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

CIRCULAR
December 18, 2008

REQUEST FOR COMMENTS

NEW PRODUCT
MINI FUTURES CONTRACTS ON THE S&P/TSX COMPOSITE INDEX (SCF)

The Rules and Policies Committee of Bourse de Montréal Inc. (the Bourse) has approved additions and modifications to Rules Six and Fifteen of the Bourse's Rules as well as corresponding amendments to the relevant procedures. These additions and modifications will facilitate the launch of a new derivative product on the S&P/TSX composite index, which will be entitled the "Mini Futures Contract on the S&P/TSX Composite Index" (the SCF contract) and will be listed under the symbol "SCF".

Comments on the implementation of the proposed SCF contract must be submitted within 30 days following the date of publication of the present notice in the bulletin of the Autorité des marchés financiers (the Autorité). Please submit your comments to:

Ms. Joëlle Saint-Arnault
Vice-President, Legal Affairs and Secretary
Bourse de Montréal Inc.
Tour de la Bourse
P.O. Box 61, 800 Victoria Square
Montréal, Quebec H4Z 1A9
E-mail: legal@m-x.ca

A copy of these comments shall also be forwarded to the Autorité to:

Ms. Anne-Marie Beaudoin
Director – Secretariat of L'Autorité
Autorité des marchés financiers
800 Victoria Square, 22nd Floor
P.O. Box 246, Tour de la Bourse
Montréal (Quebec) H4Z 1G3
E-mail: consultation-en-cours@lautorite.qc.ca

Circular no.: 251-2008

Appendices

For your information, you will find in appendices an analysis document of the proposed new product, the proposed regulatory text as well as the amended procedures. The implementation date of the proposed new product will be determined by the Bourse, following approval by the Autorité.

Process for Changes to the Rules

Bourse de Montréal Inc. is authorized to carry on business as an exchange and is recognized as a self-regulatory organization (SRO) by the Autorité des marchés financiers (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 its Rules. The Rules of the Bourse are submitted to the Autorité according to the *Procédure d'examen et d'approbation des règles de Bourse de Montréal Inc. par l'Autorité des marchés financiers*.

In its SRO capacity, the Bourse assumes market regulation and supervision responsibilities of its approved participants. The responsibility for regulating the market and the approved participants of the Bourse comes under the Regulatory Division of the Bourse (the Division). The Division carries on its activities as a distinct business unit separate from the other activities of the Bourse.

The Division is under the authority of a Special Committee appointed by the Board of Directors of the Bourse. The Special Committee is empowered to recommend to the Board of Directors the approval or amendment of some aspects of the Rules of the Bourse governing approved participants, among which, the Rules relating to margin and capital requirements. The Board of Directors has delegated to the Rules and Policies Committee of the Bourse its powers to approve or amend these Rules with recommendation from the Special Committee. These changes are submitted to the Autorité for approval.

NEW PRODUCT
MINI FUTURES CONTRACTS ON THE
S&P/TSX COMPOSITE INDEX (SCF)

Addition of new articles to Rule Fifteen (Sections 15971 - 15995, Mini Futures Contracts on the S&P/TSX Composite Index (SCF))

Amendments to articles 6801, 6802, 6803, 6804, 6807, 6808 and 6812 of Rule Six and article 15001 of Rule Fifteen

Modifications to the Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions, the Procedures Applicable to the Execution and Reporting of Exchange for Physical (EFP), Exchange for Risk (EFR) and Substitution of OTC Derivative Instruments for Futures Contracts Transactions, the Daily Settlement Price Procedures for Futures Contracts and Options on Futures Contracts, and the Procedures for the Cancellation of Trades

Introduction

Bourse de Montréal Inc. (the Bourse) intends to launch a new derivative product on the S&P/TSX composite index, which will be entitled the "Mini Futures Contracts on the S&P/TSX Composite Index" (the SCF contract) and will listed under the symbol "SCF".

I. Proposed Regulatory Amendments

The Bourse proposes to add new articles 15971 - 15995 to Rule Fifteen and to amend article 15001 of Rule Fifteen as well as to amend articles 6801, 6802, 6803, 6804, 6807, 6808 and 6812 of Rule Six. In addition, the Bourse proposes amending the following procedures:

- Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions
- Procedures Applicable to the Execution and Reporting of Exchange for Physical (EFP), Exchange for Risk (EFR) and Substitution of OTC Derivative Instruments for Futures Contracts Transactions
- Daily Settlement Price Procedures for Futures Contracts and Options on Futures Contracts
- Procedures for the Cancellation of Trades

All these additions and amendments to the Rules and Procedures will facilitate the listing and trading of the SCF contracts on the Bourse's electronic trading platform.

II. Rationale

In light of investor interest for the introduction of a small-sized Canadian stock index futures contract and the growing trend internationally to list smaller-sized index futures contracts, the Bourse plans to introduce a cash settled mini futures contract on the S&P/TSX Composite Stock Index.

Several factors support the rationale to list the SCF contract by the Bourse:

- **Investor interest:** Positive feedback from investors confirms market interest to list on the Bourse a smaller-sized futures contract on the S&P/TSX Composite Index.

- **No Bourse derivative products listed on the S&P/TSX Composite Index:** The Bourse does not currently provide product coverage on the S&P/TSX Composite Index, widely recognized as the main benchmark index for the overall stock market performance in Canada.

- **Index benchmarking and tracking error:** There is approximately C$48 billion that is indexed to the S&P/TSX Composite Index and investors that are benchmarked to the S&P/TSX Composite Index are using over-the-counter (OTC) index derivatives on the S&P/TSX Composite Index to hedge their risk exposure since they must deal with tracking error (difference in investment returns) with derivatives based on the S&P/TSX 60 Index.

- **Trading opportunities:** The listing of an index futures contract on the S&P/TSX Composite Index would permit market participants to arbitrage the market by trading the spread between the S&P/TSX 60 Index Futures contract (the SXF contract), which is currently listed on the Bourse, and the proposed SCF contract.

- **High margin requirements with the SXF contracts:** Margin requirements for the larger-sized SXF contract are too high. As a result, it is limiting the ability to distribute the product to a wider user base, specifically investors with reduced capital. Presently, margin requirements for the SXF contract are C$26,500 and represent 27% of the contract value of C$98,000 (as at November 21, 2008). Within the context of the current credit crisis, the banking sector's more limited ability to extend credit has raised the cost of borrowing and reduced the availability of credit to market participants. This situation is adversely impacting smaller market participants that want to manage their risk exposure to Canadian stocks using an index futures contract that is adapted for their needs. The introduction of a smaller sized stock index futures contract addresses this issue and allows the Bourse to extend the distribution of its stock index derivatives products by targeting a new user base.

- **International trend to list mini sized stock index futures:** There is a worldwide trend to list and trade miniature (mini) versions of the larger sized established contracts on stock index futures contracts. There are currently 10 international exchanges offering a combined total of 21 mini-sized index futures contracts that trade alongside their larger-sized parent contracts. The contract sizes (contract value) of the mini-sized versions of these index futures contracts range anywhere between one-half to one-tenth the size of the corresponding larger sized parent contracts.

III. Detailed Analysis

A. The S&P/TSX Composite Index

The S&P/TSX Composite has been the premier indicator of market activity and principal broad market measure for Canadian equity markets since its introduction in 1977. The index covers approximately 87% of the market capitalization for Canadian-based, Toronto Stock Exchange listed companies and is widely recognized as the barometer for the overall stock market performance in Canada. The index serves the basis for numerous sub-indices, which break down the Canadian market by different factors including size, Global Industry Classification Standard (GICS®) and income trust inclusion versus non-inclusion. The

Canadian S&P/TSX indices are calculated and managed by Standard & Poor's, and the Toronto Stock Exchange is the owner and distributor of all S&P/TSX equity index data.

The S&P/TSX Composite Index is a capitalization weighted index composed of 244 constituent stocks with a total market capitalization of C$1.4 trillion (float adjusted market capitalization of C$1.2 trillion) as at September 30, 2008. The weighting of constituents in the S&P/TSX Composite Index is determined by the float adjusted market capitalization of each stock.

The S&P/TSX Composite Index serves the dual purpose of a benchmark and an investable index for Canadian pension funds and mutual market funds. The index is designed to offer the representation of a broad benchmark index while maintaining the liquidity characteristics of narrower indices—making the index ideal for portfolio management and index replication. Approximately C$48 billion is indexed to the S&P/TSX Composite Index as at September 30, 2008.

The S&P/TSX Composite Index includes common stocks and income trust units. Constituents of the S&P/TSX Composite are also members of the S&P/TSX 60, the S&P/TSX Completion, The S&P/TSX Small Cap and/or the suite of indices which include income trusts (the S&P/TSX Income Trust, the S&P/TSX REIT, and the S&P/TSX Energy Trust). The S&P/TSX Composite is maintained by the S&P/TSX Canadian Index Committee (the Index Committee), which comprises a team of seven, including four members from Standard & Poor's, and three from the Toronto Stock Exchange.

Index methodology

The Index Committee follows a set of published guidelines for maintaining the index. Complete details of these guidelines, including the criteria for index additions and removals, policy statements, and research papers are available on its Web site at www.indices.standardandpoors.com.

These guidelines provide the transparency required and fairness needed to enable investors to replicate the index and achieve the same performance as the S&P/TSX Composite Index. The Index Committee reviews constituents quarterly to ensure adequate market capitalization and liquidity. Both criteria are assessed using the previous twelve months' worth of data. Quarterly review changes take effect after the close on the third Friday of March, June, September, and December. The weighting of constituents in the S&P/TSX Composite Index is determined by the float adjusted market capitalization of each stock. Every index constituents' float adjustment is reviewed on a quarterly basis.

