades executed during the previous 10 minutes.
- The settlement price for the back month or far month is obtained by the difference between the front month settlement price and the value of the spread.

4.9.3 SECOND ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.9.1 and the ancillary procedure in 4.9.2, the following ancillary procedure will apply.

Market officials will post a settlement price that will reflect the same differential that was applied on the previous day settlement. The settlement price will be adjusted accordingly to respect that contract's previous settlement price.

4.9.4 THIRD ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.9.1 and the ancillary procedures in 4.9.2 and in 4.9.3, market officials will establish the daily settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the Trading Day~~regular trading session~~ and which is not compatible with a given settlement price.

In this situation, market officials will keep a record of the criteria used to establish the settlement price.

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