

**RULE SIX**

**TRADING**

**A. GENERAL FRAMEWORK AND PROCEDURES**

**Section 6001 - 6020**

**Limitation on Trading by Members**

**6001 Discretionary Authority of Exchange**  
(10.10.91)

The Exchange may prescribe such terms and conditions as it shall deem appropriate relating to transactions in securities traded either on or off the Exchange.

**6002 Over-the-Counter Trading in Securities Listed on Other Exchanges**  
(10.10.91)

Over-the-counter trading in securities posted for trading on another recognized exchange in Canada is prohibited except with the approval of the Exchange.

**6003 Trading in Unlisted Securities**  
(10.10.91, 22.11.99)

No trade shall be made on the Exchange in any unlisted security without the approval of the Exchange.

**6004 Trading Restricted to Exchange**  
(11.03.85, 11.03.92, 22.11.99)

Subject to the exceptions set out in article 6005, all purchases and sales of Exchange listings made by members, permit holders and affiliated corporations must take place on the Exchange during a trading session thereof.

**6005 Off-Exchange Transactions**  
(10.10.91, 19.11.93, 14.07.95, 22.11.99, 21.04.08, 30.05.08, 29.01.10)

The only transactions in any securities or derivative instruments listed on the Bourse which an approved participant may make off the Bourse are the following:

- a) a transaction made to adjust an execution error on a client's order;
- b) a transaction made as a result of the exercise of an option or of a delivery pursuant to a futures contract;
- c) an Exchange for Physicals (EFP) transaction or an Exchange for Risk (EFR) transaction pursuant to article 6815 or a Substitution of over-the-counter derivative instruments for futures contracts pursuant to article 6815A;
- d) an off-exchange transfer of securities or derivative instruments pursuant to article 6816;

- e) a block trade in a security or derivative instrument designated by the Bourse and executed according to the provisions of article 6380;
- f) a riskless basis cross transaction in a security or derivative instrument designated by the Bourse and executed according to provisions of article 6380.

**6006 Trades Outside Canada**  
(10.10.91, abr. 21.04.08)

**6007 Trading Delays and Halts**  
(10.10.91, 22.11.99)

- a) An official of the Exchange has the authority to take such decisions as may be required to delay the opening in any listed security or to interrupt trading in any such security for any period of less than two hours, to assist in the orderly opening or re-opening of such security.
- b) An official of the Exchange has the authority to extend a delayed opening or a halt of trading for any period of time in order to assist in re-establishing orderly trading.
- c) An official of the Exchange may halt trading in a listed security and determine the conditions and time of resumption of trading.

**Section 6021 - 6040**  
**Clearing of Exchange Transactions**

**6021 Clearing and Settlement of Exchange Transactions**  
(11.03.85, 11.03.92, 22.11.99)

- a) Except as otherwise provided in the Exchange Regulation or specifically authorized by the Exchange, all transactions effected on the Exchange shall be cleared and settled in accordance with the rules and operations procedures of the Clearing Corporation designated from time to time by the Exchange.
- b) The Exchange shall not be liable for any loss whatsoever suffered by a member through any act or omission of the Clearing Corporation in connection with, or arising out of, the settlement of any transaction.
- c) Regulation and procedures prescribed by resolution of the directors of the Clearing Corporation which are not inconsistent with the Exchange Regulation shall be binding upon the members of the Exchange to the same extent as such regulation and procedures and the breach of any such regulation by a member shall have the same effect as a breach of the Exchange Regulation.

**6022 Designated Clearing Corporations**  
(22.04.88, 10.10.91, 07.09.99, 24.09.01)

As provided in article 6021, the designated clearing corporations for the Bourse listed products are as follow:

Equities:

Canadian Depository for Securities Limited (CDS).

Derivatives instruments:

Canadian Derivatives Clearing Corporation (CDCC).

**6023 Clearing Arrangements**  
(10.10.91, 07.09.99 24.09.01)

Approved participants who are not members of the designated Clearing Corporation for a category of listed products, shall cause their Bourse transactions to be cleared by a member of the designated Clearing Corporation.

**Section 6041 - 6060**  
**Comité du parquet - Actions**  
(abr. 22.11.99)

**Section 6061 - 6080**  
**Access to Trading Floor**

**6061 Access**  
(10.10.91)

The access to the Trading Floor is limited to persons duly authorized by the Exchange.

**6062 Floor Badges**  
(10.10.91)

No one shall be admitted to the trading floor unless he is wearing an official identification badge or a temporary pass issued by the Exchange.

**6063 Trading Personnel**  
(10.10.91, 22.11.99)

The trading personnel is composed of the following persons :

- a) members' employees ;
- b) individual members and holders of a restricted permit and the subject of a currently effective "Letter of Guarantee" from a clearing firm.

These persons shall be registered with the Exchange in one or more of the following capacities : floor attorney, specialist, market-maker, jitney and Designated Primary Market-Maker.

**6064 Non-Trading Personnel**  
(10.10.91)

The following non-trading personnel may be admitted to the trading floor :

- a) authorized clerks ;
- b) employees of the Exchange ;

- c) visitors given admission by a floor official and accompanied by an authorized person.

**6065 Communications With the Trading Floor**  
(10.10.91)

Any means of communication with the personnel on the trading floor is permitted, provided it has been approved by the Exchange.

**Section 6081 - 6100**  
**Applications and Approvals**

**6081 Applications**  
(10.10.91)

- a) Every application to the Exchange to be part of the trading personnel shall be made in writing in the form prescribed by the Exchange.
- b) An application submitted by an individual member or by a restricted permit holder shall include a "Letter of Guarantee" from a clearing firm.

**6082 Letter of Guarantee**  
(10.10.91)

- a) The "Letter of Guarantee" shall be on the letterhead of a clearing firm and provide that such firm will accept financial responsibility for all Exchange transactions to which the individual member or the restricted permit holder commits the clearing firm.
- b) A "Letter of Guarantee" filed with the Exchange shall remain in effect until a written notice of revocation has been filed with the Exchange.

**6083 Approval of Application**  
(10.10.91)

Applications shall be reviewed by the Floor Committee for approval or disapproval, after consideration of the applicant's qualifications and such other factors as the Committee deems appropriate in the exercise of his functions.

**6084 No Change Without Notice**  
(10.10.91, 22.11.99)

No appointment of a floor attorney, specialist, market-maker, jitney or Designated Primary Market-Maker shall be changed or cancelled by a member unless a prior written notice of such change or cancellation has been given to the Exchange; a copy of such notice shall be posted on the bulletin board of the trading floor.

**Section 6101 - 6120**  
**Qualifications of Trading Personnel**

**6101 Qualifications**  
(10.10.91)

Trading personnel must :

- a) be at least eighteen (18) years of age ;
- b) be considered in all respects to be a suitable person for the privilege and responsibility of trading Exchange listed products ;
- c) have completed the Exchange's Trading Workshop and have successfully passed an exam on trading rules and order handling regulations.

**6102 Floor Attorneys**  
(10.10.91)

A floor attorney shall be an employee of a member firm who :

- a) meets the qualifications of article 6101.
- b) has spent three months on the floor as a phone clerk or has equivalent experience.

The number of floor attorneys that a member shall be entitled to have at any time shall be limited to one per trading permit held.

All trades by a floor attorney shall be made in the name of the member appointing him and such member shall be responsible for all acts and omissions of such floor attorney.

**6103 Market-Maker**  
(10.10.91, 22.11.99)

A market-maker shall be an individual member, a restricted permit holder or a floor attorney who :

- a) meets the qualifications of article 6101;
- b) has, in the opinion of the Floor Committee, the degree of competence and integrity to fulfill the market-maker function;
- c) has, according to the Chief Examiner of the Exchange, the necessary financial resources to fulfill the market-maker function.

**6104 Specialist - Designated Primary Market-Maker**  
(10.10.91, 22.11.99)

The designated specialist or the DPM shall:

- a) meet the qualifications of article 6101;

- b) have not less than six months experience in trading;
- c) meet all other standards set by the Exchange;
- d) have, according to the Chief Examiner of the Exchange, the necessary financial resources to fulfill his function.

**6105 Jitney**  
(10.10.91, 22.11.99)

A jitney shall:

- a) meet the requirement of article 6101;
- b) have, the necessary competence and experience to act as a jitney, providing that :
  - i) a "Letter of Authorization" from each clearing firm for which he acts is filed with the Exchange; such letter shall include the provisions of article 6082 and,
  - ii) in the case of a floor attorney, the jitney arrangement is supported by a written agreement between the issuer of the "Letter of Authorization" and the employer of the floor attorney.

**6106 Responsibility for Trades Made by a Jitney**  
(10.10.91)

- a) A member who has filed with the Exchange a "Letter of Authorization" shall be responsible to carry out any trades for which the jitney trader has "given up" the name of such member.
- b) A jitney trader shall cease to act as such for any member upon being given written notice by such member of the revocation of his "Letter of Authorization".

**6107 Jitney "give ups"**  
(10.10.91)

A jitney trader acting in a trade and who has "given up" to the other party to the trade the name of another member shall initial the floor ticket.

**6108 Evasion of rule**  
(10.10.91)

A member may not employ a jitney or act as a jitney to do anything indirectly that the member is prohibited from doing directly.

**Section 6121 - 6140**  
**Types of Orders**

**6121 Standard Nomenclature**  
(10.10.91, 20.04.98)

To be valid, an order must specify the name or symbol of the listed security, whether the order is to buy or sell and the number of units to be traded, as well as explicit instructions regarding the trading price and conditions which must be met prior to the order becoming effective. All orders are deemed to be day orders, unless otherwise specified.

**Definitions:**

a) Market order

An order to buy or sell which must be executed promptly at the best price obtainable.

b) Limit order

An order to buy or sell at a specified price, or better.

c) Day order

An order to buy or sell valid only for the day it is given.

d) Open order

An order to buy or sell which remains effective until it is executed or cancelled.

e) Good 'til

An order that remains effective until it is executed or has reached the specified cancellation date.

f) Not held order

An order giving discretion as to the price or time at which it is to be executed.

g) Contingency orders

Orders to buy and sell that are contingent upon certain specifications being satisfied before their execution.

i) Fill or kill order

An order which, if it cannot be completely or partially executed immediately, is cancelled.

ii) All or none order

An order which is effective only if the total specified amount can be executed.

## iii) Minimum amount order

An order which is effective only if a specified minimum amount can be executed.

## iv) Stop-limit order

An order to buy or sell which becomes a limit order after at least a board lot has traded at the stop-price or higher in the case of a buy order; at the stop-price or lower in the case of a sell order.

