

## MARKET MAKING AGREEMENT

**THIS AGREEMENT** is entered into as of the Effective Date.

**BETWEEN:** **BOURSE DE MONTRÉAL INC.**, a corporation incorporated under the laws of Québec, having its head office at 1800-1190 avenue des Canadiens-de-Montréal, P.O. Box 37, Montreal, Quebec, H3B 0G7, Canada, represented by Luc Fortin, its President and Chief Executive Officer

(the “**Bourse**”)

**AND:** **[NAME OF MARKET MAKER]**, a [corporation, limited liability company or other] incorporated under the laws of [jurisdiction], having its head office at [address], represented by [name], its [title]

(the “**Market Maker**”)

**WITH THE INTERVENTION OF:** **CANADIAN DERIVATIVES CLEARING CORPORATION**, a corporation incorporated under the laws of Canada, having its head office at 1800-1190 avenue des Canadiens-de-Montréal, P.O. Box 37, Montreal, Quebec, H3B 0G7, Canada, represented Jean-Francois Bertrand, its Chief Operating Officer

(“**CDCC**”)

WHEREAS the Bourse is a derivatives exchange and CDCC is the clearing house providing clearing services for all products traded on the Bourse;

WHEREAS the Bourse establishes market making programs from time to time in order to support and enhance liquidity and price discovery of its products;

WHEREAS the Market Maker intends to fulfill market making responsibilities and benefit from market making privileges with respect to the Designated Contracts;

WHEREAS CDCC may, in addition to those provided by the Bourse, provide Incentives with respect to clearing fees in consideration for the Market Making’s responsibilities;

The Parties therefore agree as follows:

## **ARTICLE 1 GENERAL**

### **1.1. Definitions**

Unless the context otherwise requires, all capitalized terms used in this Agreement and not defined herein shall have the meaning ascribed thereto under the Rules. In addition, in this Agreement, the following definitions apply:

- (a) “**Affiliates**” means with respect to any Party, any and all other Person directly or indirectly controlling or controlled by, or under common direct or indirect control with, such Party;
- (b) “**Agreement**” means this Agreement and all schedules attached to this Agreement, in each case as they may be amended, updated or supplemented from time to time;
- (c) “**Applicable Law**” means any law, rule, statute, regulation, order, judgment, decree, treaty, directive or other requirement in force at any time during the term of this Agreement which applies to or is otherwise intended to govern or regulate any Person (including any or all Parties), property, transaction, activity, event or other matter, including any rule or other requirement of a SRO;
- (d) “**Approved Participant**” means both Approved Participant and Foreign Approved Participant, as defined under the Rules;
- (e) “**Business Day**” means any day, other than Saturday, Sunday or any holiday upon which the Designated Contracts are not opened for trading on the Bourse;
- (f) “**Designated Contracts**” means those contracts identified as such in Schedule A to this Agreement;
- (g) “**Market Making Program**” means the Market Making Program described in Schedule A to this Agreement or in the Bourse Circular referred to in Schedule A to this Agreement;
- (h) “**Person**” means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted;
- (i) “**Rules**” means all the rules, policies and procedures of the Bourse and the instructions, decisions and directions of the Bourse, in force and as amended from time to time;
- (j) “**SRO**” means a duly recognized self-regulatory organization having jurisdiction over any of the Parties.

## **1.2. Effective Date**

The effective date of this Agreement shall be the first (1<sup>st</sup>) day of the month that follows the signature of the present Agreement by all Parties (such day, the “**Effective Date**”).

## **1.3. Interpretation**

This Agreement shall be read in conjunction and interpreted in accordance with the Rules and the Market Making Program. In case of an inconsistency between this Agreement and any of the Rules or the Market Making Program, this Agreement will prevail.

## **1.4. Schedules**

The following schedules are attached to and form part of this Agreement:

Schedule A:	Designated Contracts and Market Making Responsibilities
Schedule B:	Market Maker Information
Schedule C:	Provisions Specific to Client Market Maker
Schedule D:	Incentives

## **1.5. Currency**

Except where otherwise expressly provided, all amounts in this Agreement are stated and will be paid in Canadian currency.