Eligibility criteria for index inclusion

- **Listing:** Only stocks listed on the Toronto Stock Exchange are considered for inclusion in any of the S&P/TSX indices.

- **Domicile:** Only securities which are Canadian incorporated, established in the case of income trusts, or formed in the case of limited partnerships, under Canadian federal, provincial, or territorial jurisdictions are eligible.

- **Market capitalization:** Stocks are assessed based on their float adjusted market capitalization. A company's float adjusted market capitalization is calculated by removing control blocks of 10% or more. To be eligible for inclusion in the S&P/TSX Composite Index, a security must have a minimum weight representation of 0.05% in the index.

- **Liquidity:** Only stocks that are actively and regularly traded are considered for inclusion in any of the S&P/TSX indices. A stock's liquidity (float turnover) is measured relative to liquidity thresholds. As a general guideline, only stocks with a float turnover exceeding 0.25 are considered for inclusion in the S&P/TSX Composite Index. The float turnover is defined as the dollar value traded of the stock divided by its float adjusted market capitalization.

Criteria for index deletions

- Companies that no longer meet the criteria for index maintenance.

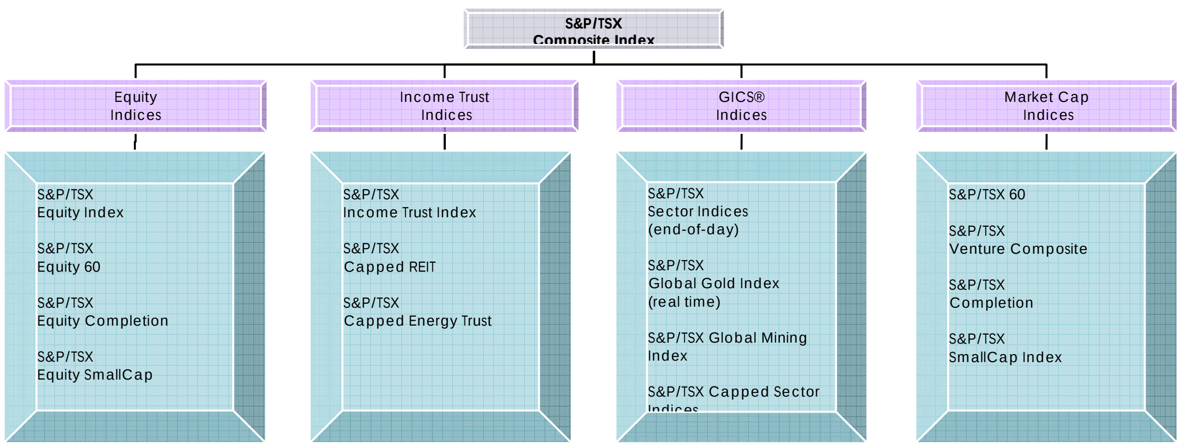
- Companies involved in mergers, acquisitions, or significant restructuring such that they do not qualify for inclusion.

Index rebalancing

The Index Committee reviews the index on a quarterly basis (March, June, September and December) and all index securities that, in the opinion of the Index Committee, do not meet liquidity requirements (evaluated on the basis of trading volume, trading days activity and float turnover) will be removed. Securities to be added, if any, are selected according to the eligibility criteria for index additions.

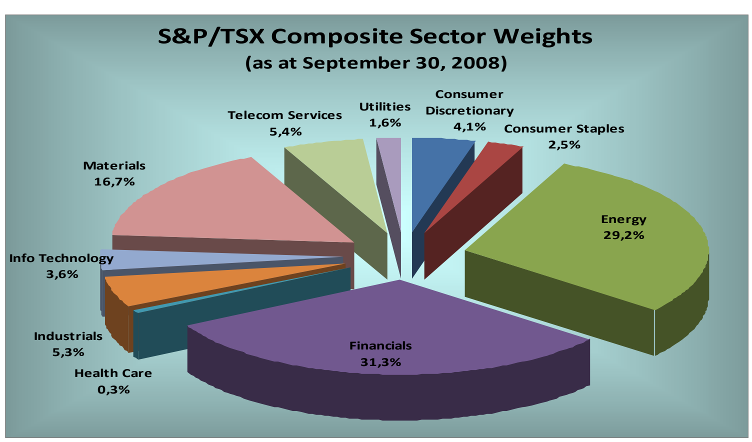
Index rebalancing occurs on a quarterly basis. Intra-quarter changes are made on an as needed basis. Changes occur in response to corporate actions and market developments.

The family of S&P/TSX indices



Index Sector Classification and Index Sector Weights

The S&P/TSX Composite Index provides a diversified exposure to the different sectors of the Canadian stock market. Constituent stocks of the S&P/TSX Composite Index are classified by the Global Industry Classification Standard (GICS®). Standard & Poor's indices provide geographic and economic balance across the 10 GICS® Sectors. These Sectors, consistent across all Standard & Poor's indices, are Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Telecommunication Services and Utilities.



Source: Standard & Poor's

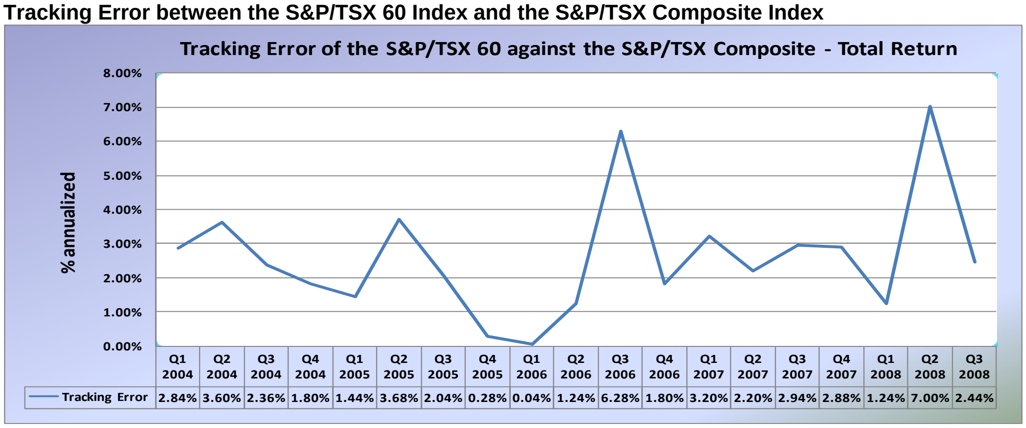
Index Tracking Error and Index Correlation Comparisons – S&P/TSX Indices

There is approximately C$48 billion that is indexed to the S&P/TSX Composite Index and investors that are benchmarked to the S&P/TSX Composite Index must deal with tracking error (difference in investment returns) if they are using derivatives based on the S&P/TSX 60 Index to hedge their risk exposure.

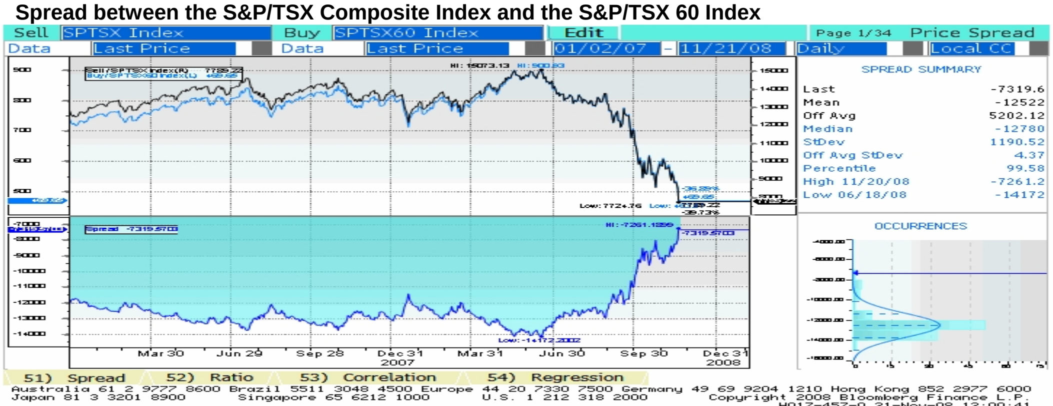
We observe that there are large differences in the investment returns (measured on a total return basis which includes dividends) between Canada's two main benchmark indices. The tracking error was as high as 7% on annualized basis for the second quarter of 2008. In addition, the spread (price spread or the relative index levels) between the two indices has narrowed considerably since May 2008.

- **Tracking error is an important measure of**:
  - Hedging efficiency – hedging using stock index futures.
  - Tracking benchmarks – participants whose performance is based on select benchmarks.
  - Trading relative value positions – pairs trading between indices (spread trading between two indices)

Tracking Error between the S&P/TSX 60 Index and the S&P/TSX Composite Index



Spread between the S&P/TSX Composite Index and the S&P/TSX 60 Index



Source: Bloomberg L.P.

- **Correlation**
  - The correlation (R^2) of the S&P/TSX 60 Index against the S&P/TSX Composite Index is less than perfect at 89%—correlation of daily returns for the period covering January 2007 to September 2008. Consequently, portfolio managers that are indexed to the S&P/TSX Composite Index may find the proposed SCF contract more efficient to hedge risk compared to the SXF contract.
  - The S&P/TSX Composite Index exhibits a higher correlation to the S&P/TSX Mid Cap and S&P/TSX Small Cap indices in comparison to the S&P/TSX 60 Index— making the SCF contract a better choice for those portfolio managers who seek to more effectively hedge their exposure to midcap and small stocks.