**6122 Prohibition of Stop Orders**

(10.10.91)

The Exchange may, at any time, order the cancellation of all stop orders and prohibit the taking of such orders in any Exchange listed security.

**6123 Designation of Orders**

(10.10.91, 16.12.93, 25.01.95, 22.11.99)

- a) A "professional account" means any account in which a direct or indirect beneficial interest is held by a member, an affiliated company or a restricted permit holder.
- b) All orders that are not orders for the account of a customer, as defined in article 6312, shall be properly identified at the time the order is entered in the book.
- c) Orders for all accounts subject to paragraph b) shall be marked "N". Orders for the account of floor-based professionals shall be marked with their own personalized identification.
- d) The Floor Committee - Options may designate as "professional" any account which, in its opinion, operates similarly to the block-positioning, market-making or arbitrage accounts of members.
- e) Any person who has knowledge that a particular order is for a professional account or for an account deemed to be professional by the Floor Committee - Options, shall have the duty to identify it as such on any applicable form, floor ticket or order form, and to inform any clerk, trader, specialist or other person who may need to be informed in order to comply with the rules of priority.

**Section 6201 - 6210**  
**Trading Sessions of The Exchange**

**6201 Daily Trading Sessions**

(03.07.87, 10.10.91, 05.12.97, 02.10.98, 22.11.99)

- a) Except as may be otherwise determined by the Governing Committee, meetings of the members, known as "Trading Sessions" shall be held on the Exchange every day except Saturdays, Sundays and holidays.
- b) If certain urgent events require it, market opening and closing times are established, in the following order, by:

- 1° the Governing Committee;
- 2° the Executive Committee;
- 3° the Chairman or the Vice-Chairman of the Governing Committee together with the President of the Exchange, or in his absence the Acting President.

These times may be different for each category of listed products. An advance notice must be given to members of any changes.

**6202 Proceeding at Trading Sessions**  
(10.10.91)

Trading sessions of the Exchange shall be open for business on the sounding of the opening signal and shall remain open until the sounding of the closing signal. No transactions may be effected before the opening signal or after the closing signal.

**6203 Suspension of Trading Sessions**  
(10.10.91)

- a) When urgent circumstances warrant it, the Chairman, or the Vice-Chairman, or the President, or in the absence of all of them, the acting President, may suspend trading for one trading session or any part of a trading session and shall, if so directed by a resolution of the Governing Committee close the Exchange for such number of consecutive trading sessions not exceeding twenty-one (21) as may be specified in such resolutions.
- b) For the purpose of the application of Policy T-3 on "circuit breakers", the Director of Market Surveillance or the Vice-President, Floor Operations, may suspend trading, in conformity with the provisions of Policy T-3.

**6204 Delayed, Halted and Suspended Trading**  
(10.10.91, 22.11.99)

- a) When, in the opinion of the Exchange, important information concerning a listed security has not been made public, an important announcement is pending or in any situation which would render the market unfair to shareholders and investors, the Exchange may delay, halt or suspend trading in any Exchange listed security.
- b) Where a halt or delay in trading is rescinded during a trading session, notice of the rescission of the halt or delay and the time set for resumption of trading shall be displayed on CDNX.

**Section 6211 - 6240**  
**Bids, Offers, Transactions**

**6211 Validity of Bids and Offers**  
(10.10.91, 22.11.99)

To be valid, bids and offers must be made :

- a) during a trading session ;

- b) made to all members generally and without discrimination ;
- c) in the manner prescribed by the Rules and Procedures established by the Exchange .

**6212 Bids and Offers Binding**  
(10.10.91)

All bids and offers made and accepted in accordance with the Exchange requirements shall be binding, and all Exchange contracts thereby effected and arising therefrom shall be subject to the exercise by the Exchange of the powers in respect thereto vested in the Exchange.

**6213 Taping of Transactions**  
(03.07.87, 10.10.91)

All trades shall be published on the tape forthwith after their execution.

**6214 Standard Trading Unit**  
(10.10.91, 22.11.99)

- a) All bids or offers made on the floor shall be deemed to be valid for a minimum of one board lot unless a specific larger number is expressed .
- b) A bid or offer made for more than one board lot shall be deemed to be for that number or any lesser number of board lots.

**Section 6241 - 6260**  
**THE ELECTRONIC BOOK**  
(abr. 22.11.99)

**Section 6261 - 6280**  
**Trading in the Crowd**  
(abr. 22.11.99)

**Section 6281 - 6300**  
**Put-Throughs**  
(abr. 22.11.99)

**Section 6301 - 6320**  
**Restrictions on Trading**

**6301 Bids, Asks and Trades at the Close of a Trading Session**  
(10.10.91)

At the close of a trading session, no person shall enter or accept to enter a bid or an ask, nor execute a trade for the purpose of establishing an artificial price or effecting a high or low closing price in a listed security.

**6302 Unreasonable Quotations May Be Disallowed**  
(10.10.91)

At the close of any trading session of the Exchange, if the buying and selling quotations are at the same price, or are more than five per cent apart, a Floor Official may refuse to allow either or both of them to be recorded; he may also refuse to allow any unreasonable quotations to be recorded at any time.

**6303 Validation, alteration or cancellation of a trade**  
(10.10.91, 25.05.01, 24.04.09)

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 participants, a vice-president or senior vice-president of the Bourse can validate, alter, disallow or cancel any trade and such trade will be validated, altered, disallowed or cancelled.

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.

**6304 Stopping an Order**  
(10.10.91, 22.11.99)

No trader having entered an order in the market shall agree to reserve part of such order for acceptance by another trader or traders.

**6305 Front Running**  
(10.10.91)

No member, person associated with a member or restricted permit holder shall :

- a) take advantage of a customer's order by trading ahead of it;
- b) engage in transactions based in whole or in part on non-public information concerning pending transactions in securities, options or future contracts, which are likely to affect the market prices of any other securities, options or future contracts, unless such transactions are made solely for the purpose of providing a benefit to the client who is proposing or engaged in the transactions.

**6306 Manipulative or Deceptive Methods of Trading**  
(10.10.91, 31.01.05)

No approved participant, person employed by or acting on behalf of an approved participant, person associated with an approved participant or restricted trading permit holder may use or knowingly participate in the use of any manipulative or deceptive methods of trading in connection with the purchase or sale of any securities or derivative instruments listed on the Bourse.

Without in any way limiting the generality of the foregoing, the following shall be deemed manipulative or deceptive methods of trading :

- a) effecting a transaction or a series of transactions or posting purchase or sale orders on securities or on derivative instruments traded on the Bourse alone or with one or more persons, intentionally or

repeatedly and with the objective of unfairly influencing the market price of securities or derivatives instruments to make a profit from such action;

- b) creating a false or misleading appearance of trading in such securities or derivative instruments;
- c) entering orders or effecting transactions whose execution does not result in any change in the beneficial or economic ownership of the relevant securities or derivative instruments;
- d) effecting a transaction which creates an artificial price or new highs or new lows in such securities or derivative instruments during the same trading session without being justified by market conditions;
- e) entering orders or effecting a transaction with the purpose of transferring funds, assets or liabilities in contravention of legal or regulatory requirements.

**6307 Corners**

(10.10.91, abr. 22.11.99)

**6308 Restrictions on Floor Attorneys**

(10.10.91, 19.11.93, 22.11.99)

- a) Trading for his own account

For his own personal account, in which a usual rate of commission is paid, or for any account over which he has, directly or indirectly, trading authority or control, the floor attorney shall be subject to the provisions of article 7467 c).

- b) Accounts prohibited

No floor attorney shall maintain, in his own name or in any other name, an account over which he has, directly or indirectly trading authority or control with any other member firm without the written consent of the member for whom he is acting.

The corresponding provisions regarding the other member carrying such an account are described in article 7454 2).

- c) Financial interest - Initiating of orders

No floor attorney, other than a specialist or a market-maker acting as such, may derive any direct or indirect benefit from trading for a house account nor initiate orders or originate transactions from the floor for such an account, except:

- i) when a letter from the member firm has been filed with the Exchange authorizing such attorney to make trades for such an account.

For the purposes of this article:

"House account" means an account in which any member, affiliated company or any partner in or 55 director of any member or affiliated company has any direct or indirect proprietary interest.

"Direct or indirect financial benefit" shall include a bonus or other remuneration based on trading profit of any account or accounts.

**6309 Restrictions on Restricted Permit Holders**

(10.10.91)

- a) A restricted permit holder is subject to the provisions of article 6308 a).
- b) In respect to his market-maker and personal accounts, a restricted permit holder is not permitted to have more than one clearing firm for each category of listed products.
- c) No restricted permit holder shall maintain, in his own name or in any other name, an account over which he has, directly or indirectly, trading authority or control with any member unless he has the written consent of the clearing firm which clears his accounts.

The corresponding provisions regarding the other member carrying such an account are described in article 7454 2).

**6310 Best Price Execution**

(03.07.87, 10.10.91, 11.03.92, 22.11.99)

- a) When receiving an order from a client, a Member, an Approved Person or an employee of a Member must use reasonable care consistent with just and equitable principles of trade, high standards of professional conduct and integrity to obtain for his client the best price.
- b) In order to meet such an obligation, a member has a duty to make reasonable effort to avail itself of existing facilities providing information or ability to execute orders.

**6311 Trade-Through**

(10.10.91, 08.07.94, 20.08.96, abr. 22.11.99)

**6312 Customers' Orders Have Priority**

(10.10.91, 16.12.93, abr. 01.04.04)

**6313 Recorded Prices on the Exchange**

(01.02.88, 10.10.91)

No member acting as agent shall execute a transaction through the facilities of the Exchange in which the price recorded on the Exchange is:

- a) in the case of a purchase by a customer, higher than the actual net price to the customer; or
- b) in the case of a sale by a customer, lower than the actual net price to the customer.

**Section 6321 - 6330  
Specialists Review Committee Equities**  
(abr. 22.11.99)

**Section 6331 - 6345  
Specialists - Equities**  
(abr. 22.11.99)

**Section 6346 - 6350**  
**Market-Makers - Equities**  
(abr. 22.11.99)

**Section 6351 - 6360**  
**Registered Arbitrage Trading Member**  
(abr. 22.11.99)

**Section 6361 - 6370**  
**Records and Reports**

**6361 Recording the Trades**  
(10.10.91, 22.11.99)

a) Form

All trades executed on the Exchange shall be recorded in the form prescribed by the Exchange.

b) Procedure

Immediately upon completion of a trade effected in the crowd, a record of such trade shall be completed, a copy of which goes respectively to the Exchange, the buyer and the seller.

c) Liability

When trading in the crowd, the trader who initials the floor ticket shall accept the trade thereon specified, regardless of the clearing number that may appear on the said ticket. The Governing Committee shall have the power to determine in each case the extent of the liability of a member for any loss that may be sustained by the member whose clearing number appears on the ticket.

