



**TO: Approved Participants
Option Contracts Principals
Equity Option Traders
Equity Option Market Makers'**

December 11, 2002

**IMPLEMENTATION OF A NEW MANUAL PROCEDURE APPLICABLE FOR THE
CANCELLATION OF "MULTIPLE CONSECUTIVE TRANSACTIONS"
ON EQUITY OPTIONS**

The Executive Committee of Bourse de Montréal Inc. (the Bourse) approved the establishment of a new manual procedure in order to resolve the problems caused by the execution of multiple consecutive transactions.

Multiple consecutive transactions are transactions executed over several consecutive seconds by one approved participant against another approved participant.

The Bourse considers that these transactions are detrimental to the normal operation and quality of the market. Consequently, some transactions will be cancelled according to article 6381 b) of Rule Six of the Bourse based on the following criteria:

Four (4) transactions within a four (4) second interval, any subsequent transaction following the fourth (4th) transaction on the same class and against the same approved participant and which is part of the "multiple consecutive transaction" will be automatically cancelled.

Example 1

No.	Class Description	Time	Broker ID
1	ABC Jan.02 Calls 22.50 @ 0.35	9:41:10	01 vs. 02
2	ABC Jan.02 Calls 25.00 @ 0.70	9:41:11	01 vs. 02
3	ABC Jan.02 Calls 27.50 @ 1.05	9:41:12	01 vs. 02
4	ABC Jan.02 Calls 30.00 @ 1.40	9:41:13	01 vs. 02
5	ABC Jan.02 Puts 22.50 @ 0.70	9:41:14	01 vs. 02
6	ABC Jan.02 Puts 25.00 @ 1.40	9:41:15	01 vs. 02
7	ABC Jan.02 Puts 25.00 @ 1.40	9:41:15	01 vs. 02

In **Example 1** all transactions starting at number five (5) will be cancelled on the same class.

Circular no.: 166-2002

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

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

Example 2

No.	Class Description	Time	Broker ID
1	ABC Jan.02 Calls 22.50 @ 0.35	9:41:10	01 vs. 02
2	ABC Jan.02 Calls 25.00 @ 0.70	9:41:11	01 vs. 02
3	ABC Jan.02 Calls 27.50 @ 1.05	9:41:12	01 vs. 02
4	ABC Jan.02 Calls 30.00 @ 1.40	9:41:13	01 vs. 02
5	ABC Jan.02 Puts 22.50 @ 0.70	9:41:14	01 vs. 02
6	ABC Jan.02 Puts 25.00 @ 1.40	9:41:15	01 vs. 02
7	ABC Jan.02 Puts 25.00 @ 1.40	9:41:15	01 vs. 02
8	ABC Jan.02 Calls 22.50 @ 0.35	9:41:18	01 vs. 02
9	ABC Jan.02 Calls 25.00 @ 0.70	9:41:22	01 vs. 02
10	ABC Jan.02 Calls 27.50 @ 1.05	9:41:23	01 vs. 02
11	ABC Jan.02 Calls 30.00 @ 1.40	9:41:25	01 vs. 02
12	ABC Jan.02 Puts 22.50 @ 0.70	9:41:26	01 vs. 02

In **Example 2** transactions starting at number five (5) through number seven (7) will be cancelled on the same class. As soon as there is a three (3) second interval between executed transactions, these transactions will not be considered as part of a “*multiple consecutive transaction*”.

Example 3

No.	Class Description	Time	Broker ID
1	ABC Jan.02 Calls 22.50 @ 0.35	9:41:10	01 vs. 02
2	ABC Jan.02 Calls 25.00 @ 0.70	9:41:10	01 vs. 02
3	ABC Jan.02 Calls 27.50 @ 1.05	9:41:10	01 vs. 02
4	ABC Jan.02 Calls 30.00 @ 1.40	9:41:11	01 vs. 02
5	ABC Jan.02 Puts 22.50 @ 0.70	9:41:12	01 vs. 02
6	ABC Jan.02 Puts 20.00 @ 1.40	9:41:13	01 vs. 02
7	ABC Jan.02 Puts 17.50 @ 0.35	9:41:13	01 vs. 02
8	ABC Jan.02 Calls 15.00 @ 0.70	9:41:13	01 vs. 02

In **Example 3** all transactions starting at number five (5) will be cancelled limiting the amount of transactions in any one (1) particular “*multiple consecutive transaction*” to four (4) transactions per class.

All subsequent transactions on any line on the identical class by the same approved participant resulting after four (4) consecutive transactions against any individual market maker will be cancelled provided a market supervisor is advised within one (1) minute of the fifth (5th) execution.

At the present time, each market maker has the responsibility to quote on all call and put series per equity option class that have been listed for trading by the Bourse. This new procedure will reduce the total amount of risk that a market maker will be exposed to when quoting on multiple series of calls and puts per equity option class.

For additional information, please contact Richard Bourbonnière, Vice-President, Market Operations, 1-888-693-6366 or (514) 871-3548.

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