## **ARTICLE 2 OBLIGATIONS OF THE MARKET MAKER**

- 2.1.** During the term of this Agreement, the Market Maker agrees to act as Market Maker, within the meaning of the Rules, and to be bound by and comply with the Rules, the Market Making Program and this Agreement with respect to the Designated Contracts, including to fulfill the specific obligations set forth in Schedule A (collectively, the “**Market Making Responsibilities**”). The Market Maker will use commercially reasonable efforts to make the best markets possible for the Designated Contracts having regards to all circumstances, throughout the trading day, and will at a minimum comply with the Market Making Responsibilities. The Bourse reserves the right to amend Schedule A at its entire discretion from time to time, including to adjust parameters in light of changing market conditions, and shall give prior written notice of at least 30 days to the Market Maker of such amendments.
- 2.2.** The Market Maker shall perform its Market Making Responsibilities in a way as to foster fair and orderly markets, improve markets, supply liquidity, contribute to price efficiency and discovery, provide as much support as reasonably possible in times of stress to minimize episodes of temporary illiquidity and price dislocation, and maintain a high level of investor confidence.
- 2.3.** The Market Maker will appoint one or several individuals within the Market Maker’s firm to carry out Market Making Responsibilities (a “**Designated Trader**”). However, only one

assignment per Designated Contract will be granted to the Market Maker and therefore, no more than one Designated Trader at the same time can carry out Market Making Responsibilities with respect to a Designated Contract. The Market Maker will also appoint one or several individuals within the Market Maker's firm to manage the Market Making Responsibilities and be the primary contact with the Bourse with respect to the performance of this Agreement (a "**Designated Contact**"). Designated Contacts will be responsible for, among others, managing performance obligations and notifying the Bourse of any change to the information provided in Schedule B. At least one Designated Contact must be available during trading hours. The Market Maker shall notify the Bourse within 10 Business Days in the event of any change to the information in this Agreement, including notice of a new Designated Contact or a new Designated Trader or other changes to the information provided in Schedule B. Unless expressly agreed to in writing by the Bourse, the same individual may not be appointed as a Designated Trader and a Designated Contact at once.

- 2.4. The Market Maker shall promptly notify the Bourse's Market Operations Department when it becomes aware of its temporary inability or incapacity to perform its Market Making Responsibilities for any reason, including such as unavailability of its Designated Trader or technical issues. In such a case, the Market Maker shall use commercially reasonable efforts to take all actions necessary to resume performance of its Market Making Responsibilities as soon as practicable.
- 2.5. The Market Maker, directly or through its clearing member (responsible for the allocation process), will set up and identify under Schedule B a sub-account that can be recognized by the Bourse for the allocation of transactions resulting from market making activity on the Designated Contracts under this Agreement as well as a Multi-Purpose sub-account (i.e. client netted account) at CDCC (all such accounts, the "**Designated Sub-Accounts**"). All transactions resulting from market making activity on the Designated Contracts under this Agreement shall be allocated to, and only to, the Designated Sub-Accounts, and only such transactions shall be considered by the Bourse for purposes of evaluating the performance of the Market Maker. Transactions not resulting from market making activity under this Agreement may not be allocated to the Designated Sub-Accounts.
- 2.6. The Market Maker shall immediately advise the Bourse's Market Operations Department if it becomes aware of any issues that may impact the fair and orderly trade of its Designated Contracts, including, but not limited to, unusual trading practices.
- 2.7. If, and only if, the Market Maker is not an Approved Participant of the Bourse, it shall also be bound by the further provisions specific to client market maker set forth in Schedule C.

### **ARTICLE 3 TEMPORARY MEASURES AND EXEMPTIONS**

- 3.1. In exceptional circumstances, the Bourse may, at its entire discretion, if it deems it necessary in light of any particular or special market condition, temporarily suspend or vary the Market Maker Responsibilities either upon its own initiative or at the request of a market maker active on the Designated Contracts (the "**Temporary Measures**").