**6362 Cancellation or Alteration of a Floor Ticket**  
(10.10.91)

a) Cancellation

No trader shall, without the approval of a Floor Official, cancel any trade that has already been recorded.

b) Alteration

Any change to a trade that has already been recorded shall result in the cancellation of such trade and the writing of a new floor ticket.

**6363 Transactions for Clients of Clearing Member**  
(10.10.91)

Where a clearing member is doing business with the public and also acts as a clearing firm for a restricted permit holder who is a market-maker, such member shall file such reports as the Exchange may require for transactions of clients in securities for which such market-maker has been assigned.

**Section 6365- 6399**  
**Electronic Trading of Derivatives Instruments Traded on the Bourse**

**6365 Electronic Trading System**  
(25.09.00, 24.09.01)

Derivatives instruments traded on the Bourse through an electronic trading system duly approved by the Bourse will be governed by the trading rules in articles 6365 to 6900 of the Rules.

**6366 Access to Electronic Trading**  
(25.09.00, 24.09.01, 19.03.02, 03.11.04)

A) Only approved participants of the Bourse and restricted permit holders of the Bourse, through their respective clearing approved participants, will have access to the electronic trading for derivatives instruments traded on the Bourse and this, at the following conditions:

- a) certify to the Bourse that only their designated personnel approved by the Bourse and who has received the required training has access to the said system;
- b) certify to the Bourse that only the designated personnel approved by a recognized exchange or association as described in article 7452 6) b) ii) of the Rules of the Bourse and who has received the required training has access to the said system;
- c) put in place an internal security procedure for access to the electronic trading system; and
- d) obtain the prior approval of the Bourse.

Each approved participant and each restricted permit holder is entirely and exclusively responsible for any unauthorized access to the said system.

The approved participant must give notice to the Bourse of the termination of employment of its designated personnel approved by the Bourse and this, within a delay of ten (10) business days from the date of termination of employment.

B) The approved participants can authorize clients to use a computer system to route orders. In order to do so, the following conditions must be complied with:

- 1. Definition of clients: For the purposes of this article, a client is defined as a person having an agreement with the approved participant to route his orders to the routing system of the approved participant.
- 2. Conditions for connections

An approved participant may transmit orders received electronically from a client directly to the electronic trading system of the Bourse provided that the approved participant has:

- a) obtained prior approval of the Bourse that the order routing system of the approved participant meets the following conditions:
  - i) supports compliance with the requirements of the Bourse dealing with the entry and trading of orders by all its clients who will use the order routing system (for example,

- the order routing system must support all valid order information that may be required);
- ii) ensures security of access to the electronic trading system of the Bourse by having in place an internal security procedure;
  - iii) complies with specific requirements prescribed pursuant to article 6366 B) 2) of the Rules, including a facility to receive an immediate report of the entry or execution of orders; and
  - iv) enables the approved participant to employ order parameters or filters that will route orders to the approved participant (which parameters may be customized for each client).
- b) executed a standard service agreement (i.e. Order Routing Agreement) with its client providing for the following terms:
- i) the client is authorized to connect to the approved participant's order routing system;
  - ii) the client must enter orders in compliance with the requirements of the Bourse with regards to the entry and trading of orders and other applicable regulatory requirements;
  - iii) specific parameters defining the orders that may be entered by the client are provided for, including restrictions to specific securities or size of orders;
  - iv) the approved participant can reject an order for any reason;
  - v) the approved participant can change or remove an order and has the right to cancel any trade made by the client for any reason;
  - vi) the approved participant can discontinue accepting orders from a client at any time without notice;
  - vii) the approved participant agrees to train its clients with regards to the requirements of the Bourse dealing with the entry and trading of orders and other applicable requirements of the Bourse; and
  - viii) the approved participant undertakes to ensure that revisions and updates to the requirements of the Bourse relating to the entry and trading of orders are promptly communicated to its clients.
- c) complied with all other conditions prescribed by the Bourse, being:
- i) the approved participant must ensure that its clients are adequately trained in the trading rules of the Bourse, as well as the use of the order routing system. The training materials regarding the above trading rules that the approved participant proposes to use will be available to the Bourse;

- ii) the approved participant must have the ability to receive an immediate report of the entry and execution of orders. He must have the capability of rejecting orders that do not fall within the designated parameters of authorized orders for a particular client;
- iii) the approved participant must designate a specific person as being responsible for the order routing system. Orders executed through this routing system will be reviewed for compliance and credit purposes by such person designated by the approved participant;
- iv) the approved participant must have procedures in place to ensure that its clients use the order routing system in compliance with the requirements of the Bourse and other applicable regulatory requirements;
- v) the approved participant will make available for review by the Bourse, as required from time to time, copies of the Order Routing Agreements between the approved participant and its clients;
- vi) any other condition required by the Bourse in order to protect the interests of the investors, the approved participants and the Bourse.

### 3. Responsibility

An approved participant who executes an agreement with a client to route orders in accordance with article 6366 B) 2) of the Rules is responsible for compliance with the requirements of the Bourse with respect to the entry and execution of orders routed to him by its clients.

Furthermore, the approved participant must provide the Bourse with prior written notification of the identity of the person designated as responsible for such compliance.

### **6367 Trading Hours**

(25.09.00, 29.10.01, 20.03.09)

Trading hours are determined by the Bourse.

There will not be any extended trading session on the expiry day of a contract month except in cases where the final settlement price of the contract is established after the close of the extended trading session.

### **6367A Curb Trading**

(06.01.03, abr. 20.03.09)

### **6368 Trading Stages**

(25.09.00, 24.09.01)

The following is a list of trading stages:

- Pre-opening/ Pre-closing

No-cancel stage – In the last 2 minutes of the Pre-opening / Pre-closing, orders can not be cancelled or CFO'ed (Modification of an order). Orders can only be entered.

- Opening/ Closing
- Market Session (Continuous Trading)

Depending on the product, trading stages may vary, as determined by the products specifications.

### **6369 Regular Orders**

(25.09.00, 24.09.01, 29.10.01, 24.04.09)

The orders routed by Approved Participants (regular orders) which can be executed are defined hereinafter:

a) Market order (best limit; bid/ask)

- A Market order is executed at the best limit that is available on the other side of the market at the moment the order is introduced into the electronic trading system, at the quantity available at this limit. If the order is partially filled, the unfilled quantity is posted at the price which the first part of the order was executed.
- A Market order can only be entered during the Market Session (Continuous Trading).
- A Market order is only accepted by the system if a price limit exists on the other side.

b) Limit order:

An order to buy or sell at a specified price, or better.

c) Stop limit order:

An order to buy or sell which becomes a limit order once the contract has traded at the stop-price or higher in the case of a buy order; at the stop-price or lower in the case of a sell order.

If more than one stop order has the same trigger price, then the first in, first out basis (FIFO) rule will apply. Once the stop order becomes a limit order, a new time priority is given to it.

- Stop limit orders can only be entered as day orders.

d) Opening / Closing price order (Market on Open and Market on Close):

Order by which a trader is the buyer or the seller of contracts at the opening / closing price defined by the electronic trading system at the pre-opening / pre-closing session. Therefore, this order must be input during the pre-opening / pre-closing session. If an order is not filled in full, the order is assigned the opening price Calculated Theoretical-Opening (CTO) as defined in article 6375 of the Rules, as its new limit.

e) Hidden quantity order:

A trader may hide a certain quantity of the order to the market :

- Disclosed quantity: quantity of contracts initially parameterized by the user to be seen by the market.

- Hidden quantity: difference between the whole order quantity (total quantity) and the disclosed quantity. The hidden quantity is only seen by the Bourse.
- Displayed quantity: Quantity of contracts effectively seen by the market.
- When the order is executed for the disclosed quantity, it is renewed for the same disclosed quantity and the order is positioned at the end of the queue at the same limit. It loops until the whole order quantity (total quantity) has been filled.

f) Fill and kill order

An order which is executed at the given price for the quantity which can be executed. Any portion of the order, which cannot be executed, will be cancelled.

g) All or none bids or offers and minimum amount orders are not allowed.

The Bourse may decide that certain types of orders are not available.

**6369A Implied orders**

(24.04.09)

The orders generated by the trading engine which can also be executed are defined hereinafter:

**Implied orders:**

Orders generated by the implied pricing algorithm using regular orders and registered in the order book by the trading engine.

**6370 Order Duration**

(25.09.00, 24.09.01)

Orders may be entered as:

- Day orders
- Session orders
- G.T.C. orders

(A Good until Cancel order, which is good until it is cancelled or until the end of expiry month)

- G.T.D. orders (good until a specified date)

The Bourse may decide that certain types of orders duration are not available.

**6371 Cancel of orders (CXL)**

(25.09.00, 24.09.01)

An order can be cancelled at any time during the day except if it has been filled, or if trading is in the no-cancel stage of the pre-opening or pre-closing stages.

**6372 Modification of orders (CFO)**  
(25.09.00, 24.09.01)

An order can be CFO'ed at any time during the day except if it has been filled or if trading is in the no-cancel stage of the pre-opening or pre-closing stages.

Furthermore:

- a) when the quantity of the order is decreased, it retains its priority in the system;
- b) when the quantity of the order is increased or its price modified, it is treated as a new order;
- c) upon the modification of any order's characteristic, a new ticket must be completed and time-stamped. If not, the original ticket will be time-stamped again;
- d) upon a quantity's reduction, the new ticket retains the initial priority. However, upon a quantity's increase, the new ticket acquires a new priority;
- e) for any other modification to the initial ticket, the new ticket is considered as a new order.

**6373 Time-Stamping of Limit Order**  
(25.09.00, 24.09.01)

The order ticket for a limit order must bear, in addition to that mention, a double time-stamping at the receipt and at the execution of the order.

**6374 Management of Priorities**  
(25.09.00, 24.09.01, 29.10.01)

The management of orders' priorities is made on the basis of the chronology of their receipt. The orders initiated for the firm account of approved participants must be made on an order ticket at the same conditions as those for client orders.

In all cases, each approved participant is responsible for insuring that, at the same price and time stamp, it gives priority to client orders over its own professional orders, unless the client has expressly waived the priority of his order and that such waiver is documented by the approved participant.