Correlation Matrix of S&P/TSX Indices
Correlation of Daily Returns for the Period of January 2007 to September 2008

1) Edit | S&P/TSX Index Matrix

12/31/2006 - 09/30/2008 | Daily | Calculation | R2 | Local CCY

<Filter> R2 Matrix (8 Rows x 8 Columns)

Security	TSX	TSX 60	MID	SMALL	GOLD	FIN	ENGY	IT
11) TSX	1.000	0.889	0.357	0.221	0.012	0.023	0.544	0.298
12) TSX 60	0.889	1.000	0.088	0.024	0.022	0.025	0.789	0.149
13) MID	0.357	0.088	1.000	0.948	0.002	0.677	0.001	0.421
14) SMALL	0.221	0.024	0.948	1.000	0.008	0.703	0.013	0.272
15) GOLD	0.012	0.022	0.002	0.008	1.000	0.077	0.021	0.002
16) FIN	0.023	0.025	0.677	0.703	0.077	1.000	0.232	0.291
17) ENGY	0.544	0.789	0.001	0.013	0.021	0.232	1.000	0.003
18) IT	0.298	0.149	0.421	0.272	0.002	0.291	0.003	1.000

B. International Benchmarking of Mini-Sized Index Futures Contracts

There is a worldwide trend to list and trade miniature (mini) versions of the larger sized established contracts on stock index futures contracts. There are currently 10 international exchanges offering a combined total of 21 mini-sized index futures contracts that trade alongside their larger-sized parent contracts. The contract sizes (contract value) of the mini-sized versions of these index futures contracts range anywhere between one-half to one-tenth the size of the corresponding larger sized parent contract.

- **Comparison with other markets**
  - Table I summarizes the contract sizes (contract values) and margin requirements of major international exchanges which already offer smaller-sized stock index futures contracts.
  - Table II summarizes the contract sizes and margin requirements of the Bourse's SXF contract (listed in September 1999) and the proposed SCF contract.

Table I: International Comparison of Selected Mini-Stock Index Futures Contracts

	CME S&P 500	CME Mini S&P 500	CME Nasdaq 100	CME Mini Nasdaq 100	CBOT Dow Jones	CBOT Mini Dow Jones	Osaka Nikkei 225	Osaka Mini Nikkei 225
Contract Multiplier	**250**	**50**	**100**	**20**	**10**	**5**	**1 000**	**100**
Contract Value (local currency)	**US$198,000**	**US$39,600**	**US$109,000**	**US$21,800**	**US$80,500**	**US$40,250**	**¥7,800,000**	**¥780,000**
Contract Value (in C$)	**C$251,500**	**C$50,300**	**C$138,500**	**C$27,700**	**C$102,200**	**C$51,100**	**C$103,200**	**C$10,320**
Tick Value	**US$25**	**US$12.50**	**US$25**	**US$5**	**US$10**	**US$5**	**¥10,000**	**¥500**
Margin Requirements (Speculator)	**US$30,940**	**$6,188**	**US$20,000**	**US$4,000**	**US$11,250**	**US$5,625**	**¥1,200,000**	**¥120,000**

Note: data as at November 21, 2008
Source: Bloomberg L.P.

Table II: Comparison of the Bourse's Stock Index Futures Contracts

	SXF S&P/TSX 60 Index	SCF S&P/TSX Composite Index
Contract Multiplier	200	5
Contract Value (local currency)	C$98,000	C$40,800
Contract Value (in C$)	C$98,000	C$40,800
Tick Value	C$20	C$5
Margin Requirements (Speculator)	C$26,600	TBD -

Note: data as at November 21, 2008
* S&P/TSX Composite Index Futures contract proposed by the Bourse

IV. Proposed product

A. Mini Futures Contract on the S&P/TSX Composite Index

The proposed SCF contract is designed after the contract characteristics of the SXF contract and the various other international stock index futures contracts. The functional and operational characteristics of the proposed contract are the same as the SXF contract listed on the Bourse.

- **Salient features:**

  - The SCF contract is cash settled against the opening level of the underlying S&P/TSX Composite Index on the third Friday of the expiration month. The opening level of the S&P/TSX Composite Index (spot index) is provided by Standard and Poor's.

  - The trading unit (contract multiplier) is C$5 times the price level of the SCF contract (for a contract value of C$40,800 as at November 21, 2008).

  - The minimum price fluctuation (tick size) of the SCF contract is 1 index point equivalent to a value of C$5 per tick for one contract.

B. Contract Design Considerations

The main issue under consideration in the design of the SCF contract is the contract multiplier.

The rationale to establish the contract multiplier at $5 (contract value of approximately of C$41,000) is to:

- Create a stock index futures contract that is small enough to attract investors and/or speculators who find the current margin requirements prohibitive.

- Create a contract size that is equally attractive to institutional investors by making the contract cost effective to use for hedging purposes.

C. Potential Users of the SCF Contract

- Portfolio managers that are benchmarked to the S&P/TSX Composite Index who are currently using OTC index derivatives based on the S&P/TSX Composite Index to hedge their risk exposure.

- Investors who would like to trade a smaller sized index futures contract based on Canadian stocks and who find the current margin requirements on the SXF contract prohibitive.

- Speculators, proprietary traders and hedge funds to manage directional trading and to execute spread trades against other benchmark broad based stock indexes and sector indices.

V. Summary of the Proposed Amendments to the Rules of the Bourse

The current Rules of the Bourse do not allow for the listing of the SCF contract. As a result, amendments and additions to Rules Six and Fifteen of the Bourse are necessary to allow for the listing of the SCF contract. In addition, the Bourse proposes to amend the following procedures: the Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions, the Procedures Applicable to the Execution and Reporting of Exchange for Physical (EFP), Exchange for Risk (EFR) and Substitution of OTC Derivative Instruments for Futures Contracts Transactions as well as the Daily Settlement Price Procedures for futures contracts and Options on Futures Contracts and the Procedures for the cancellation of trades.

A – Articles 6801, 6802, 6803, 6804, 6807, 6808 and 6812 of Rule Six

It is proposed to amend articles 6801, 6802, 6803, 6804, 6807, 6808 and 6812 of Rule Six of the Bourse in order to add the trading specifications of the SCF contract.

B – Article 15001 of Rule Fifteen

It is proposed to amend article 15001 of Rule Fifteen of the Bourse in order to add the SCF contract to the instruments that can be traded on the Bourse's electronic trading platform.

C – Articles 15971 to 15995 of Rule Fifteen

It is proposed to add articles 15971 to 15985, 15986 to 15990 and 15991 to 15995 to Rule Fifteen of the Bourse in order to add specific trading and settlement provisions applicable to the SCF contract.

Procedures Applicable to the Execution of Cross Transactions and Prearranged Transactions

The Bourse proposes that the Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions (PCPT) be amended so that the prescribed exposure time delays which must occur at or between the current best bid and the current best offer available in the electronic system of the Bourse and the minimum quantity thresholds for the SCF contract be established in accordance with article 6380 of the Bourse's Rules. The prescribed time delay for the SCF contract will be set at:

i) 0 seconds for a minimum quantity threshold equal to or greater than 100 contracts or more, or
ii) 5 seconds for a minimum quantity threshold less than 100 contracts.

These modifications are in accordance with the established thresholds for other permissible futures contracts on S&P/TSX indices identified in the PCPT. As the Bourse's S&P/TSX index futures product line is expanding and given that the aforementioned Procedure is standardized for this instrument group, the PCPT have been adjusted accordingly. A more generic terminology has been used in the PCPT to include the SCF contract as well as all the other S&P/TSX index derivatives.

Procedures Applicable to the Execution and Reporting of Exchange for Physical (EFP), Exchange for Risk (EFR) and Substitution of OTC Derivative Instruments for Futures Contracts Transactions

The Bourse also proposes to amend the Procedures Applicable to the Execution and Reporting of Exchange for Physical (EFP), Exchange for Risk (EFR) and Substitution of OTC Derivative Instruments for Futures Contracts Transactions (Procedures for EFP-EFR-SUB) so that the requirements related to these operations in the SCF contract be in accordance with article 6815 of the Bourse's Rules.

Based on the requirements of article 6815 and the Procedures for EFP-EFR-SUB, the SCF contract has been added to the list of eligible instruments for these types of operations.

Daily Settlement Price Procedures of Futures Contracts and Options on Futures Contracts

The Bourse proposes to amend the Daily Settlement Price Procedures for Futures Contracts and Options on Futures Contracts (DSPP) so that the requirements related to the daily settlement prices of the SCF contract be in accordance with article 6390 of the Bourse's Rules.

Based on the requirements of article 6390 and of the DSPP, the SCF contract has been integrated in the "Futures contracts on S&P/TSX Indices" section (section 4.2 of the DSPP). As the Bourse's S&P/TSX index futures product line is expanding and given that the aforementioned Procedure is standardized for this instrument group, the DSPP have been adjusted accordingly. A more generic terminology has been used in the DSPP to include the SCF contract as well as all the other S&P/TSX index derivatives.

Procedures for the Cancellation of Trades

The Bourse proposes to amend the Procedures for the Cancellation of Trades (PCT) so that the requirements for SCF trade cancellations be in accordance with articles 6303, 6381, 6382, 6383, 6384 and 6385 of the Bourse's Rules.