- 3.2.** If any Temporary Measure is taken pursuant to Section 3.1, the Bourse shall promptly notify all market makers acting on the Designated Contracts and the market of the nature of such Temporary Measures, including the applicability and length thereof.

#### **ARTICLE 4 PERFORMANCE EVALUATION**

- 4.1.** The Bourse is solely responsible for making determinations with respect to performance of its obligations by the Market Maker. The Bourse will consider all information it deems relevant when assessing the performance of the Market Maker, including market conditions. Such determinations are final and binding on all Parties.
- 4.2.** Failure to meet any obligation under this Agreement may lead to, at the Bourse's entire discretion:
- (a) Reduction or denial of Incentives or portion thereof for the relevant period;
  - (b) Removal of the relevant Designated Contracts from the Market Making Responsibilities, temporarily or for the remainder of the term;
  - (c) Suspension or termination of this Agreement.
- 4.3.** The Market Maker consents to CDCC providing the Bourse with any information about positions held by the Market Maker in the Designated Sub-Accounts, including regarding open interest held and history of transactions in the Designated Sub-Accounts.
- 4.4.** The Market Maker agrees to be publicly referred to and named as a Market Maker for the Designated Contracts, including on the Bourse's website.

#### **ARTICLE 5 INCENTIVES**

- 5.1.** In consideration of the performance of the Market Making Responsibilities for the relevant period, the Bourse, and CDCC as the case may be, will provide the Market Maker with the incentives detailed in Schedule D (the "**Incentives**"). The Bourse reserves the right to amend Schedule D at its entire discretion from time to time and shall give prior written notice of at least 30 days to the Market Maker of such amendments.
- 5.2.** In addition to the Incentives, the Market Maker may also be entitled to certain special fees or rebates set out in the Bourse's and CDCC's respective List of Fees posted on their website. Subject to regulatory requirements, the List of Fees may be amended from time to time.
- 5.3.** In order to assist the Market Maker with its Market Making Responsibilities, the Bourse may also make available to the Market Maker certain functional features, including for example bulk quoting.

- 5.4. The Bourse and CDCC are solely responsible for making determinations with respect to Incentives to be paid under this Agreement in light of the performance of the obligations. Such determinations are final and binding on all Parties.

## **ARTICLE 6 TERM, RENEWAL AND TERMINATION**

- 6.1. Subject to the early termination rights provided hereunder, this Agreement shall commence on the Effective Date and shall be in force for one year (the “**Initial Term**”).
- 6.2. At the expiry of the Initial Term and subsequently to any Renewal Term, this Agreement may be renewed upon the execution of a written agreement to that effect by the parties (such renewal, a “**Renewal Term**”).
- 6.3. The Bourse or the Market Maker may terminate this Agreement for any reason upon a 30-day prior written notice to the other Parties. Notwithstanding the preceding sentence, the Market Maker may not send any termination notice within the 90-day period following the Effective Date. A termination notice from any Party shall not terminate or relieve the Market Maker from any Market Making Responsibilities which shall continue up to the effective date of termination.
- 6.4. The Bourse may terminate this Agreement immediately upon written notice if:
- (a) the Market Maker has breached a material provision of this Agreement or has failed to comply with any of its obligation hereunder, including any of its Market Making Responsibilities;
  - (b) any statement made, representation given or information provided by the Market Maker to the Bourse in connection with the Market Making Program or this Agreement is erroneous or inaccurate in any material respect;
  - (c) the Bourse makes a determination in its sole judgment, which shall be final and binding on the Parties, that the circumstances notified by the Market Maker in compliance with Section 8.3, or any other circumstances concerning the Market Maker, its Designated Traders or its Designated Contacts, are of the nature as to adversely impact the Bourse, its reputation or investor confidence.
- 6.5. The Bourse or CDCC may terminate or amend this Agreement forthwith upon written notice to the Market Maker in order to comply with an Applicable Law that has come into force after the date hereof or at the request of a regulator having jurisdiction over the Bourse or CDCC respectively.