**6375 Order Priority**  
(25.09.00, 29.10.01, abr. 29.10.01)

**6375 Allocation of tradeable orders**  
(25.09.00, 24.09.01, 29.10.01)

a) Pre-opening / Pre-closing

During the pre-opening and pre-closing stages of the trading day, orders are entered but no trades are generated until the end of the stage. The electronic trading system will calculate the opening/ closing price.

The Calculated Theoretical-Opening price (CTO) represents the overlapping bid/ask price range that results in the maximum possible trade volume.

When there is more than one possible CTO at which the maximum volume is reached, the price with the lowest residual is used. Furthermore under the following conditions:

- if there is an imbalance on the buy side, the highest price is taken;
- if there is an imbalance on the sell side, the lowest price is taken;
- where the residuals are the same, the price which is closest to the previous settlement is taken.

Stop orders during Pre-opening / Pre-closing stages are treated as follows:

Stop limit orders can only participate in the CTO calculation once their trigger price has been reached. Each time a new CTO is determined, a stop order could get triggered and untriggered.

b) Market Session (Continuous Trading)

The electronic trading system allocates the tradeable orders on a first in, first out basis (FIFO) except when part of the allocation is subject to an execution guarantee as defined by the Bourse.

**6376 Order Identification**

(25.09.00, 24.09.01, 29.10.01, 01.04.04)

Approved participants must ensure the proper identification of orders when entered into the trading system in order to ensure compliance with the provisions of article 6374 regarding management of priorities.

- a) “Order for the account of a customer” means an order for a security or a derivative instrument entered for the account of a customer of any approved participant or of a customer of a related firm of an approved participant, but does not include an order entered for an account in which an approved participant, a related firm of an approved participant, a person approved by the Bourse or a restricted trading permit holder has a direct or indirect interest, other than an interest in a commission charged;
- b) “Order for the account of a professional” means an order for a security or a derivative instrument for an account in which a director, officer, partner, employee or agent of an approved participant or of a related firm of the approved participant, a person approved by the Bourse or a restricted trading permit holder has a direct or indirect interest, other than an interest in a commission charged. The Bourse may designate any order as being an order for the account of a professional if, in its opinion, circumstances justify it;
- c) “Order for the account of the firm” means an order for a security or a derivative instrument for an account in which the approved participant or a related firm of the approved participant has a direct or indirect interest, other than an interest in a commission charged;
- d) “Order for an insider or significant shareholder” means an order for a security or a derivative instrument for the account of a client, a professional or a firm who is an insider and/or significant shareholder of the issuer of the underlying security which is the subject of the order. If such client, professional or firm is both an insider and a significant shareholder, the significant shareholder designation must be used.

For the purposes of this article :

“insider” means a person who is an insider, pursuant to applicable securities legislation, of the issuer of the security underlying the security or the derivative instrument traded;

“significant shareholder” means any person holding separately, or jointly with other persons, more than 20 per cent of the outstanding voting securities of the issuer whose security is underlying the security or the derivative instrument traded.

“related firm” has the meaning given to that term in the definitions in article 1102 of the Rules of the Bourse.

### **6377 Keeping Records of Orders**

(25.09.00, 24.09.01, 29.10.01, 01.04.04, 31.01.05)

- 1) With the exception of orders entered by a market maker to comply with obligations required by his role and responsibilities, a record must be kept by each approved participant of each order received for the purchase or sale of securities or derivative instruments traded on the Bourse.
- 2) The record of each order executed must indicate the person who received the order, the time the order was received, the time it was entered into the electronic trading system of the Bourse, the price at which it was executed, its time of execution, its classification pursuant to the provisions of article 6376, the approved participant from or to or through whom the security or derivative instrument traded on the Bourse was purchased or sold and, as the case may be, if the order was executed as a cross transaction, a prearranged transaction or a block trade pursuant to the provisions of article 6380. Such record must be retained for seven years.
- 3) No order can be executed on the electronic trading system of the Bourse until it has been identified as above by the approved participant who received the order.

All orders for securities or derivative instruments traded on the Bourse must be time-stamped and, if applicable, indicate any special instructions including the consent of the client to prenegotiation discussions.

- 4) The record of each order which remains unfilled must indicate the person who received the order, its time of receipt and its classification pursuant to the provisions of article 6376 and such record must be retained for seven years.
- 5) All telephone conversations related to trading in securities or derivative instruments listed on the Bourse must be recorded. The following conditions apply:
  - i) Recordings must be kept by approved participants for a period of one year.
  - ii) Authorization to consult the recordings of telephone conversations shall be granted in the case of an investigation by the Bourse, the Autorité des marchés financiers or by any other regulatory body with which the Bourse has concluded an information sharing agreement;
  - iii) In the case of litigation or in disciplinary matters, the recording may be filed as evidence.
  - iv) Approved participants must advise their clients of the recording of telephone conversations and comply with the provisions of article 7452 of Rule 7.

- 6) Where an order ticket is completed, it must comply, for what concerns the information that must be entered on it, with the requirements of Section 11.2 of National Instrument 23-101 regarding Trading Rules.
- 7) Exceptionally, the Bourse may grant exemptions from all or any part of the requirements set in paragraphs 1) to 5) above.

**6378 Receipt of Orders**

(25.09.00, 24.09.01, 29.10.01)

Any order received or initiated by an approved participant or a restricted permit holder must be time-stamped in accordance with articles 6373 and 6377 of the Rules.

**6379 Input of Orders**

(25.09.00, 24.09.01, 29.10.01, 01.04.04)

Except as provided in paragraph b) of article 6375, the market orders and limit orders are entered into the trading system and presented to the market without delay in accordance with the chronology of their receipt. The other orders are presented to the market as soon as their time limit or triggering limit is reached.

Any order which is entered into the trading system must indicate if the order is for the account of a firm, of a client or of a professional, as these terms are defined in article 6376. In addition, if the order is for the account of an insider or of a significant shareholder, as these terms are defined in article 6376, it must be identified as such. When these conditions are fulfilled, the input in the system triggers the recording of the order. Should the final receiver fail to be identified directly in the system, a time-stamped recording in accordance with article 6377 of the Rules must be completed.

If a chronological ranking of receipt cannot be established between many orders, the client priority rules of article 6374 of the Rules apply.

**6380 Prenegotiation Discussions, Cross Transactions, Prearranged Transactions, Block Trades and Riskless Basis Cross Transactions**

(25.09.00, 24.09.01, 29.10.01, 31.01.05, 10.11.08, 29.01.10)

For the purpose of this article, the terms hereunder are defined as follows:

**1) Prenegotiation Discussions**

Prenegotiation discussions are considered having occurred when approved participants engage in negotiations with each other or with other approved participants and/or clients prior to entering orders which may result in a cross transaction, a prearranged transaction, a block trade, an exchange-for-physical or exchange-for-risk transaction (according to the provisions of article 6815 of this Rule), a substitution transaction (according to the provisions of article 6815A of this Rule) or a riskless basis cross transaction. Clients must consent to allow approved participants to engage in prenegotiation discussions with other approved participants and/or clients with respect to an order.

## 2) Cross Transactions

A cross transaction is considered having occurred when two orders of opposite sides originating from the same approved participant are intentionally executed against each other in whole or in part as a result of prenegotiation discussions.

## 3) Prearranged Transactions

A prearranged transaction is considered having occurred when one or more approved participants engage in prenegotiation discussions in order to agree on the terms of a transaction before entering the orders in the electronic trading system of the Bourse.

Execution of cross transactions and prearranged transactions are permitted by the Bourse when:

- i) they are on eligible securities or derivative instruments;
- ii) the orders are for a quantity equal to or greater than the minimum quantity threshold established for that eligible security or derivative instrument;
- iii) the prescribed time delay between the input of an order and its opposite side order is respected;
- iv) the transactions are executed in accordance with the Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions.

The eligible securities or derivative instruments, the prescribed time delays and the minimum quantity thresholds are determined by the Bourse and published in the Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions.

It is forbidden to use the hidden quantity functionality of the electronic trading system of the Bourse to execute a cross transaction or a prearranged transaction.

## 4) Block Trades

A block trade is considered having occurred when one or more approved participants and/or clients engage in prenegotiation discussions to arrange large size transactions away from the electronic trading system of the Bourse (as permitted by article 6005 of this Rule) at prices mutually agreed upon, report to the Bourse the terms of their agreement and the Bourse agrees to them.

An approved participant of the Bourse may execute a block trade for a quantity equal to or greater than the applicable minimum volume threshold in a security or derivative instrument, other than an equity option or a share futures contract, designated by the Bourse pursuant to the following conditions:

- i) A block trade may be arranged in a designated security or derivative instrument only during the trading hours and business days authorized by the Bourse. Once a block trade has been arranged, an approved participant must submit details of the block trade to the Bourse as soon as practicable and in any event within the period of time prescribed by the Bourse.
- ii) A block trade may be arranged only in a security or derivative instrument that has been designated by the Bourse for that purpose. Such designations will be published by the Bourse,

together with the minimum volume thresholds applying to those designated securities or derivative instruments. Approved participants are permitted to enter into block trades in any strategy recognized by the Bourse.

- iii) Where a strategy involves the trading of two or more different securities or derivative instruments, the smaller of the minimum volume thresholds of the securities or derivative instruments comprised in the block trade will be applied to each of these securities or derivative instruments. Where the strategy involves the trading of two or more different contract months and/or strike prices of the same contract month, the minimum volume threshold will apply to each leg of the trade, except where specific provision has been made within the published minimum thresholds.
- iv) Approved participants may not aggregate separate orders in order to meet the minimum volume thresholds.
- v) The price at which a block trade is arranged must be “fair and reasonable” in light of (i) the size of such a block trade; (ii) currently traded prices and bid and ask prices in the same contract, at the relevant time; (iii) currently traded prices and bid and ask prices in other contract months for futures contracts or other option series for options contracts; (iv) currently traded prices and bid and ask prices in other relevant markets, including without limitation the underlying markets; (v) the volatility and liquidity of the relevant market; and (vi) general market conditions.
- vi) Block trades shall not set off special terms orders or otherwise affect orders in the regular market.
- vii) It is strictly prohibited for an approved participant, for both the buyer and the seller, to enter into a block trade to circumvent the contract month roll in the corresponding security or derivative instrument.

The eligible securities or derivative instruments and the minimum quantity thresholds are determined by the Bourse and published in the Procedures for the Execution of Block Trades.

