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| <input checked="" type="checkbox"/> | Trading – Interest Rate Derivatives | <input checked="" type="checkbox"/> | Back-office - Options |
| <input checked="" type="checkbox"/> | Trading – Equity and Index Derivatives | <input checked="" type="checkbox"/> | Technology |
| <input checked="" type="checkbox"/> | Back-office – Futures | <input checked="" type="checkbox"/> | Regulation |

CIRCULAR
October 27, 2006

**REPORTS OF TRANSACTIONS ON OVER-THE-COUNTER OPTIONS AND
OF POSITIONS HELD IN THESE OPTIONS**

On October 18, 2006, Bourse de Montréal Inc. (the Bourse) informed its approved participants of the implementation, effective October 19, 2006, of certain amendments to articles 9501 and 9511 of the Rules of the Bourse regarding over-the-counter options (see circular no. 173-2006).

Any regulatory amendment made by the Bourse must, before being implemented, be formally approved by the Autorité des marchés financiers (AMF). When the AMF issues a decision confirming its approval of the regulatory amendments proposed by the Bourse, such decision can include some conditions.

In its decision relating to the above-mentioned regulatory amendments, the AMF has included, among other things, conditions to be complied with by the Bourse as follows¹ (see AMF October 20, 2006 weekly Bulletin, Vol. 3, no. 42, page 12 at <http://www.cvmq.com/Upload/bulletin/v03n42.pdf> - available in French language only) :

- 1. the Bourse shall provide to the AMF a quarterly statistical report of over-the-counter option transactions reported by approved participants. This report shall provide, for each approved participant, a) the number of over-the counter option transactions; b) the number of contracts represented by these transactions; c) the proportion of these contracts which have specifications that are significantly different from the specifications of options issued by the Canadian Derivatives Clearing Corporation (CDCC), such proportion having to be indicated for each specification; and d) the proportion of the over-the-counter transactions that are cleared by CDCC. These quarterly reports shall be submitted within the ten business days following the end of each quarter and for as long as the AMF will determine; and*
- 2. the Bourse shall provide to the AMF a quarterly report presenting the Bourse's analysis of compliance or non-compliance with the provisions of articles 9501 and 9511 regarding the terms of over-the-counter options transactions and the Bourse's conclusion of such analysis. These quarterly reports shall be submitted within the ten business days following the end of each quarter and for as long as the AMF will determine;*

Circular no.: 180-2006

¹ The original text of the AMF decision was drafted in French only and the AMF has not issued any official translation. The text reproduced above was translated by the Bourse uniquely for the purpose of this circular and is not an official translation. In case of discrepancy between the above translated text and the French language AMF original decision text, the latter shall have precedence.

In order to allow the Bourse to comply in the best way possible with the above-mentioned conditions, the Bourse has made some modifications to the bi-monthly report that approved participants must provide to the Bourse for over-the-counter transactions, whether these transactions are made for their own account or for the accounts of clients. A copy of the new format of this report is attached as an appendix. This new format shall be used from **October 31, 2006** by all approved participants submitting this type of report to the Bourse.

Approved participants of the Bourse are reminded that they have an obligation, pursuant to paragraph g) of article 9501 and paragraph d) of article 9511 of the Rules of the Bourse, to report to the Bourse, upon closing of business on the fifteenth and on the last days of each month all over-the-counter options transactions made during the relevant period.

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Encl.