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**CIRCULAR**  
November 25, 2005

**AMENDMENTS TO ARTICLE 7203 OF THE RULES OF  
BOURSE DE MONTRÉAL INC.**

**MARGIN AND CAPITAL REQUIREMENTS FOR  
MONEY MARKET MUTUAL FUNDS**

The Rules and Policies Committee of Bourse de Montréal Inc. (the Bourse) has approved amendments to article 7203 of the Rules of the Bourse dealing with margin and capital requirements applicable to securities that are not listed on an exchange. These amendments become effective immediately.

The main purpose of the amendments made to article 7203 of the Rules of the Bourse is to reduce from 50 percent to 5 percent the margin rate required for positions in money market mutual funds, as defined in Part 1.1 of National Instrument 81-102 regarding mutual funds, held in approved participant accounts and client accounts. This reduction of the margin rate required on positions in money market mutual fund securities allows a better reflection of the risk related to such positions. It also allows to harmonize the Rules of the Bourse with the corresponding regulations of the Mutual Fund Dealers Association of Canada.

For further information, please contact Mr. Jacques Tanguay, Vice-President, Regulatory Division, at (514) 871-3518, or by e-mail at [jtanguay@m-x.ca](mailto:jtanguay@m-x.ca).

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

Encl.

Circular no.: 174-2005  
Amendment no.: 010-2005

**7203 Unlisted Securities**

(01.04.93, 18.02.00, 13.09.05, 25.11.05)

- a) The following unlisted securities may be carried on margin on the same basis as prescribed for listed securities:
- securities of Canadian banks;
  - securities of insurance companies licensed to do business in Canada;
  - securities of Canadian trust companies;
  - other senior securities of already listed companies;
  - unlisted securities in respect of which application has been made to list on a recognized stock exchange in Canada and approval has been given subject to the filing of relevant documents and of satisfactory evidence of distribution may be carried on margin for a period not exceeding 90 days from the date of such approval;
  - securities which qualify as legal for investment by Canadian life insurance companies, without recourse to the "basket clause";
  - all securities listed on the Nasdaq Stock Market<sup>sm</sup> (Nasdaq National Market® and The Nasdaq SmallCap Market<sup>sm</sup>).
- b) Where securities of mutual funds qualified by prospectus for sale in any province or territory of Canada are carried in a client or firm account, the margin required must be:
- i) 5% of the market value of the fund, where the fund is a money market mutual fund as defined in Part 1.1 of National Instrument 81-102 regarding mutual funds; or
  - ii) the margin rate determined on the same basis as for listed stocks multiplied by the market value of the fund.
- c) The minimum margin required on all other unlisted securities not mentioned above must be as follows:

**Long Positions**

**Margin Required**

100% of market value

**Short Positions**

**Credit Required**

Securities trading at \$0.50 or more

200% of market value

Securities trading at less than \$0.50

Market value plus \$0.50 per share