## **5) Riskless Basis Cross Transactions**

A riskless basis cross transaction occurs when an approved participant and a client engage in pre negotiation discussions to conclude a riskless basis cross transaction outside of the posted order book (as permitted by article 6005 of this Rule) at a pre-determined price. The futures contract price is comprised of an average price resulting from a preliminary transaction in the cash market plus a prenegotiated basis spread mutually agreed upon between the approved participant and the client.

A riskless basis cross transaction can be executed on the Bourse once the approved participant has acquired market exposure using cash instruments as prescribed in the procedures established by the Bourse.

In order to qualify as a riskless basis cross transaction, the following conditions must be respected:

- i) Riskless basis cross transactions must at all times be executed in accordance with such other procedures, terms and conditions that the Bourse may prescribe from time to time.

- ii) The futures contracts that are eligible to riskless basis cross transactions, and the last day and time for executing such transactions shall be determined by the Bourse.
- iii) The cash components acceptable for the purpose of a riskless basis cross transaction are those specified in the procedures set by the Bourse.
- iv) Each party to a riskless basis cross transaction must satisfy the Bourse, upon request, that the transaction is a bona fide transaction. To this effect, parties to such a transaction must maintain and must provide to the Bourse upon request complete records and documentary evidence relating to such transaction including all records relating to the purchase or sale of securities and futures contracts and to any transfer of positions made in connection with such transaction.
- v) It is prohibited for any party to a riskless basis cross transaction to effect a transaction which is contrary to the requirements and practices prescribed by the rules, policies and procedures of the Bourse or to effect such a transaction for the sole purpose of reporting, registering or recording a price that is not a bona fide price or of making a transaction which is a "wash trade", an accommodation trade or a fictitious sale.
- vi) A riskless basis cross transaction may be made at such prices that are mutually agreed upon by the two parties to this transaction. However, the price at which the futures contract leg of the transaction is arranged must be fair and reasonable in light of factors such as, but not limited to, the size of the 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 as well as the general market conditions.
- vii) Each riskless basis cross transaction must be reported to the Bourse in accordance with the procedures set by the Bourse. Such report must be in the form prescribed by the Bourse and must contain all the information required on such prescribed form.
- viii) Each riskless basis cross transaction must be immediately disseminated by the Bourse once it has validated it.
- ix) It is strictly prohibited for any party, for both the buyer and the seller, to enter into a riskless basis cross trade to circumvent the contract month roll in the corresponding security or derivative instrument.

**6381 Cancellation or Adjustment of Trades**

(25.09.00, 24.09.01, 29.10.01, 24.04.09)

- a) A trade on the electronic trading system resulting from an input error can be cancelled by the parties agreeing to it within 15 minutes following its execution. The error and the request to cancel the resulting transaction must be verbally communicated (by telephone) by the approved participant to a Market Supervisor of the Bourse.
- b) The Bourse may at any time cancel or adjust 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**

(25.09.00, 24.09.01, 29.10.01, abr. 24.04.09)

**6383 Acceptable Market Price**  
(25.09.00, 24.09.01, 29.10.01, 24.04.09)

Before the cancellation of a trade, the Market Supervisor of the Bourse notes the spread between the price execution of the trade that is requested to be cancelled and the acceptable market price and determines the estimated 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, requested to be cancelled was executed.

**6384 Decision by the Market Supervisor of the Bourse**  
(25.09.00, 24.09.01, 29.10.01, 24.04.09)

A trade will not be cancelled:

- if the error and the request to cancel the resulting trade have been communicated to the Bourse by the approved participant outside the prescribed delay;
- if the spread between the execution price of the trade to be cancelled and the acceptable market price 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 information communicated to the Bourse by the approved participant is incomplete or insufficient.

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

**6385 Delays of Decision and Notifications**  
(25.09.00, 24.09.01, 29.10.01, 24.04.09)

The Market Supervisor of the Bourse will decide to cancel or refuse to cancel a transaction and will inform each party to the trade of this decision. This will be done within thirty minutes following the communication of the error and of the cancellation request to the Bourse by the approved participant within the same delay.

**6386 Unacceptable Practices**  
(25.09.00, 24.09.01, abr. 31.01.05)

**6387 Malfunction of the Trading System**  
(25.09.00, 24.09.01, 29.10.01)

Should the electronic trading system malfunction, a Market Supervisor of the Bourse can interrupt access to the system.

The orders recorded before the malfunction can be withdrawn from the system by the approved participant or the restricted permit holder by preparing cancellation instructions for the orders. Upon the system functioning again, there will be a pre-opening session where the cancellation instructions for the orders will be executed.

**6388 Daily Price Limits**

(25.09.00, 24.09.01, 29.10.01)

The Bourse establishes for each derivative instrument a daily price limit, based on a percentage, with respect to the previous day's settlement price and there shall be no trading above or below that limit. The daily price limit percentage is established on a monthly basis in collaboration with the clearing corporation.

**6389 Market Supervisor**

(25.09.00, 24.09.01, 29.10.01)

A Market Supervisor is an employee of the Bourse who monitors the day-to-day trading on the trading system.

**6389A Levy of a Fine**

(24.09.01)

Any official of the Bourse who has been informed of, or has witnessed a trading infraction or unethical conduct has the authority to investigate the matter and levy a fine not exceeding \$5,000. Such a decision must be ratified by at least two senior officers of the Bourse before being communicated to the person at fault. Such a decision can be appealed to the Special Committee – Regulatory Division.

**6390 Market Official**

(25.09.00, 24.09.01, abr. 29.10.01)

**6390 Daily Settlement Price or closing quotation**

(25.09.00, 24.09.01, 29.10.01)

The daily settlement price or the closing quotation are determined according to the procedures established by the Bourse for each derivative instrument.

**6391 Entry of Orders in the Electronic Trading System**

(25.09.00, 24.09.01, 29.10.01)

- a) The electronic trading system shall contain all orders to buy and to sell.
- b) Orders may be entered into the electronic trading system during pre-opening.
- c) Orders can not be modified or cancelled during the No-cancel stage before the opening or closing.
- d) All orders shall be considered to be Day orders, unless otherwise stipulated at the time of entry.

**6392 Opening Time**

(25.09.00, 24.09.01, 29.10.01)

- a) In the case where the underlying interest has not opened in a reasonable time, a Market Supervisor may postpone the opening of a derivative instrument.
- b) Opening time for a spread or strip should not be earlier than the underlying product.

**6393 Trading Price Limits**

(25.09.00, 24.09.01, 29.10.01)

In order to minimize errors of the approved participant during order entry in the electronic trading system, trading price limits are in place for each instrument. This will protect the approved participant from entering a wrong price, which could move the market dramatically.

The approved participant who has placed an order which is not in the trading price limits, will receive a specific message that his order has been rejected.

The trading price limits will be set at the start of trading based on the previous day's settlement price (plus or minus). These limits will be adjusted by the Market Supervisor of the Bourse during the trading day, based on the movement of the market. The Bourse will be responsible to make sure the limits will not affect trading in any way. The new limits will be broadcasted to the market. Once the trading price limit has reached the daily price limits, the daily price limits are effective.

The Bourse will advise the approved participants of any change to the spread of the trading price limits.

**6393A Other Trading Price Limits**

(18.09.09)

A range of trading price limits (up and down) will also be established in trading sessions during which the underlying exchange-traded products are not open for trading. Such a trading range will be established by the Bourse based on the previous day's settlement price at the beginning of that particular trading session and will not be readjusted intra-session.

**6394 Execution of orders in the Electronic Trading System**

(25.09.00, 29.10.01, abr.29.10.01)

**6394 Introduction and Deletion of Classes and Series of Options**

(29.10.01)

**INTRODUCTION**

- a) Before submitting a formal application to the Clearing Corporation for the introduction of a new class of options, the Bourse shall be satisfied that the liquidity of the options market on the Bourse is not unduly reduced by reason of such addition.
- b) When introducing a new class of options, the Bourse shall determine:

- i) the symbol;
- ii) the date that trading shall begin.

#### DELETION

- a) Whenever the Bourse determines that an underlying interest previously approved for options transactions on the Bourse does not meet the requirements for continued approval or for any other reason should no longer be approved, it may decide not to open for trading any additional series of the class covering the underlying interest and to prohibit any opening purchase transactions in already existing series of that class.
- b) The Bourse can delete an equity option if the issuer has failed to make timely reports as required by the regulation where the underlying interest is traded.
- c) Such action shall not be taken without regard to the necessity of maintaining a fair and orderly market and to the protection of purchasers and writers of option contracts.
- d) The Bourse may delete specific series of any class of options when the series have no open interest.

#### **6395 Market makers - Options** (24.09.01, 29.10.01)

In order to enhance the liquidity of the market and facilitate the handling of orders, a listed option class can be assigned to one or several approved participants who have agreed to undertake the market maker's responsibilities.

A market maker can be assigned one or more classes of options to which he must provide liquidity. In addition to the foregoing, each market maker shall comply with the following obligations required by his role and responsibilities:

- A) Oversight and selection of market makers shall be the responsibility of the Bourse. Factors to be considered for the selection of market makers shall include the following: adequacy of capital, experience with trading of a similar derivative instrument, willingness to promote the Bourse as a market place, operational capacity, support personnel, history of compliance with the Rules of the Bourse and any other factor which the Bourse deems relevant.
- B) By written application in the form prescribed by the Bourse, an approved participant may request a market maker assignment in one or more listed options classes. An application for market maker assignment by an approved participant must include the name of its designated representative. The Bourse may also request any one or more conditions on the nomination, in respect of any representations made in the application process, including but not limited to, capital, operations or personnel.
- C) The market maker is obligated to promptly inform the Bourse of any material change in its financial or operational condition or in its personnel. A market maker appointment can not be transferred without the prior approval of the Bourse. The market maker must serve until he is relieved from his obligations by the Bourse.
- D) The Bourse may, at its discretion, relieve a market maker from his appointment:

- i) if, upon review, the Bourse determines that a market maker has not performed satisfactorily the conditions of his appointment;
- ii) if a market maker incurs a material financial, operational or personnel change which could negatively impact his ability to satisfactorily perform his duties;
- iii) if for any reason the market maker should no longer be eligible for appointment, should resign his appointment or fail to perform his duties.

If a market maker has been relieved of his appointment or the appointment otherwise becomes vacant, the Bourse has discretion to appoint an interim market maker pending the conclusion of a new market maker selection process. The appointment as interim market maker is not a prejudgement of the outcome of the new market maker selection process.

- E) A market maker shall continuously maintain for his account on every series of his assigned options classes a two-sided market, consisting of a current bid and ask, with their associated size commitments.

He must effect trades which have a high degree of correlation with the overall pattern of trading for each of his assigned options classes.