Based on the requirements of articles 6303, 6381, 6382, 6383, 6384 and 6385 and of the PCT, the SCF contract has been included in the "Futures contracts on S&P/TSX indices" section. As the Bourse's S&P/TSX index futures product line is expanding and given that the aforementioned Procedure is standardized for this instrument group, the PCT have been adjusted accordingly. A more generic terminology has been used in the PCT to include the SCF contract as well as all the other S&P/TSX index derivatives.

The increment parameter of the PCT has been modified to 1% of the fair market value of these futures contracts thus reflecting the increment in a relative basis instead of an absolute basis (previously, the increment was established at 4 index points) consequently fitting the contract size of each concerned S&P/TSX futures contract. This practice is more fair and precise for the purpose of this procedure.

In addition, the Bourse has made corrections in the French version of the procedures as follows: in the table, *"Options sur contrats à termes sur indice – S&P/TSX – premiers trois mois à échéance rapprochée"* and *"Options sur indice – S&P/TSX – deux prochains mois trimestriels"* have been modified by taking out the reference to *"sur contrats à terme".* In both sections, it should be written: *"Options sur indice – S&P/TSX…..".* This modification is necessary to harmonize with the concerned product's structure (as per contract specifications) and to harmonize with the English version of these procedures.

Terms and conditions for margin requirements

The Rules of the Bourse do not specify any amounts regarding margins applicable to futures contracts listed on the Bourse. These margins are revised periodically (at least once a month) by the Bourse based on the margin intervals calculated by CDCC and transmitted to approved participants by means of circular. The SCF contract will be subject to the same updates as the one applicable to all futures contracts on S&P/TSX indices.

Terms and conditions for position limits

The terms and conditions for the position limit for the SCF contract are found in Article 15977 of Rule Fifteen. Considering the current level of 30,000 contracts (for all gross long or gross short positions in all contract months combined) as the position limit for SXF contracts as a basis for comparison, the Bourse recommends that the position limit for the SCF contract should be established at a ratio proportionate to the value (contract size) of the SXF contract. Hence, given that the SXF contract value is C$98,000 (as at November 21, 2008) and that the contract value of the proposed SCF contract is C$40,800 (as at November 21, 2008), it is proposed that the position limit for the SCF contract be established at a level that represents a multiple of approximately 2.4 times the position limit of 30,000 contracts established for the SXF contract as defined in Article 15708 of Rule Fifteen.

Terms and conditions for reporting limit

The terms and conditions for the reporting limit of the SCF contract are found in Article 15978 of Rule Fifteen. Considering the current position reporting level of 1,000 contracts (for all gross positions combined) on the SXF contract as a basis for comparison, the Bourse recommends that market participants must report, no later than three business days following the last business day of each week, any gross long or gross short position in excess of 1,000 contracts in the case of the SCF contracts.

VI. Objective of the Proposed Amendments to the Rules of the Bourse

The objectives of the proposed amendments to articles 6801, 6802, 6803, 6804, 6807 and 6808 of Rule Six and to article 15001 of Rule Fifteen of the Bourse as well as to the relative Procedures (as described above) and of the addition of articles 15971 - 15985, 15986 -15990 and 15991 - 15995 to Rule Fifteen are to:

i) Allow the introduction of the SCF contract; and
ii) Establish the specifications of the SCF contract.

VII. Public Interest

The amendments and additions to the Rules of the Bourse are proposed in order to make the use of the SCF contract accessible and efficient for the market participants who have expressed their support for such contracts.

VIII. Process

The proposed amendments to Rules Six and Fifteen of the Bourse as well as to the procedures have been approved by the Bourse's Rules and Policies Committee. They are submitted to the Autorité des marchés financiers (AMF) for approval and published for a 30-day comment period. The modifications are transmitted to the Ontario Securities Commission (OSC) for information.

IX. Documents Attached

- Rule Six of Bourse de Montréal Inc.: amendments to articles 6801, 6802, 6803, 6804, 6807 and 6808, and 6812;

- Rule Fifteen of Bourse de Montréal Inc.: addition of new sections 15971 to 15985, 15986 to 15990 and 15991 to 15995 and amendment to article 15001

- Specifications for the mini futures contract on the S&P/TSX Composite Index (SCF)

- Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions

- Procedures Applicable to the Execution and Reporting of Exchange for Physical (EFP), Exchange for Risk (EFR) and Substitution of OTC Derivative Instruments for Futures Contracts Transactions

- Daily Settlement Price Procedures for Futures Contracts and Options on Futures Contracts

- Procedures for the Cancellation of Trades

S&P/TSX Composite Index Mini Futures Contract (SCF)

Specifications

Underlying	The S&P/TSX Composite index is a capitalization-weighted index designed to measure the market activity of stocks listed on the Toronto Stock Exchange.
Trading Unit	C$5 times the level of the S&P/TSX Composite Index Mini futures.
Contract Months	March, June, September and December.
Price Quotation	Quoted in index points.
Minimum Price Fluctuation	1 index points for outright positions and for calendar spreads
Last Trading Day	The trading day preceding the Final Settlement Day.
Final Settlement Day	The 3rd Friday of the contract month, providing it be a business day; if not, the 1st preceding business day.
Settlement	Cash settlement. The final settlement price is the Official Opening Level of the underlying index on the Final Settlement Day.
Reporting Level	1 000 contracts net long or short in all contract months combined. As specified in Rule Fifteen of the Bourse.
Position Limits	72 000 contracts. As specified in Rule Fifteen of the Bourse.
Minimum Margin Requirements	As specified in Rule Nine of the Bourse.
Price Limits / Trading Halt	A trading halt in the index futures contract will be invoked in conjunction with the triggering of "circuit breakers" in the underlying stocks.
Trading Hours	9:30 a.m. to 4:15 p.m. (ET)
Clearing Corporation	Canadian Derivatives Clearing Corporation (CDCC).
Ticker Symbol	SCF

D. SPECIAL RULES FOR TRADING FUTURES CONTRACTS

Section 6801 - 6820
Terms of Trade
Futures

6801 Standard Trading Unit
(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 29.04.02, 14.06.02, 03.05.04, 24.07.06, 16.11.07, 30.05.08, XX.XX.XX)

No futures contract shall be traded on the Bourse unless it has standardized terms and is issued by the appropriate clearing corporation in cooperation with the Bourse.

Unless otherwise determined by the Bourse, each trading unit shall consist of the following:

a) in the case of the 30-day overnight repo rate futures:

a nominal value of CAN$5,000,000.

b) in the case of the 1-month Canadian bankers' acceptance futures:

a nominal value of CAN$3,000,000 of 1-month Canadian bankers' acceptances.

c) in the case of the 3-month Canadian bankers' acceptance futures:

a nominal value of CAN$1,000,000 of 3-month Canadian bankers' acceptances.

d) i) in the case of the 2-year Government of Canada Bond futures:

CAN$100,000 nominal value of a notional Government of Canada Bond bearing a coupon of 6%.

ii) in the case of the December 2006 2-year Government of Canada Bond futures and for subsequent contract months:

CAN$200,000 nominal value of a notional Government of Canada Bond bearing a coupon of 4%.

e) in the case of the 5-year Government of Canada Bond futures:

CAN$100,000 nominal value of a notional Government of Canada Bond bearing a coupon of 6%.

f) in the case of the 10-year Government of Canada Bond futures:

CAN$100,000 nominal value of a notional Government of Canada Bond bearing a coupon of 6%.

g) in the case of the 30-year Government of Canada Bond futures:

CAN$100,000 nominal value of a notional Government of Canada Bond bearing a coupon of 4%.

h) in the case of the futures contract on the S&P/TSX 60 ~~Stock~~ Index:

CAN $200 times the S&P/TSX 60 ~~Stock~~ Index futures contract level.

i) in the case of the mini futures contract on the S&P/TSX Composite Index:

CAN $5 times the level of the S&P/TSX Composite Index mini futures.

~~i~~j) in the case of the futures contract on designated S&P/TSX sectorial stock indices:

The Bourse, in consultation with the Canadian Derivatives Clearing Corporation, shall establish the unit of trading for each futures contract that has been approved for trading.

~~j~~k) in the case of the futures contract on Canadian and international stocks:

The Bourse, in consultation with the Canadian Derivatives Clearing Corporation, shall establish the unit of trading for each futures contract that has been approved for trading.

~~k~~l) in the case of the futures contract on carbon dioxide equivalent (CO_2e) units with physical settlement:

100 carbon dioxide equivalent (CO_2e) units. Each unit is an entitlement to emit one metric ton of carbon dioxide equivalent (CO_2e).

~~l~~m) in the case of the futures contract on carbon dioxide equivalent (CO_2e) units with cash settlement:

100 carbon dioxide equivalent (CO_2e) units. Each unit is an entitlement to emit one metric ton of carbon dioxide equivalent (CO_2e).