**ARTICLE 7  
NO EXCLUSIVITY**

- 7.1. Nothing in this Agreement shall preclude the Bourse from granting other market maker assignments on the Designated Contract to third parties in accordance with the terms of the Market Making Program. The rights to make markets on the Designated Contracts granted hereunder to the Market Maker are not exclusive.
- 7.2. Nothing in this Agreement shall preclude the Market Maker from acting as a market maker on any other exchanges, provided that it does not impair its performance of the Market Making Responsibilities.

**ARTICLE 8  
REPRESENTATIONS, WARRANTIES AND COVENANTS**

The Market Maker represents, warrants and undertakes the following:

- 8.1. It complies and will continue to comply with the eligibility and selection criteria under the Rules and the Market Making Program.
- 8.2. It has the right and the authority to enter into this Agreement and it is not party to any other Agreement that prohibits it from concluding or performing its obligations hereunder.
- 8.3. The Market Maker will promptly notify the Bourse if the Market Maker or one of its Designated Traders or Designated Contacts is convicted of a crime, an offense or an infraction in connection with trading in securities or derivative instruments under any Applicable Law, or if the Market Maker or one of its Designated Traders or Designated Contacts has its securities or derivatives registration or license suspended or revoked under any Applicable Law.

**ARTICLE 9  
LIMITATION OF LIABILITIES**

- 9.1. Subject to the Rules, the Bourse and CDCC, their Affiliates, subsidiaries, related entities, and their respective directors, officers, shareholders, partners, employees, contractors, agents, representatives or related entities, shall not be liable for any loss or claim, including without limitation, loss of profits, loss of opportunity, loss of use, trading losses, loss of other costs or savings, nor for any damages suffered, or cost or expenses incurred by the Market Maker or any third party as a result of the performance by the Market Maker of its obligations hereunder or a failure to perform those obligations.

**ARTICLE 10  
MISCELLANEOUS**

- 10.1. Assignment.** A party to this Agreement may not assign any of its rights or obligations under this Agreement without the prior written consent of the other Parties, which consent shall not be unreasonably withheld. The Market Maker may request that one of its Affiliates exercise or fulfill part of its obligations under this Agreement upon notification to the Bourse in writing. However, even if the Bourse consents, in such a case, the Market Maker shall remain responsible and liable at all times for all of the obligations hereunder as if it was performing them itself.
- 10.2. Disclosure.** The Market Maker recognizes that as regulated entities, the Bourse and CDCC are subject to oversight by a number of securities and derivatives regulators in Canada and abroad. The Bourse and CDCC may disclose the present Agreement and any information related thereto to any regulator having jurisdiction over them, including information regarding the performance of the Market Making Responsibilities.
- 10.3. Entire Agreement, Waiver, Amendment.** This Agreement constitutes the entire agreement between the Parties with respect to the subject matter of this Agreement. No amendment or waiver of this Agreement will be binding unless executed in writing by the Party to be bound thereby. No waiver of any provision of this Agreement constitutes a waiver of any other provision and no waiver of any provision of this Agreement constitutes a continuing waiver unless otherwise expressly provided. Any failure by the Bourse to insist at any time upon the performance of any of the terms, provisions or undertakings of the Market Maker contained in this Agreement or to exercise any rights thereunder shall not constitute or be construed as a waiver thereof or a relinquishment of the Bourse's rights to require the future performance of any such term, provision or undertaking and the obligation of the Market Maker with regard to the same shall continue in full force and effect.
- 10.4. Notices.** Any written notice or other written communication required or permitted to be given under this Agreement will be given by facsimile or other means of electronic communication with delivery receipt confirmation or by first-class mail or personal delivery as provided below. Communication will be deemed to have been received on the Business Day following the sending or, if delivered by hand, will be deemed to have been received at the time it is delivered to the applicable address noted below either to the individual designated below or to an individual at that address having apparent authority to accept deliveries on behalf of the addressee. Notice of change of address is also governed by this Section. Notices and other communications will be addressed as follows:
- (a) If to the Bourse:
- Bourse de Montréal Inc.  
Tour Deloitte  
1800-1190 avenue des Canadiens-de-Montréal, P.O. Box 37  
Montreal, Quebec, H3B 0G7  
Attention: Mr. Robert Tasca, Director, Interest Rate Derivatives & Client Solutions Group  
Email: robert.tasca@tmx.com