- F) With respect to each class of options for which he holds an assignment, a market maker has a continuous obligation to engage, to a reasonable degree under prevailing circumstances, in dealings for his own account when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, a temporary disparity between the supply of, and demand for, a particular options series, or a temporary distortion of the price relationships between options contracts of the same class.

Without limiting the foregoing, a market maker is expected to perform the following activities in the course of maintaining a fair and orderly market:

- i) to compete with other market makers to improve markets in series of options classes in which the market maker has an assignment;
- ii) to make markets which, upon stable market conditions, will be honoured to a reasonable number of contracts in series of options classes in which the market maker has an assignment;
- iii) to price options fairly by bidding and/or offering so as to create differences of no more than his spread commitments in series of options classes in which the market maker has an assignment.

**6397 Organization of the Market - Options**  
(24.09.01, abr. 29.10.01)

**6399 Market-Makers - Options**  
(24.09.01, abr. 29.10.01)

**B. SPECIAL RULES FOR TRADING EQUITIES - CDNX**  
(22.11.99, abr. 12.02.02)

## C. OPTIONS

### Section 6571 - 6580 Specialists - Options (24.12.96)

#### 6571 General

In order to enhance the liquidity of the market and facilitate the handling of orders, each listed option class shall be assigned to a member who has agreed to undertake the specialist's responsibilities.

#### 6572 Application for Assignments (07.09.99)

- a) By written application in the form prescribed by the Exchange, a member may request a specialist's assignment in one or more listed option classes. The application shall indicate the name of the person who will carry the assignment;
- b) An assignment may not be transferred within a specialist unit without the prior consent of the Floor Committee - Options;
- c) No member having accepted assignments shall withdraw from performing his duties as specialist without the prior approval of the Exchange.

#### 6573 General Obligations of the Specialists

To provide as principal, to an extent reasonably practicable, a fair and orderly market in the listed option classes in which he is registered.

#### 6574 Other Obligations of Specialists as Principal

Without limiting the generality of article 6573 of the Rules, specialists shall have the following additional obligations :

- a) While establishing or increasing a position

The following transactions shall be deemed to be destabilizing and shall not be effected by a specialist except when they are reasonably necessary to render his positions adequate to ensure the maintenance of a fair and orderly market in the option classes in which he is registered :

- i) a purchase at a price above the last sale price in the same trading session, except if made pursuant to the specialist's guaranteed fill obligations;
- ii) the purchase of all or substantially all that is offered in the Book at a price equal to the last trade, when the amount so offered represents all or substantially all that is offered in the market;

iii) the selling of all or substantially all that is bid in the Book at a price equal to the last trade, when the amount that is bid represents all or substantially all that is wanted in the market.

b) Decreasing or liquidating a position

While decreasing or liquidating all or substantially all of a position in an option class in which he is assigned, the specialist shall never fail to maintain a fair and orderly market in such option.

c) Participating in the opening

The specialist shall avoid participating in the opening of an option class in such a manner as to reverse the balance of public supply and demand as reflected by the Book; his participation shall always tend to minimize the disparity between the supply and demand.

d) Trades on other exchanges

Whenever a specialist effects, as principal, purchases of a listed option for which he is registered, in another exchange, at or above the price at which he holds selling orders, such orders must be filled at the same price at which he effected the transactions on that other exchange, unless effecting such transactions on the floor would be inconsistent with the maintenance of a fair and orderly market. The same principle applies when the specialist sells, as principal in another exchange, at a price equal or lower than the price at which he holds buying orders.

e) Reporting open positions

The Exchange may order the specialist to file with the Exchange before the opening of a trading session, reports reflecting his open positions and each trade effected for his account in each options class in which he is registered as specialist, or any other report that the Exchange may require.

### **6575 Restrictions and Prohibitions**

No specialist shall: acquire or hold, without the prior consent of the Exchange, any interest or participation in any account for trading on the Exchange any option on which such specialist is registered.

### **6576 Trading in Non-Assigned Option Classes**

With respect to listed option classes in which he is not registered, a specialist should not engage in transactions which would be disproportionate in relation to, or in derogation of, the performance of his obligations to the option classes in which he is registered. Furthermore, a specialist should not, individually or as part of a group, intentionally or unintentionally, dominate the market in a listed option class.

### **6577 Temporary Specialist**

In the absence of the assigned specialist, a Floor Official shall request another specialist to assume the responsibilities for the assignments of the absent specialist. While assuming such temporary responsibilities, the specialist is subject to the same privileges and restrictions as the assigned specialist.

**6578 Retail Order Policy**  
(22.11.99)

- a) Subject to the By-Laws and Rules, the Specialist/Market-Maker Trading Policy (Policy T-1) makes explicit the obligations of specialists on assigned option classes in respect to:
- i) the minimum size of bids and asks;
  - ii) the maximum allowable spread between bids and asks; and
- b) The provisions of the Specialist/Market-Maker Trading Policy have the same force and effect as the Exchange Rules.

**6579 Transactions of Specialists**

In respect of the transactions effected by the specialists as such, the following provisions apply:

- a) Separate account

Transactions shall be recorded in a separate account.

- b) Marking and retaining floor tickets

Trades shall be identified as such on the floor ticket and such ticket shall be retained five (5) years by the member.

**6580 Obligation of Specialists towards Locked Markets**  
(10.06.98)

The specialist must treat locked markets by engaging in dealings for his own account provided the locked market is created by an order other than his own order.

**Section 6581 - 6600**  
**Market Makers - Options**  
(24.12.96)**6581 General**  
(07.09.99)

The Exchange recommends the appointment of market makers whose duty shall be to support the specialists and Designated Primary Market-Makers in providing liquidity and depth to the market.

**6582 Application for Assignments**  
(10.06.98, 07.09.99)

- a) Further to an agreement with the specialist, an individual member, a floor attorney or a restricted permit holder may request market maker's assignments in a specialist unit in one or more listed options classes by written application in the form prescribed by the Exchange;
- b) No person having received assignments shall withdraw from performing his duties as market maker in a specialist unit before notifying the specialist and without the prior approval of the Exchange.

- c) An individual member, a floor attorney or a restricted permit holder may request market maker's assignments in one or more listed options classes by written application in the form prescribed by the Exchange.
- d) A person having received assignments shall not withdraw from performing his duties as market maker without the prior approval of the Exchange.

**6583 Responsibilities of Market Makers**  
(07.09.99)

In conformity with the market depth and spread requirements set by the provisions of Policy T-1, market makers shall have the following obligations:

- a) For any option class which has an assigned specialist, a Floor Official or the specialist may call upon market makers to assist in providing a fair, orderly and competitive market;
- b) If satisfactory responses are not promptly received when such requests are made, the Floor Official or the specialist shall forward a report to the Floor Committee - Options.

**Section 6601 - 6610**  
**Exchange-Traded Options**

**6601 Standard Contract**  
(06.08.86, 10.11.92, 07.09.99)

No option contract shall be called for trading on the Exchange unless it is guaranteed by a Clearing Corporation designated by the Exchange and have terms in respect of:

- a) the qualifications and specifications of the underlying interest;
- b) the number of units of the underlying interest which constitutes one contract;
- c) the expiration date;
- d) the exercise price;
- e) the introduction of put and call options;
- f) the exercise procedure (i.e. "American" or "European" style).

**6602 Qualification for Underlying Interests**  
(13.03.87, 31.05.88, 10.11.92, 07.09.99, 28.01.02, 26.09.05)

Products qualify as underlying interests provided they meet certain requirements.

- a) Every equity issue shall be listed on a Canadian Exchange, meet the criteria of the Canadian Derivatives Clearing Corporation, or be a security recommended for approval by the Bourse.
- b) In the case of Government of Canada Bonds, every issue shall have an outstanding amount of at least \$500,000,000 face value at maturity.

- c) A Futures contract must be listed on the Bourse.
- d) In the case of a currency, it must have been priorily approved by the Bourse.
- e) In order for a Canadian sponsored option to be traded on the Bourse, the underlying interest must satisfy the options eligibility criteria defined in the Canadian Derivatives Clearing Corporation Rules.
- f) In order for an international sponsored option to be traded on the Bourse, the underlying interest must be currently traded on a recognized exchange and there must be options or futures contracts listed on this same exchange or on any other recognized exchange.

For the purpose of the present Rule, the term "recognized exchange" means any exchange carrying on its activities on the territory of one of the Basle Accord Countries and those countries that have adopted the banking and supervisory rules set out in the Basle Accord, and any other exchange or group of exchanges with whom the Bourse has signed a collaboration agreement.

- g) In the case of an index sponsored option, the sponsor must have a licensing rights agreement with the index supplier. A copy of the agreement must be filed with the Bourse before the sponsored option is launched.

**6603 Unit of Trading, Expiration Months, Exercise Prices**

(06.08.86, 15.08.86, 13.03.87, 19.05.87, 20.03.91, 17.12.91, 10.11.92, 07.09.99, 28.01.02)

The Bourse, in consultation with the designated Clearing Corporation and the sponsor in the case of sponsored options, shall establish the unit of trading, the expiration months and the exercise price intervals for each class of options that has been approved for trading.

**6604 Adjustment to Terms of Contract**

(10.11.92, 07.09.99, 28.01.02)

The terms of a contract are subject to adjustment in accordance with the Rules and Policies of the Bourse, or with General Conditions of the Clearing Corporation. When adjustments are made, a notice thereof shall be promptly given to approved participants and to restricted permit holders.

**6605 Introduction and Deletion of Classes and Series of Options**

(10.11.92, 07.09.99)

**INTRODUCTION**

- a) Before submitting a formal application to the Clearing Corporation for the introduction of a new class of options, the Exchange shall be satisfied that:
  - i) the liquidity of the options market on the Exchange is not unduly reduced by reason of such addition;
  - ii) the new series will be added in such a manner as to enable the proper function of the spread process within the new series.
- b) When introducing a new class of options, the Exchange shall determine:
  - i) the symbol;

- ii) the date that trading shall begin.
- c) When introducing a new class of options, the Exchange shall open at least two series in each expiration month, such that the exercise price of one series is above, and one is below, the price per unit of the underlying interest. However, the Exchange may open more than two series in an expiration month if, in its opinion, it would be beneficial to the market.