6802 Price
(24.01.86, 22.04.88, 08.09.89, 17.10.91, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 14.06.02, 03.05.04, 30.05.08, XX.XX.XX)

a) During the life of a contract, only the price per unit of physical commodity is negotiable.

b) The price for any particular delivery month of a contract is determined by the bids and offers made on the Bourse, subject to the regulations.

c) Unless otherwise determined by the Bourse, the price shall be quoted as follows:

Government of Canada Bond futures	Per CAN$100 nominal value
30-day overnight repo rate futures	In terms of an index of 100 minus the monthly average overnight repo rate in percentage point on an annual basis for a 365-day year
1-month Canadian bankers' acceptance futures	In terms of an index of 100 minus the yield in percentage point on an annual basis for a 365-day year on 1-month Canadian bankers' acceptances

3-month Canadian bankers' acceptance futures	In terms of an index of 100 minus the yield in percentage point on an annual basis for a 365-day year on 3-month Canadian bankers' acceptances
Futures contract on the S&P/TSX ~~60 Stock Index~~Indices	In index points~~,~~. ~~expressed to two decimal points. One point equals CAN $200~~
Canadian share Futures Contract	In CAN cents and dollars per share
International Share Futures Contract	In unit(s) of International currency per share
Futures contract on carbon dioxide equivalent (CO_2e) units with physical and cash settlement	In CAN dollars and cents per metric ton of carbon dioxide equivalent (CO_2e)

6803 Currency
(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 14.06.02, 03.05.04, 30.05.08, XX.XX.XX)

Trading, clearing, settlement and delivery shall be in the currency designated by the Bourse and unless otherwise determined shall be as follows:

30-day overnight repo rate futures	CAN Dollars
1-month and 3-month Canadian bankers' acceptance futures	CAN Dollars
Government of Canada Bond futures	CAN Dollars
Futures contract on the S&P/TSX ~~60 Stock Index~~ Indices	CAN Dollars
Canadian share futures Contract	CAN Dollars
Futures contract on carbon dioxide equivalent (CO_2e) units with physical and cash settlement	CAN Dollars
International share futures contracts	International currency

6804 Futures Contracts Expiries
(24.01.86, 22.04.88, 08.09.89, 16.04.92, 27.07.94, 19.01.95, 11.03.98, 07.09.99, 31.01.01, 14.06.02, 03.05.04, 30.05.08, XX.XX.XX)

Unless otherwise determined by the Bourse, contract expiries shall be as follows:

30-day overnight repo rate futures	Monthly and quarterly contract months
1-month Canadian bankers' acceptance futures	The first 6 consecutive months
3-month Canadian bankers' acceptance futures	Quarterly months in the March, June, September and December cycle as well as monthly expirations in the January, February, April, May, July, August, October and November cycle
Government of Canada Bond futures	Quarterly months in the March, June, September and December cycle
Futures contract on the S&P/TSX ~~60 Stock Index~~Indices ~~and futures contracts on S&P/TSX sectorial stock indices~~	Quarterly months in the March, June, September and December cycle
Share futures contracts	Quarterly months in the March, June, September and December cycle as well as selected monthly expirations in January, February, April, May, July, August, October and November cycle
Futures contract on carbon dioxide equivalent (CO_2e) units with physical settlement	Daily, monthly, quarterly and annual expiries
Futures contract on carbon dioxide equivalent (CO_2e) units with cash settlement	Daily, monthly, quarterly and annual expiries

6807 Minimum Price Fluctuations
(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 29.04.02, 14.06.02, 15.10.02, 03.05.04, 17.11.04, 01.12.06, 30.05.08, XX.XX.XX)

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

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

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

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

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

c) Government of Canada Bond futures Contracts — a minimum of 0.005 per $100 nominal value

d)	Futures contract on the S&P/TSX 60 ~~Stock~~ Index	0.01 index point equivalent to CDN $2 per contract
e)	Mini Futures contract on the S&P/TSX Composite Index	1 index point
~~e~~f)	Canadian share futures contract	A minimum of $0.01 CDN per Canadian share
~~f~~g)	International share futures contracts	At a minimum of the corresponding unit of fluctuation used by the market on which the underlying stock is traded
~~g~~h)	Futures contracts on S&P/TSX sectorial stock indices	0.01 index point
~~h~~i)	Futures contract on carbon dioxide equivalent (CO_2e) units with physical settlement	A minimum of $0.01 CDN per metric ton of carbon dioxide equivalent (CO_2e)
~~i~~j)	Futures contract on carbon dioxide equivalent (CO_2e) units with cash settlement	A minimum of $0.01 CDN per metric ton of carbon dioxide equivalent (CO_2e)

6808 Price Limits / Trading halts
(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 14.06.02, 03.05.04, 24.07.06, 30.05.08, XX.XX.XX)

The Bourse shall establish for each contract a maximum price limit with respect to the previous day's settlement price and there shall be no trading above or below that limit except as provided below. Unless otherwise determined by the Bourse, the daily price limits shall be as follows:

a) 30-day overnight repo rate futures: NIL

b) 1-month and 3-month Canadian bankers' acceptance futures: NIL

c) Government of Canada Bond futures:

Trading is prohibited during any day at a price higher or lower by more than 3 points, than:

i) the settlement price for such futures contract on the previous business day; or

ii) the average of the opening range or the first trade, during the first day of trading in a futures contract; or

iii) the price established by the Bourse in an inactive contract.

d) Futures contract~~s~~s on the S&P/TSX ~~60 Stock Index and futures contract on S&P/TSX sectorial stock indices~~ Indices:

i) Trading halts

Trading halts on the futures contracts on the S&P/TSX ~~Stock~~ Indices shall be coordinated with the trading halt mechanism of the underlying stocks. In accordance with Policy T-3 of the Bourse entitled "Circuit Breaker", a trading halt of the futures contracts shall be triggered only in conjunction with the triggering of circuit breakers set in coordination with the New York Stock Exchange and The Toronto Stock Exchange.

ii) Resumption of Trading

In the event that trading in the securities market resumes after a trading halt, trading in the S&P/TSX Index futures contracts shall resume only after a percentage (as determined by the Bourse from time to time) of the stocks underlying the S&P/TSX Indices have re-opened.

e) Canadian share futures contract

i) Trading halts

Trading halts on Canadian share futures contract shall be coordinated with the trading halt mechanism of the underlying stocks. In accordance with Policy T-3 of the Bourse entitled "Circuit Breaker", a trading halt of the futures contract shall be triggered in conjunction with the triggering of circuit breakers set in coordination with the New York Stock Exchange and The Toronto Stock Exchange.

f) International share futures contract

In the event that a recognized exchange suspends trading in the underlying share of a share futures contract, then the Bourse may determine a course of action in relation to the share futures contract, including, but not limited to, the suspension or halting in the trading of the contract.

g) Futures contract on carbon dioxide equivalent (CO_2e) units with physical and cash settlement

NIL

6812 Last Day of Trading
(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, XX.XX.XX)

Unless otherwise determined by the Bourse, the business day on which trading for each contract will terminate shall be as follows:

a) 30-day overnight repo rate futures:

last business day of the contract month.

b) 1-month and 3-month Canadian Bankers' Acceptance futures:

i) at 10:00 a.m. (Montréal time) on the second London (Great Britain) bank business day immediately preceding the third Wednesday of the contract month;

ii) if the day as determined by sub-paragraph i) is an exchange or bank holiday in Toronto or Montréal, futures trading shall terminate on the previous bank business day.

c) 5-year and 10-year Government of Canada Bond futures:

on the 7th business day preceding the last business day of the delivery month.

d) Futures contract of the S&P/TSX 60 ~~Stock~~ Index:

the exchange traded day preceding the final settlement day as defined in article 15721 of the Rules.

e) Mini futures contract o~~f~~n the S&P/TSX Composite Index:

the exchange traded day preceding the final settlement day as defined in article 15986 of the Rules.

~~e~~f) Canadian Share Futures Contracts:

at 4:00 p.m. (Montréal time) on the third Friday of the contract month or if not a business day, the first preceding business day.

~~f~~g) International Share Futures Contract:

the last day of trading on International share futures contracts shall coincide with the last day of trading of the corresponding stock index futures contract traded on a recognized exchange for which the underlying stock is a constituant, or such other day as prescribed by the Bourse.

~~g~~h) Futures Contracts on S&P/TSX sectorial stock indices:

the exchange traded day preceding the final settlement day as defined in article 15771 of the Rules.

~~h~~i) Futures contract on carbon dioxide equivalent (CO_2e) units with cash settlement:

the third business day preceding the last business day of the contract expiry. For contracts with daily expiries, the last day of trading is the first trading day of the contract.

~~i~~j) Futures contract on carbon dioxide equivalent (CO_2e) units with physical settlement:

the third business day preceding the last business day of the contract expiry. For contracts with daily expiries, the last day of trading is the first trading day of the contract.

RULE FIFTEEN
FUTURES CONTRACTS SPECIFICATIONS

Section 15001 - 15050
General Provisions

15001 Scope of Rule
(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 14.06.02, 03.05.04, 16.11.07, 30.05.08, XX.XX.XX)

This Rule is limited in application to futures trading of the following instruments:

a) the overnight repo rate;

b) 1-month Canadian bankers' acceptance;

c) 3-month Canadian bankers' acceptance;

d) 2-year Government of Canada Bond;

e) 5-year Government of Canada Bond;

f) 10-year Government of Canada Bond;

g) 30-year Government of Canada Bond;

h) the S&P/TSX 60 ~~Stock~~ Index;

i) the S&P/TSX Composite Index;

~~i~~j) designated S&P/TSX sectorial stock indices;

~~j~~k) Canadian and International stocks;

~~k~~l) Carbon dioxide equivalent (CO_2e) units.

The procedures for dealing with clients, trading, clearing, settlement, delivery and any other matters not specifically covered herein shall be governed by the regulations of the Bourse and the General Regulations of the clearing corporation.

15002 Definitions
(24.01.86, 22.04.88, 08.09.89, 19.01.95, 07.09.99)

In this Rule, unless the subject matter or context otherwise require:

"Exchange"
means The Montreal Exchange.

"Clearing Corporation"
means the Canadian Derivatives Clearing Corporation (CDCC).