A copy of any Notice sent to the Bourse shall also be sent to the same address, attention to Legal Affairs or at [legal@tmx.com](mailto:legal@tmx.com).

(b) If to the Market Maker:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Email: \_\_\_\_\_

- 10.5. Survival.** ARTICLE 9 as well as any other provision required to give effect thereto will survive the expiration or termination of this Agreement.
- 10.6. Governing Law and Jurisdiction.** This Agreement is governed exclusively by, and is to be enforced, construed and interpreted exclusively in accordance with, the laws of the Province of Quebec and the laws of Canada applicable therein which will be deemed to be the proper law of the Agreement. Subject to the Rules, each party hereto irrevocably attorns to the jurisdiction of the Province of Quebec sitting in Montreal, Quebec and the proper appeal courts therefrom in respect to all matters arising under or in relation to this Agreement.
- 10.7. Force Majeure.** None of the Parties may be considered in default for failing to perform obligations hereunder nor liable for the damages or losses incurred by the other Parties if such non-performance, damages, or losses result from force majeure or extraordinary events. Without limiting the generality of the foregoing, force majeure or extraordinary events shall mean: any partial or complete work stoppages, strikes, lock-outs, fires, riots, disasters, wars, catastrophes, inability to procure materials or labour, any other similar events or any circumstances not attributable to another Party hereto, or any other states of emergency or causes which may be considered at law as being beyond the control of any Party hereto.
- 10.8. Severability.** Should a provision hereof be declared invalid or of no effect by a court having jurisdiction, the invalidity or lack of effect of such provision shall not impair the validity or effect of the other provisions hereof which shall remain in full force and effect.
- 10.9. Counterparts.** This Agreement may be signed in counterparts and each counterpart constitutes an original document and the counterparts, taken together, constitute one and the same instrument. Delivery of counterparts may be made by facsimile transmission and/or by email transmission of a PDF document.

**IN WITNESS WHEREOF** the Parties have executed this Agreement on the dates indicated below.

Executed by the Bourse on this \_\_\_\_ of \_\_\_\_\_, 20\_\_.

**BOURSE DE MONTRÉAL INC.**

By: \_\_\_\_\_  
Name: Luc Fortin  
Title: President and Chief Executive Officer

Executed by the Market Maker on this \_\_\_\_ of \_\_\_\_\_, 20\_\_.

**[NAME OF MARKET MAKER]**

By: \_\_\_\_\_  
Name:  
Title:

**INTERVENTION BY CDCC**

CDCC hereby intervenes to this Agreement with respect only to the Incentives it may be providing to the Market Maker with respect to clearing fees, if and as set forth under Schedule D.

Executed by CDCC on this \_\_\_\_ of \_\_\_\_\_, 20\_\_.

**CANADIAN DERIVATIVES CLEARING  
CORPORATION**

By: \_\_\_\_\_  
Name: Jean-Francois Bertrand  
Title: Chief Operating Officer

**ACKNOWLEDGEMENT OF THE APPROVED PARTICIPANT**

*If the Market Maker is not itself an Approved Participant of the Bourse, the Approved Participant providing the Market Maker with direct electronic access to the Bourse must complete and sign the following:*

**Approved Participant**

Name of Approved  
Participant:

\_\_\_\_\_

Name of Contact Person:

\_\_\_\_\_

Title:

\_\_\_\_\_

Telephone:

\_\_\_\_\_

Email:

\_\_\_\_\_

We, the Approved Participant named above, represent and warrant that we provide the Market Maker with direct electronic access to the Bourse in accordance with the Rules of the Bourse and that we and, to our knowledge, the Market Maker comply with the Rules governing direct electronic access to the Bourse. We acknowledge and accept that the Market Maker enters into this Market Making Agreement, provided that we shall not have any responsibility or liability for the performance by the Market Maker of its Market Making Responsibilities. Our only responsibilities with respect to the Market Maker shall remain those provided for under the Rules of the Bourse as a result of our providing electronic access to the Bourse to the Market Maker. Considering the consent by the Market Maker under paragraph 4.3 of this Market Making Agreement, we consent to CDCC providing the Bourse with any information about positions held by the Market Maker in the Designated Sub-Accounts, including regarding open interest held and history of transactions in the Designated Sub-Accounts.

Executed by the Approved Participant on this \_\_\_\_ of \_\_\_\_\_, 20\_\_.

**[NAME OF APPROVED PARTICIPANT]**

By: \_\_\_\_\_

Name:

Title:

**SCHEDULE A**

**DESIGNATED CONTRACTS AND  
MARKET MAKING RESPONSIBILITIES**

*[Left intentionally blank]*

**SCHEDULE B**

**MARKET MAKER INFORMATION**

**Designated Trader(s)**

Name: \_\_\_\_\_

Trader Identification  
Number: \_\_\_\_\_

**Designated Contact(s)**

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Telephone: \_\_\_\_\_

Email: \_\_\_\_\_

**Designated Sub-Accounts**

Bourse Sub-Account  
Number: \_\_\_\_\_

CDCC Multi-Purpose Sub-  
Account Number: \_\_\_\_\_

Name of CDCC Clearing  
Member, if the Market  
Maker is not itself a clearing  
member: \_\_\_\_\_

**SCHEDULE C**

**PROVISIONS SPECIFIC TO CLIENT MARKET MAKER**

1. The Market Maker represents and warrants that it has direct electronic access to the Bourse through an Approved Participant of the Bourse in accordance with the Rules of the Bourse and that it complies with the Rules governing direct electronic access to the Bourse.
2. The Market Maker acknowledges and accepts the authority of the Bourse, as an SRO, to adopt and amend Rules, subject to Applicable Law, and to enforce such Rules, including imposing disciplinary measures to the Market Maker in the event of a violation of the Regulations of the Bourse.
3. With respect to its market making related trading activity, the Market Maker acknowledges and accepts the investigative, enforcement and disciplinary jurisdiction of the Regulatory Division of the Bourse and of its committees to hear and decide as contemplated under the Rules any matter concerning the Market Maker, its directors, officers, employees and other individual acting on its behalf, as if the Market Maker was itself an Approved Participant of the Bourse with such modifications as the circumstances require. For the avoidance of doubt, the Regulatory Division shall be entitled to enforce the Rules and take any action permitted under the Rules directly against the Market Maker with respect to its market making related trading activity, including without limitation under Part 4 of the Rules, articles 6.3, 6.114, 6.115, 6.118, 6.119, 6.120, 6.209, 6.210, 6.309, 7.5, 7.6, 7.7 and following on position limits, 12.7 and following on position limits, 3.100, 3.110, 4.1, 6.10 and 6.11 as these articles may be amended and/or replaced from time to time.
4. The Market Maker accepts responsibility for maintaining at all times a thorough understanding of the Rules and ensuring that all individuals acting on its behalf with respect to the Market Making Responsibilities will familiarize themselves with the Rules.
5. The Market Maker acknowledges and accepts that it shall remain subject to the jurisdiction of the Bourse and of its committees as contemplated herein after ceasing to be a market maker in regards to matters which occurred while it was a market maker, the whole in accordance with the Rules.
6. The Market Maker undertakes to pay to the Bourse on demand the amount of any fine and all the fees imposed on the Market Maker by a decision of the Bourse or one of its committees with respect to its market making related trading activity. These sums will bear interest at a yearly rate, as determined by the Bourse from time to time.

**SCHEDULE D**

**INCENTIVES**

*[Left intentionally blank]*