#### DELETION

- a) Whenever the Exchange determines that an underlying interest previously approved for Exchange options transactions does not meet the requirements for continued approval or for any other reason should no longer be approved, it may decide not to open for trading any additional series of the class covering the underlying interest and to prohibit any opening purchase transactions in already existing series of that class.
- b) When, in the case of equity options, the issuer has failed to make timely reports as required by articles 9153 to 9171 of the Exchange Rules.
- c) Such action shall not be taken without regard to the necessity of maintaining a fair and orderly market and to the protection of purchasers and writers of option contracts.
- d) Without limiting the generality of the foregoing, the Exchange may delete specific series of any class of options when:
  - i) the series have no open interest;
  - ii) if both puts and calls are traded, a call series may only be deleted if the corresponding put series satisfies the criteria for deletion, and vice-versa;
  - iii) the series are deep-in-the-money or deep-out-of-the-money and there is no other series which is as deep-in-the-money or as deep-out-of-the-money with a later expiration date and has open interest.

#### **6606 Opening of Additional Series** (10.11.92)

Additional series of a class of options may be introduced for trading by the Exchange when the price of the underlying interest has moved materially.

**Section 6611 - 6620**  
**Floor Committee - Options**  
(10.11.92)

**6611 Composition**  
(10.11.92)

Sessions of the Exchange for trading options, excluding futures options, shall be governed by a Floor Committee - Options composed of five or more individuals chosen among individual members, floor attorneys, restricted permit holders and Exchange personnel. They are appointed by the Governing Committee and known as Floor Officials. The Chairman and the Vice-Chairman shall be appointed by the Governing Committee and in their absence, the Floor Committee - Options may elect a Floor Official to act as Chairman. A member firm may be permitted to have two designated representatives on the Committee but, at no time will it have more than one voting right at any meeting.

**6612 Quorum**  
(10.11.92)

A majority of voting members shall constitute quorum.

**6613 Authority**  
(10.11.92)

The Floor Committee - Options shall govern the trading and conduct of restricted permit holders, individual members, floor attorneys and any other person associated by employment or contract with a member or permit holder.

**6614 Floor Trading Regulations**  
(10.11.92)

The Floor Committee - Options shall enact from time to time such floor trading rulings for options, excluding futures options, as may be required to ensure proper trading practices and procedures which shall be binding on all members and persons referred to in article 6613. (Such rulings are inserted in the Trading Manual)

**6615 Trading Delays and Halts**  
(10.11.92, 07.09.99)

Any Floor Official has the authority to take such decisions as may be required to delay the opening in any class of stock or bond options or to interrupt trading in any such class to assist in the orderly opening or re-opening of such class.

**6616 Investigations**  
(10.11.92)

The Floor Committee - Options may, for the purpose of this section, make investigations into the conduct of any person referred to in article 6613, including the taking of evidence. If necessary, the matter may be referred to the Exchange for further investigation.

**6617 Floor Officials**  
(10.11.92, 30.07.93, 30.11.93, 07.09.99)

- a) Every Floor Official shall have authority in connection with option trading on the Floor to settle disputes and give interpretations in order to carry out effectively the intent and purpose of the Floor trading regulations.
- b) If a Floor Official is personally involved in a dispute, he shall abstain and another Floor Official shall be called to settle the dispute or give interpretations.
- c) A decision made by a Floor Official may be appealed to the Floor Committee - Options within ten business days of such decision.
- d) Every Floor Official shall report forthwith to the Floor Committee - Options any violation to the By-Laws, Rules or Options Trading Regulations, or any unethical conduct of which he has knowledge on the part of any person referred to in article 6613.
- e) Any two Floor Officials acting together may expel from the Floor and adjacent premises, any person whose conduct is interfering with the regular operation of the Floor.

**6618 Offenses and Penalties**  
(10.11.92)

If any person referred to in article 6613 is adjudged by the Floor Committee - Options guilty of a violation of a By-Law, a Rule, a Floor Trading Regulation or of unethical conduct, the said Committee may impose upon such person the following penalties:

- a) a fine not exceeding \$2,000 which shall be paid by the individual upon whom such fine is imposed;
- b) suspension from the Trading Floor for such period and upon such terms and conditions as the Committee may determine;
- c) revoke the appointment of the approval of trading;
- d) expulsion from the Trading Floor.

The Floor Committee - Options shall report the same to the Governing Committee.

**6619 Levy of a Fine**  
(10.11.92)

A fine not exceeding \$500 may be levied by any Floor Official against any person referred to in article 6613, if such person is found guilty of unethical conduct.

**6620 Appeals**  
(10.11.92)

A decision of the Floor Committee - Options, except one rendered under the dispositions of article 6628, may within ten (10) business days of the reception of such decision, be appealed to the Governing Committee (Ref. article 4253).

**Section 6621 - 6650**  
**Trading - Options**

**6621 Standard Trading Unit**  
(10.11.92)

The standard trading unit shall be one contract.

**6622 Quoted Premium**  
(10.11.92)

During the life of a contract, the premium is the only variable. It is the premium per unit of the underlying interest.

**6623 Aggregate Premium**  
(06.08.86, 15.08.86, 01.10.86, 19.05.87, 10.11.92)

The aggregate premium for a contract shall be the quoted premium multiplied by the number of units in a contract.

**6624 Minimum Quotation Spreads**  
(13.03.87, 19.05.87, 20.03.91, 10.11.92, 07.04.94, 15.04.96, 07.09.99, 11.02.00, 28.01.02, 26.09.05, 27.07.07)

The minimum quotation spread shall be:

- |                                     |   |
|-------------------------------------|---|
| a) Equity options                   | \$0.01  |
| b) Index participation unit options | \$0.01  |
| c) Index options                    | 0.01 index point  |
| d) Bond options                     | \$0.01  |
| e) Futures options                  | 0.01 point  |
| f) Sponsored options                | \$0.001 or as otherwise determined in consultation with the Canadian Derivatives Clearing Corporation and with the sponsor. |



**6631 Cancellations and Changes**  
(10.11.92)

## a) Cancellations

No trader shall, without the approval of a Floor Official, cancel any trade that has already been recorded.

## b) Changes

Any change to a trade that has already been recorded shall result in the cancellation of such trade and the writing of a new ticket.

**6632 Put-throughs**  
(10.11.92, 07.09.99)

A Member having offsetting orders to buy and sell the same Exchange stock or bond option contract at the same price may execute the put-through subject to announcing one side of the transaction in a loud and clear voice three (3) times, including the price and the quantity, in the presence of the assigned specialist and of market-makers.

If accepted, the Member shall allocate equally between those who have accepted the transaction, the total quantity disclosed providing that he may also participate. Any portion not taken may then be put-through by the Member.

This procedure also applies to combinations, spreads and straddles orders.

**6633 Members' Responsibility on Spread Orders**  
(10.11.92)

Members shall not be held responsible for the execution of a spread order based upon prices that are established at the opening or closing or during any trading rotation.

**6634 Liquidation Trades**  
(10.11.92, 07.09.99)

All liquidation trades shall take place on the Exchange and shall be subject to the By-Laws and Rules of the Exchange and of the designated Clearing Corporation.

**6635 Rotations**  
(10.11.92, 07.09.99, 11.02.00)

Any rotation is subject to the prior approval of a Floor Official.

- a) A trading rotation is a series of brief periods during each of which bids, offers and transactions in only a specified option class can be made. A Floor Official may direct that one or more trading rotations be conducted on any business day to assist in providing a fair and orderly market. For each rotation, the Floor Official, or the Order Book Official in the case of index options and options on index participation units, shall specify the particular options series to be included and the sequence of such options series in the rotation;

- b) For each class of options, trading rotations shall be conducted at the opening of every business day and at the close of the last day of trading before expiry;
- c) During trading rotations of equity options, assigned specialists and market-makers shall announce bid and ask quotations for each series of the class being so conducted;
- d) During trading rotations of index options and options on index participation units, the assigned Order Book Official shall announce bid and ask quotations held in the book for each series of the class being so conducted;
- e) Members represented in the crowd may also participate in the trading rotations in accordance with the sequence specified;
- f) During opening rotations, all client market orders booked prior to the start of the rotation shall be entitled to a fill at the opening price established by the rotation for each series;
- g) Opening rotations shall be conducted in the following manner:
  - i) the series of options of a given class having the nearest expiration shall be opened first, then the series having the next most distant expiration and so forth, until all series have been opened;
  - ii) classes of equity options and options on index participation units shall be opened promptly following the opening transactions in the underlying interest. Classes of index options shall be opened at 9:30 a.m. Montréal time, or as soon as is possible after this time;
  - iii) where an underlying interest has not opened within a reasonable time, the assigned specialist shall report the delay to a Floor Official who shall, after having inquired about the delay, determine that the opening rotations be delayed until the opening of the underlying interest or, in agreement with the assigned specialist, decide that the interests of a fair and orderly market are best served by opening trading in that class of options;
  - iv) once the opening rotation is completed, all series are open for trading unless a second rotation is necessary.
- h) Transactions may be effected in a class of options after the end of a normal trading session in connection with a trading rotation. Such a trading rotation may be employed whenever a Floor Official concludes that, in his opinion, such action is appropriate in the interests of a fair and orderly market. The factors which may be considered include, but are not limited to:
  - whether there has been a recent opening or reopening of trading in the underlying security;
  - a declaration of a “fast market” pursuant to article 6636;
  - a need for a rotation in connection with expiring individual stock options series;
  - an end of the year rotation or;
  - the restart of a rotation which is already in progress.

In general, no more than one trading rotation will be commenced after the end of a normal trading session.

- i) Closing rotations shall start at the scheduled close of trading on the last day before expiry and shall be conducted by taking each series sequentially. The series having the nearest expiration shall be closed first; then those having the next most distant expiration and so forth until all series have been closed.

**6636 Fast Market**

(10.11.92, 07.09.99, 11.02.00)

Upon request from the assigned specialist (or the Designated Primary Market-Maker or Order Book Official), a Floor Official may declare "fast market" conditions in a determined class of options when:

- a) the price of the underlying interest cannot be determined due to the wide spread in the bid/ask quotation; or
- b) the price movements in the underlying interest are too erratic; or
- c) the orderflow of options is too great to ensure orderly trading.

The Floor Official shall immediately activate the fast market indicator via the quote dissemination system, and prices reported during such period shall be indicative only. However, the assigned specialist or the Designated Primary Market-Maker shall have the obligation to verbally quote a firm two-sided market upon request providing that his bid/ask spread may be twice his normal commitment. The minimum guaranteed fill remains the same.

Upon resumption of normal trading activity, after having consulted the assigned specialist, (or the Designated Primary Market-Maker or the Order Book Official) the Floor Official shall announce that the market has resumed normal activity.