"Governing Committee"
means the Governing Committee of the Exchange.

"Pit Committee"
means a committee constituted by virtue of article 6821 of Rule Six.

"Business Day"
means a day when the Exchange is open for trading.

"Member"
means a Mercantile member or an Exchange member.

SECTION 15971 - 15995
Mini Futures Contract
on S&P/TSX Composite Index
(XX.XX.XX)

Sub-section 15971 - 15985
Specific Trading Provisions

15971 Contract Months
(XX.XX.XX)

The contract months for trading in index futures contracts shall be as indicated in article 6804 of Rule Six.

15972 Trading Unit
(XX.XX.XX)

The unit of trading for the mini futures contracts on the S&P/TSX Composite Index shall be as follows:

CAN $5 times the S&P/TSX Composite Index level.

15973 Currency
(XX.XX.XX)

Trading, clearing and settlement shall be in Canadian dollars.

15974 Price Quotation
(XX.XX.XX)

Bids and offers for the mini futures contracts on the S&P/TSX Composite Index shall be quoted in terms of index points. One point equals CAN $5.

15975 Price Fluctuation Unit
(XX.XX.XX)

Price fluctuation unit shall be as defined in article 6807 of the Rules.

15976 Price Limits/Trading Halts
(XX.XX.XX)

Price limits are indicated in article 6808 of the Rules.

15977 Position Limits
(XX.XX.XX)

The maximum number of net long or net short positions in all contract months combined in index futures contracts which a person may own or control in accordance with article 14157 of the Rules shall be as follows:

72,000 contracts

or such other position limits as may be determined by the Bourse.

In establishing position limits, the Bourse may apply specific limits to one or more rather than all approved participants, if deemed necessary.

Approved participants may benefit from the exemption for a bona fide hedger in accordance with article 14157 of the Rules.

15978 Reporting Limit
(XX.XX.XX)

Approved participants shall report to the Bourse all positions which, when combining all contract expiries, exceed 1,000 index futures contracts, or such other number as may be determined by the Bourse, in such form and in such manner as shall be prescribed by the Bourse.

15979 Delivery
(XX.XX.XX)

Delivery of the index futures contracts shall be by cash settlement through the CDCC. The settlement procedures are stipulated in articles 15986 to 15990 of the Rules.

Sub-section 15986 - 15990
Settlement Procedures

15986 Final Settlement Day
(XX.XX.XX)

The final settlement day shall be the third Friday of the expiration contract month or, if the S&P/TSX Composite Index is not published on that day, the first preceding trading day for which the Index is scheduled to be published.

15987 Final Settlement Price
(XX.XX.XX)

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 trading 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.

15988 Failure to Perform
(XX.XX.XX)

Any failure on the part of a buyer or seller to conform to the aforementioned Rules of settlement shall result in the imposition of such penalties and/or damages as may be determined from time to time by the Bourse.

Sub-section 15991 - 15995
Disclaimer

15991 Limitation of Standard & Poor's Liability Disclaimers
(XX.XX.XX)

STANDARD AND POOR'S, A DIVISION OF THE MCGRAW-HILL COMPANIES, INC. (S&P), LICENSES BOURSE DE MONTREAL INC. TO USE VARIOUS S&P TSX INDICES (« INDICES ») IN CONNECTION WITH THE TRADING OF FUTURES EXCHANGE-TRADED CONTRACTS AND OPTIONS ON FUTURES EXCHANGE-TRADED CONTRACTS AND OPTIONS EXCHANGE-TRADED CONTRACTS BASED UPON SUCH INDICES. S&P, ITS AFFILIATES AND THEIR THIRD PARTY LICENSORS SHALL HAVE NO LIABILITY FOR ANY DAMAGES, CLAIMS, LOSSES OR EXPENSES CAUSED BY ANY ERRORS, OMISSIONS OR DELAYS IN CALCULATING OR DISSEMINATING THE INDICES.

S&P, ITS AFFILIATES AND THEIR THIRD PARTY LICENSORS MAKE NO REPRESENTATION OR WARRANTY REGARDING THE ADVISABILITY OF INVESTING IN SECURITIES GENERALLY OR THE ABILITY OF ANY OF THE INDICES TO TRACK GENERAL STOCK MARKET PERFORMANCE. S&P, ITS AFFILIATES AND THEIR THIRD PARTY LICENSORS HAVE NO OBLIGATION TO TAKE THE NEEDS OF THE TRADERS OF FUTURES EXCHANGE-TRADED CONTRACTS, OPTIONS ON FUTURES EXCHANGE-TRADED CONTRACTS, OPTIONS EXCHANGE-TRADED CONTRACTS IN DETERMINING, COMPOSIING OR CALCULATING THE INDICES.

NEITHER S&P, ITS AFFILIATES NOR THEIR THIRD PARTY LICENSORS GUARANTEE THE ADEQUACY, ACCURACY TIMELINESS, OR COMPLETENESS OF THE INDICES OR ANY DATA INCLUDED THEREIN OR ANY COMMUNICATIONS, INCLUDING, BUT NOT LIMITED TO, ORAL OR WRITTEN COMMUNICATIONS (INCLUDING ELECTRONIC COMMUNICATIONS) WITH RESPECT THERETO. S&P, ITS AFFILIATES AND THEIR THIRD PARTY LICENSORS SHALL NOT BE SUBJECT TO ANY DAMAGES OR LIABILITY FOR ANY ERRORS, OMISSIONS OR DELAYS IN CALCULATING OR DISSEMINATING THE INDICES. NEITHER S&P, ITS AFFILIATES NOR THEIR THIRD PARTY LICENSORS MAKE ANY REPRESENTATION, WARRANTY, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY ANY PERSON OR ANY ENTITY FROM THE USE OF THE INDICES OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE TRADING OF FUTURES EXCHANGE-TRADED CONTRACTS, OPTIONS ON FUTURES EXCHANGE-TRADED CONTRACTS, OPTIONS EXCHANGE-TRADED CONTRACTS, OR ANY OTHER USE. S&P, ITS AFFILIATES AND THEIR THIRD PARTY LICENSORS MAKE NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE INDICES OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL S&P, ITS AFFILIATES OR THEIR THIRD PARTY LICENSORS BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES (INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, TRADING LOSSES, LOST TIME OR GOOD WILL), EVEN IF THEY HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, AND IRRESPECTIVE OF THE CAUSE OF ACTION, WHETHER IN CONTRACT, TORT, STRICT LIABILITY OR OTHERWISE.

THE "S&P" MARKS ARE TRADEMARKS OF THE MCGRAW-HILL COMPANIES, INC. AND HAVE BEEN LICENSED FOR USE BY BOURSE DE MONTREAL INC. THE "TSX" MARKS ARE TRADEMARKS OF THE TSX INC. AND HAVE BEEN LICENSED FOR USE BY BOURSE DE MONTREAL INC.

Montréal Exchange

PROCEDURES APPLICABLE TO THE EXECUTION OF CROSS TRANSACTIONS AND THE EXECUTION OF PREARRANGED TRANSACTIONS

In accordance with the provisions of article 6380 of the Rules of Bourse de Montréal Inc. (the Bourse) regarding the execution of cross transactions and prearranged transactions, the following are the eligible products, the prescribed exposure time delays between the input of two orders and the minimum quantity thresholds.

ELIGIBLE PRODUCTS	PRESCRIBED TIME DELAY	MINIMUM QUANTITY THRESHOLD
Three-month Canadian Bankers' Acceptance Futures Contracts (BAX):		
1st four quarterly months – not including serial months	5 seconds	No threshold
Remaining expiry months and strategies	15 seconds	No threshold
Thirty-day Overnight "Repo" Rate Futures Contracts (ONX):		
Front month	5 seconds	No threshold
Remaining expiry months and strategies	15 seconds	No threshold
Government of Canada Bond Futures Contracts:		
All expiry months and strategies	5 seconds	No threshold
Futures Contracts on S&P/TSX indices~~Canada 60Index Futures Contracts (SXF)~~		
All expiry months	0 second	≥100 contracts
All expiry months and strategies	5 seconds	<100 contracts
Carbon Dioxide Equivalent (CO_2e) Units Futures Contracts:		
All expiry months and strategies	5 seconds	No threshold
Options on Three-month Canadian Bankers' Acceptance Futures Contracts (OBX):		
All expiry months and strategies	0 second	≥250 contracts
All expiry months and strategies	5 seconds	< 250 contracts

ELIGIBLE PRODUCTS	PRESCRIBED TIME DELAY	MINIMUM QUANTITY THRESHOLD
Equity and Currency Options		
All expiry months	0 second	≥100 contracts
All expiry months	5 seconds	< 100 contracts
Index Options		
All expiry months	0 second	≥50 contracts
All expiry months	5 seconds	< 50 contracts

Chronological priority of orders must be respected with regards to the posting of the originating order first, when executing a cross or prearranged transaction.

The market participant must ensure that all existing orders in the central order book, regardless of the type of orders, which are at limit prices better than or equal to the cross or prearranged transaction price are executed before completing such transaction.

Equity Options, Index Options and Currency Options Contracts

Cross transactions and prearranged transactions can only be executed in accordance with one of the following procedures:

Procedure with a prescribed time delay for a quantity smaller than the eligible quantity threshold

A market participant wishing to execute a cross or a prearranged transaction must enter the order into the trading system for the total intended transaction quantity. The participant must then respect a delay equal to the prescribed time delay before executing an offsetting transaction on the residual quantity.

The **residual quantity** is the portion of the original quantity remaining after orders entered in the book with limit prices better than or equal to the intended transaction price have been filled. If no orders have been executed, the residual quantity is equal to the original intended transaction quantity.

Procedure without a prescribed time delay for a quantity equal to or greater than the eligible quantity threshold

If a market participant has a cross or prearranged order between the bid and ask:

- the participant can use a specific system function to enter a zero-second cross; or
- the participant can enter one side of the order and immediately trade against it if he wishes that the trade be executed directly on the market (with the possibility of execution risk).

Note: The bundling of orders to meet the admissible minimum quantity threshold is not permitted.

Transactions with a 50% guaranteed minimum

If a market participant wishes to execute a cross or a prearranged transaction on an option strategy, he must contact a market official and provide details of the intended transaction: total quantity, price, side(s) of the transaction on which the approved participant is required to give priority.

Market makers will be permitted to participate on the transaction up to a total maximum of 50% of the quantity of the intended transaction.

The market participant will be permitted to execute the transaction for the remaining quantity (a minimum of 50% plus any quantity not taken of the 50% that had been offered to the market makers.)

MISCELLANEOUS

Eligible products, their respective minimum quantity thresholds and time delays will be modified from time to time in order to take into account the evolution of the trading environment and operational practices of the Bourse. A circular will be issued by the Bourse every time a modification or revision is made to either one of these criteria.

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 procedure 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 this procedure. Any violation of the requirements set forth in articles 6815 and 6815A of the Rules of the Bourse and in this procedure 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 currently permits EFP transactions on the following futures contracts: 30-Year Government of Canada Bond Futures contract (LGB), Ten-Year Government of Canada Bond Futures contract (CGB), Two-Year Government of Canada Bond Futures contract (CGZ), S&P/TSX stock ~~Canada 60~~ Index ~~F~~futures contracts (SXF~~,~~, ~~CXF~~SCF, ~~), sectorial index futures contracts (~~SXA, SXB, SXH and SXY) and futures contracts on carbon dioxide equivalent (CO_2e) units.

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 currently permits EFR transactions on the following futures contracts: Government of Canada Bond futures contracts (LGB, CGB and CGZ), short-term interest rate futures contracts (BAX and ONX), stock index futures contracts (SXF, ~~CX~~SCF, SXA, SXB, SXH and SXY) and futures contracts on carbon dioxide equivalent (CO_2e) units.

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 futures contract being exchanged. Approved participants who are parties to an EFP, EFR or Substitution transaction may be required to demonstrate that the cash market component of such an EFP or the risk component of such an EFR or Substitution and the futures contract position are sufficiently correlated to make the transaction acceptable to the Bourse.

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.

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 (LGB, CGB and CGZ):** all maturities of Government of Canada fixed income bonds that are reasonably correlated to the futures contract being exchanged. Approved participants involved in an EFP transaction may be required to demonstrate that the related cash bond position and the futures contract position are reasonably correlated.

- **For stock index futures contracts (SXF,, ~~-~~ ~~CX~~SCF and sectorial indexes):** stock baskets must be reasonably correlated to the underlying index with a correlation coefficient (R^2) 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 (iShares™) 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

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^2) of 0.80 or more) to the futures contract being substituted. Approved participants involved in a Substitution transaction may be required to demonstrate that the related over-the-counter derivative instrument and the futures contract position are reasonably correlated.

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 Monitoring 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 Monitoring Department the EFP / EFR / Substitution reporting form prescribed by the Bourse. This form is available on the Web sites of the Bourse at http://www.m-x.ca/efp_formulaire_en.php and at http://www.mcex.ca/trading_transactionReportForm 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 session of the futures contract involved in the transaction, the EFP / EFR / Substitution reporting form must be submitted immediately upon the execution of the transaction. If the EFP, EFR or Substitution transaction is made after the closing of the trading session, the EFP / EFR / Substitution reporting form must be submitted no later than 10:00 a.m. (Montréal time) on the next trading day.

If the EFP / EFR / Substitution reporting form is not accurately filled out with all the relevant information required by the Market Monitoring Department of the Bourse, the transaction will not be approved neither recorded in SAM and the approved participant will have to resubmit a new EFP / EFR / Substitution reporting form correctly completed.

Once correctly completed EFP / EFR / Substitution reporting forms have been received, the Market Monitoring 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 this procedure. In case of refusal, the Market Monitoring 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 Monitoring 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 this procedure.

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^2 = 0.90 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^2 = 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 $R^2 = 0.80$ 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

Bonds used in an EFR transaction must have the following characteristics:

- fixed coupon rate;
- bullet maturity issue (a coupon paying bond with no repayment of principal until maturity);
- no embedded optionality or early redemption features;
- an ISIN code;
- fixed principal amount;
- denominated in the currency of a G7 member country.

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

- be reasonably correlated to the index underlying the futures contract with an $R^2 = 0.90$ 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.

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

2.1 FUTURES CONTRACT AND OPTIONS ON FUTURES CONTRACT DAILY SETTLEMENT PRICES

- These markets use an average price during the last minutes of trading 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:

- 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.

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.

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 last three minute weighted average price of cumulated trades amounting to at least 50 contracts on that contract month; if no such average price is available, it will then use the last 30 minute weighted average price of cumulated trades amounting to at least 50 contracts on that contract month and if no such average price is yet available, then the least variation between the bid or offer price and the previous day settlement price will be used.

Once the daily settlement price for the front quarterly contract month has been established, it will be verified against the booked orders and if there is a better outright bid or offer, the latter will take precedence over the daily settlement price calculated as described in the paragraph above.

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 and strategy combination traded weighted average or, if no weighted average price can be determined in this manner, the least variation between the bid and offer for booked orders.

4.2 FUTURES CONTRACTS ON S&P/TSX ~~CANADA~~ ~~60~~IND~~EX~~ICES ~~FUTURES CONTRACTS~~ ~~(SXF)~~

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 trading session for all contract months.

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 Trade***

  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.

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

4.3 TEN-YEAR GOVERNMENT OF CANADA BOND FUTURES CONTRACTS (CGB)

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 the trading session 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 the close and its size must be for 10 contracts or more.

- ***Last Trade***

  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 contracts 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 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 near the end of the regular trading session 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.

4.4 THIRTY-YEAR GOVERNMENT OF CANADA BOND FUTURES CONTRACTS (LGB)

4.4.1 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 the trading session 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 the close and its size must be for 10 contracts or more.

- ***Last Trade***

  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.

4.4.2 FIRST ANCILLARY PROCEDURE

When two contracts 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 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.

4.4.3 SECOND ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.4.1 and the ancillary procedure in 4.4.2, 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.

4.4.4 THIRD ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.4.1 and the ancillary procedures in 4.4.2 and 4.4.3, 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 regular trading session 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.

4.5 OPTIONS ON THREE – MONTH CANADIAN BANKERS' ACCEPTANCE FUTURES CONTRACTS (OBX)

4.5.1 MAIN PROCEDURE

4.5.1.1 Weighted Average

The settlement price shall be the weighted average of the prices traded in the closing range (last minute of trading). 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.

4.5.1.2 Last Trades

If no trade occurs during the closing range, the market officials will consider transactions executed during the last 30 minutes of trading. 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 the close to be considered.

If no trade occurs in the closing range (or in the last 30 minutes of trading), the settlement price shall be the theoretical price calculated by the Bourse (as described in section 4.5.2). 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.

4.5.2 ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.5.1, 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 spread market, 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.

4.6 30-DAY OVERNIGHT REPO RATE FUTURES CONTRACTS (ONX)

4.6.1 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 the trading session for all contract months.

4.6.1.1 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.

4.6.1.2 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 the close and its size must be for a total of 25 or more contracts in each of the months.

4.6.1.3 Remaining Balances of Booked Orders Partially Executed at the close

In the case of a booked order as stipulated in paragraph 4.6.1.2 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.

4.6.1.4 Strips and Spreads

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

4.6.2 FIRST ANCILLARY PROCEDURE

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

4.6.2.1 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 provided the volume for the strategy taken into account was of 25 or more contracts.

4.6.2.2 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 4.6.2.1. It has to have been posted for three minutes or longer prior to the close and the size must be for 25 or more contracts.

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.

4.6.3.1 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.

4.6.3.2 Conflicts between spreads

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

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 the available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session 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 TWO-YEAR GOVERNMENT OF CANADA BOND FUTURES CONTRACT (CGZ)

4.7.1 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 the trading session for all contracts 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 30 seconds or longer prior to the close and its size must be for 20 contracts or more.

- ***Remaining Balances of Booked Orders***

  In the case of a booked order as stipulated in the above paragraph which would only be partially executed during the closing period and if no other trade has occurred during the closing period, the remaining unexecuted balance of this order will be considered to establish the closing price.

  In the absence of an average price during the closing range, the reference period will be extended to the last 10 minutes of the trading session.

4.7.2 FIRST ANCILLARY PROCEDURE

When two contracts 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 contracts months must be settled next by taking into account the last three minutes average trading price and by examining the trades executed during the previous 10 minutes.

- ***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 30 seconds or longer prior to the close and its size must be for 20 contracts or more.

- ***Remaining Balances of Booked Orders***

  In the case of a booked order as stipulated in the above paragraph which would only be partially executed during the closing period and if no other trade has occurred during the closing period, the remaining unexecuted balance of this order will be considered to establish the closing price.

  The settlement price for the back month is obtained by the difference between the front month settlement price and the value of the spread.

4.7.3 SECOND ANCILLARY PROCEDURE

In the absence of any trade during the last 10 minutes of the trading session, the following ancillary procedure will apply.

The settlement price for the front month will be the median of the market posted at the closing of the market. Bids and offers have to have been posted for 30 seconds or longer prior to the close and the size of each such bids and offers must be for 20 contracts or more.

The value of the spread will be either the settlement price of the previous trading day or the weighted average of all trades during the closing range as defined above in the first ancillary procedure.

The settlement price for the back month is obtained by the difference between the front month settlement price and the value of the spread.

4.7.4 THIRD ANCILLARY PROCEDURE

In the absence of the elements required to apply the previous procedures, 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 occur near the end of the regular trading session and which is not compatible with a given settlement price.

Usually, the settlement price for the back month is always adjusted depending on the settlement prices obtained for the front month and the spread.

4.8 FUTURES CONTRACT ON CARBON DIOXIDE EQUIVALENT (CO_2e) UNITS

4.8.1 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 the trading session 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 the close and its size must be for 10 contracts or more.

- ***Last Trade***

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

4.8.2 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 minutes average trading price 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.

4.8.3 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.

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

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 available market information. They may also disregard any event (a trade, a bid or an offer) which occurs near the end of the regular trading session 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.

Bourse de Montréal Inc.

PROCEDURES FOR THE CANCELLATION OF TRADES

1. APPLICABLE RULES

"6303 Validation, alteration or cancellation of a trade

If certain urgent events require it or if certain extraordinary market conditions exist, and in order to maintain a fair and equitable market for all market participants, a vice-president or senior vice-president of the Bourse can validate, alter or cancel any trade and such trade will be recorded, altered or cancelled.

Furthermore, the vice-president or the senior vice-president of the Bourse may disallow any trade, which he deems unreasonable.

These decisions are final and cannot be appealed.

In the case of a cancellation, the trade will have no standing whatsoever and shall be expunged from the records."

"6381 Cancellation of Erroneous Trades

a) A trade on the electronic trading system resulting from an input error could be cancelled by the parties agreeing to it within 15 minutes following its execution. A standard form must be remitted to a Market Supervisor of the Bourse for approval.

b) The Bourse may at any time cancel a trade if it is judged to be detrimental to the normal operation or quality of the market or in any circumstance judged appropriate by a Market Supervisor.

The decisions are final and cannot be appealed."

"6382 Warning Message

When a Market Supervisor of the Bourse receives a transaction cancellation request to which the parties do not agree, he must send a warning message on the trading screens of both parties involved and to the organizations responsible to distribute quotes.

The message indicates for the concerned product, the price of the trade which is subject to the cancellation request.

Some organizations responsible to distribute quotes can choose not to distribute this message."

"6383 Acceptable Market Price

Before the cancellation of a trade, the Market Supervisor of the Bourse notes the spread between the price execution of the trade in the cancellation request and the acceptable market price. The latter indicates the rough price at which the trade should have been done in normal execution conditions.

The acceptable market price is determined by the Market Supervisor of the Bourse, on the basis of available market information at the time the trade in the cancellation request was executed."

"6384 Decision by the Market Supervisor of the Bourse

A trade is not cancelled:

- if the cancellation request is made outside the delay;
- if the spread is inferior to the spread determined by a Market Supervisor of the Bourse;
- if a Market Supervisor of the Bourse considers that he does not have sufficient information to determine the acceptable market price;
- if the request is irregularly made.

The Market Supervisor's decision is final and cannot be appealed."

"6385 Delays of Decision and Notifications

The Market Supervisor of the Bourse decides to cancel or refuses to cancel a transaction within thirty minutes following the cancellation request and he notifies this decision within the same delay to each party to the trade.

However, a decision is not notified until the Market Supervisor of the Bourse receives the standard form.

In the absence of notification of the decision by the Market Supervisor of the Bourse within the above-mentioned delay, the trade is maintained.

This decision is immediately distributed through a warning message on all trading screens and to organizations responsible to distribute quotes."

2. SUMMARY

Trades may be cancelled by the vice-president or the senior vice-president if they are unreasonable or the Market Supervisor if the transaction is detrimental to the normal operation or quality of the market or in any circumstance judged appropriate considering market circumstances 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 circumstances (integrity) and to ensure that input errors can be corrected.

4. DESCRIPTION

4.1. DETECTION AND DELAYS

Market participants have the responsibility to identify erroneous trades. Once the erroneous transaction is identified, the market participant must advise a Market Supervisor of the Bourse by faxing the standard form at (514) 871-3592, following the occurrence of the error. This will enable Market Supervisors to contact the opposite parties to the trade to reach an agreement within 15 minutes as prescribed by Article 6381 of the Rules. In all cases, if a trade resulting from an entry error is not brought to the attention of the Market Supervisor within 15 minutes of the trade, the trade will be maintained.

4.2. VALIDATION – NO CANCEL RANGE

When any potential erroneous trade is brought to the attention of a Market Supervisor, he will determine whether the trade price is in the No Cancel Range for the particular derivative instrument. The No Cancel Range is defined as the price interval within which a trade cannot be cancelled. To establish the No Cancel Range, Market Supervisors:

- Determine, in accordance with article 6383 of the Rules, what the acceptable market price for that derivative instrument was 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 in a related derivative instrument (for example a different expiry month) and the prices of similar derivatives instruments trading in other markets;

- apply (add and deduct) the increments detailed below to the acceptable market price:

DERIVATIVE INSTRUMENT	INCREMENT
Three-month Canadian Banker's Acceptance Futures - BAX 1st 8 quarterly and serial months	5 basis points
Three-month Canadian Banker's Acceptance Futures - BAX 9th month and on out	10 basis points
Three-month Canadian Banker's Acceptance Futures - BAX SPREADS	3 basis points
Options on Three-month Canadian Banker's Acceptance Futures OBX	5 basis points
Ten Year Government of Canada Bond Futures CGB	20 basis points
Five Year Government of Canada Bond Futures CGF	20 basis points
Options on Ten Year ~~Governement~~Government of Canada Bonds Futures OGB	20 basis points
Futures Contracts on S&P/TSX ~~Canada 60*~~ Ind~~ex~~ices ~~Futures SXF~~	1% of the fair market value of these futures contracts~~* 4 index points~~
Options on S&P/TSX ~~Canada 60*~~ Ind~~ex~~ices ~~Options – SXO~~ 1st 3 serial months	0.5 index point
Options on S&P/TSX ~~Canada 60*~~ Ind~~ex~~ices ~~Options – SX0~~ next 2 quaterly months)	1 index point
EQUITY OPTION PRICE RANGES: $0.00 to $5.00 $5.01 to $10.00 $10.01 to $20.00 $20.00 up	$0.10 $0.25 $0.50 $0.75
Sponsored Options Price Ranges $0.01 to $0.99$1.00 and up	$0.25 $0.50
Single Stock Futures	$2.00
~~* Products based on the S&P/TSE 60 Index~~	

4.3. TRADE PRICE INSIDE NO CANCEL RANGE

If the Market Supervisor determines that the price of the reported erroneous trade was inside the No Cancel Range, then the trade will be maintained and no further action will be taken.

4.4. TRADE PRICE OUTSIDE NO CANCEL RANGE

If the Market Supervisor determines that the price of the erroneous trade is outside the No Cancel Range, then:

- a warning indicating that the trade is under investigation will be disseminated (article 6382 of the Rules). A market participant who does not agree with the cancellation of the trade must contact a Market Supervisor at 1-866-576-8836 within 10 minutes after the message was disseminated;

- all parties involved in the transaction will be contacted.

The transaction will be cancelled if:

- all parties agree to cancel the trade.

The trade will not be cancelled if:

- one of the parties involved in the trade does not agree to cancel the trade.

4.5. OTHER SITUATIONS JUSTIFYING THE CANCELLATION OF TRANSACTIONS

The Market Supervisor will review all circumstances surrounding the transaction to determine whether the trade occurred in accordance with the rules of the Bourse. The factors that will be considered include: the market conditions immediately before and after the trade was executed; the volatility of the market; the prices of related instruments in other markets.

In the case of a system failure, it is possible that the Montreal Automated System (SAM) will freeze with orders queued and waiting to be processed. Once the problem is resolved, the market must be put into a pre-opening phase by halting each derivative instrument in order to modify the opening time parameter. This will allow market participants to modify orders and will ensure that the failure does not impact the integrity of the market. Market Supervisors must halt each instrument in order to modify the opening time parameter. Nevertheless, when the system is unfrozen, the pending orders could be unreasonably executed before the Bourse can halt the instruments. Accordingly, Market Supervisors will cancel trades resulting from executions in these circumstances.

4.6. MULTIPLE MARKET MAKER TRANSACTIONS ON EQUITY, INDEX AND BOND OPTIONS

A Market Supervisor may also cancel transactions under the following conditions:

1. Multiple consecutive transactions can be cancelled if they consist of four (4) or more transactions against one market maker provided:

    - all transactions were executed within a one (1) second interval;

- the opposite side of the transactions consists of one or several market makers.

2. The market maker involved in the four (or more) transactions contacted a Market Supervisor at 1-866-576-8836 within one (1) minute of the execution time of the multiple consecutive transactions, to request the cancellation.

4.7. DECISION

A decision to cancel or to refuse to cancel will be rendered by a Market Supervisor within 30 minutes following the cancellation request.

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 trades, then these “stop” trades will also be cancelled and the orders re-instated. Trade cancellation messages will be disseminated.

If the decision is to not cancel the trade, the parties to the transaction may not reverse themselves the transaction by using a position transfer through the Canadian Derivatives Clearing Corporation (CDCC).