**6637 Expiration Date**

(06.08.86, 20.03.91, 17.12.91, 10.11.92, 07.04.94, 07.09.99, 11.02.00, 28.01.02, 26.09.05)

- a) No transaction of options contracts in expiring series shall be made after the close of trading on the last day of trading.
- b) In the case of equity options, bond options and options on index participation units, the expiration date shall be the Saturday following the third Friday of the expiration month. In the case of index options, the expiration date shall be the third Friday of the contract month or, if the index is not published on that day, the first preceding trading day for which the index is scheduled to be published. In the case of futures options, the expiration date shall be the last trading day. In the case of currency options, the expiration date shall be the third Friday of the expiration month or, if the Bank of Canada exchange rate fixing is not published that day, the expiration date shall be the first preceding trading day for which the Bank of Canada exchange rate fixing is scheduled to be published.
- c) In the case of sponsored options, the expiration date is determined by the sponsor as per the information provided to investors and the Bourse or as provided in the product documentation and set out in article 6643 of the Rules of the Bourse.

**6638 Failure to Pay Premium**  
(10.11.92, 07.09.99)

When the Clearing Corporation rejects an Exchange transaction because of the failure of the purchasing member to pay the aggregate premium due thereon, the selling member shall have the right to either cancel the transaction by giving notice thereof to the member in default, or write a new option contract, charging any loss resulting therefrom to the defaulting member.

**6639 Members' Access to the Options Markets**  
(07.09.99)

Members can route orders to the Montreal Exchange's stock, bond and index options markets by electronic means including, but not limited to, MAX™ as well as by open outcry on the Exchange's trading floor.

**Section 6640 – 6650**  
**Sponsored Options****6640 Currency**  
(28.01.02)

In the case of sponsored options, trading, clearing and settlement must be in Canadian dollars. The exercise price must be in the currency of the underlying interest. When the underlying interest is in a currency other than the Canadian dollar, a margin for currency risk must be taken as provided in article 7210 of the Rules of the Bourse.

**6641 Trading Hours**  
(28.01.02)

In the case of sponsored options, the trading hours will be those determined from time to time by the Bourse.

**6642 Eligibility criteria of a sponsor**  
(28.01.02, 12.02.04)

In order for an entity to act as a sponsor, it must fulfill the following conditions:

- 1) meet the definition of "acceptable institution" as defined in Policy C-3 of the Bourse;
- 2) be a client of an approved participant. The approved participant must be a subsidiary of the sponsor and be a Canadian Derivatives Clearing Corporation member;
- 3) the approved participant defined in 2) must act as the sole market maker on the options sponsored by the entity either on its own initiative or by carrying out the instructions given by the sponsor or by a subsidiary of the sponsor;
- 4) the entity cannot sponsor options having as underlying interest its own shares, those of one of its subsidiaries or those of any company on which the entity has, directly or indirectly, an effective control.
- 5) the sponsor must sign a sponsor agreement in the form prescribed by the Bourse;

- 6) when assessing the eligibility of a sponsor, the Bourse evaluates the previous experience of the sponsor with similar financial instruments.

The Bourse may also permit an approved participant to act as sponsor if it satisfies the following conditions;

- 1) The approved participant is not a foreign approved participant of the Bourse;
- 2) The approved participant is a member of the Canadian Derivatives Clearing Corporation;
- 3) The risk adjusted capital of the approved participant is equal to or greater than \$100 million Canadian dollars as is shown by the most recent audited "Joint Regulatory Financial Questionnaire and Report" of the approved participant and is maintained at all times at a minimum amount of \$100 million Canadian dollars;
- 4) The approved participant must submit monthly to the Bourse, and this without regard to its audit jurisdiction, a copy of the monthly financial report requested in virtue of the Rules of the Bourse;
- 5) The approved participant cannot sponsor options having as underlying interest its own shares, those of its parent or those of one of its subsidiaries or any such other company which is affiliated to the approved participant or on which the approved participant has, directly or indirectly, an effective control;
- 6) The approved participant must act as the sole market maker on the options it sponsors; and
- 7) The approved participant must sign a sponsor agreement in the form prescribed by the Bourse.

If the risk adjusted capital of the approved participant falls below the amount of \$100 million Canadian dollars as mentioned above or if the approved participant triggers one of the thresholds of the Early Warning System, as defined in the Rules and Policy C-3 of the Bourse, the approved participant must notify the Bourse immediately and no new sponsored option class or series can be sponsored by the approved participant until it has re-established its risk adjusted capital to an amount equal to or greater than \$100 million Canadian dollars or, if it may be the case, that it does not trigger any additional thresholds of the Early Warning System.

#### **6643 Marketing of Sponsored Options** (28.01.02)

- A) The term "sponsored options" is the Bourse official term and the sponsor must use this term in its publications, which must be filed with the Bourse.
- B) The sponsor must state in its publications that the product is a sponsored option as defined in the Bourse's Rules and Policies.
- C) A formal announcement must be published before a new series of a sponsored option is launched and must include at least the following information:
  - 1) the full name of the sponsor;
  - 2) a description of the sponsored option;
    - call or put option

- exercise procedure
  - description of the underlying interest
  - cash settlement
  - exercise price
  - currency of the underlying interest
  - expiration date
  - unit of trading
  - trading hours
  - designated reference for the closing CAN\$/foreign currency exchange spot rate
  - minimum quotation spread;
- 3) the formula used to determine the value of the cash settlement.
- 4) A statement which specifies if whether or not an in-the-money sponsored option will be automatically exercised on the expiration date.
- D) Only the sponsor can hold short positions in sponsored options.

**Section 6651 - 6670**  
**Limits and Restrictions**

**6651 Position Limits**

(06.08.86, 19.05.87, 08.09.89, 06.08.90, 20.03.91, 10.11.92, 07.04.94, 08.07.99, 07.09.99, 11.02.00, 28.01.02, 26.09.05, 20.05.10)

- A) Except as provided in paragraph D) of this article, no approved participant or restricted permit holder shall make for any account in which it has an interest, or for the account of any client, an opening transaction if the approved participant or the restricted permit holder has reason to believe that as a result of such transaction the approved participant or its client, or the restricted permit holder would, acting alone or in concert with others, directly or indirectly, hold, control or be obligated with respect to a position on the same side of the market relating to the same underlying interest (whether long or short) in excess of the position limits established by the Bourse.
- B) Except otherwise indicated, the applicable position limits are as follows:
1. Stock or index participation unit options
    - a) 13,500 contracts where the underlying security does not meet the requirements set out in sub-paragraphs B) 1. b) and B) 1. c) of this article;
    - b) 22,500 contracts, where either the most recent interlisted six-month trading volume of the underlying interest totals at least 20 million shares, or the most recent interlisted six-month trading volume on the underlying interest totals at least 15 million shares and at least 40 million shares are currently outstanding;
    - c) 31,500 contracts, where either the most recent interlisted six-month trading volume in the underlying interest totals at least 40 million shares, or the most recent interlisted six-month trading volume on the underlying interest totals at least 30 million shares and at least 120 million shares are currently outstanding.

- d) 60,000 contracts, where either the most recent interlisted six-month trading volume in the underlying interest totals at least 80 million shares, or the most recent interlisted six-month trading volume on the underlying interest totals at least 60 million shares and at least 240 million shares are currently outstanding.
- e) 75,000 contracts, where either the most recent interlisted six-month trading volume in the underlying interest totals at least 100 million shares, or the most recent interlisted six-month trading volume on the underlying interest totals at least 75 million shares and at least 300 million shares are currently outstanding.
- f) 300,000 contracts for options on the following index participation units:
  - units of the iShares S&P/TSX 60 Index Fund (XIU).

2. Debt options

8,000 contracts;

3. Index options

50,000 contracts;

4. Options on futures

The number of contracts established as the position limits for the underlying futures contract.

For the purpose of this article, options contract positions are aggregated with the underlying futures contract positions. For aggregation purposes, the futures equivalent of one in-the-money option contract is one futures contract and the futures equivalent of one at-the-money or out-of-the-money option contract is half a futures contract.

5. Sponsored options

The position limits described above apply to sponsored options. However, these position limits must be adjusted by using an equivalent unit of trading.

When the underlying interest is traded on a market other than the Bourse, the position limits of this market apply to sponsored options by using an equivalent unit of trading.

6. Currency options

40,000 contracts when the trading unit is 10,000 units of foreign currency. The limit will be adjusted to obtain the same notional amount if the trading unit is amended or if the Bourse introduces new trading units.

C) For the purpose of this article:

- 1. calls written, puts held and short underlying interest are on the same side of the market and puts written, calls held and long underlying interest are on the same side of the market;

2. the account of an individual member or of the holder of a restricted trading permit will not be counted with that of his clearing member unless the clearing member has an interest in the account;
3. the Exchange may, by notice, change the position limits. A change in the position limit will be effective on the date set by the Exchange and reasonable notice shall be given of each new position limit.

D) Conversions, reverse conversions, long and short hedges

1. For the purposes of this article the following defined hedges are approved by the Exchange:
  - a) conversion: where an opening long put transaction in any option is entirely offset by an opening short call transaction having the same expiry month and strike price in the same option class, either of which option transaction is effectively hedged by a long position in the underlying interest of the option;
  - b) reverse conversion: where an opening short put transaction in any option is entirely offset by an opening long call transaction having the same expiry month and strike price in the same option class, either of which option transaction is effectively hedged by a short position in the underlying interest of the option;
  - c) short hedge: where an opening long call transaction or an opening short put transaction in any option is entirely offset by a short position in the underlying interest of the option;
  - d) long hedge: where an opening short call transaction or an opening long put transaction in any option is entirely offset by a long position in the underlying interest of the option.
2. In addition to the options position limits set out in paragraph B), any one account may hold an amount not exceeding the applicable paragraph B) limit of any combination of the approved hedge positions defined in sub-paragraphs D) 1. a) to D) 1. d), inclusive.
3. For all position limits set out in this article, in the case of conversion and reverse conversion as defined in paragraph D) 1. a) and b), such limits shall apply as if calls written and puts held, or puts written and calls held, as the case may be, were not on the same side of the market.

E) Exemption

As described in Policy C-1, a member may file with the Exchange an application to obtain on behalf of a bona fide hedger an exemption from the position limits prescribed in this article. The application must be filed on the appropriate form, no later than the next business day after the limit has been exceeded. If the application is rejected, the member shall reduce the position below the prescribed limit within the period set by the Exchange. The Exchange may modify any exemption which has been previously granted. A bona fide hedger may also under certain circumstances file directly with the Exchange, in the form prescribed, an application to obtain an exemption from the position limits prescribed by the Exchange.

**6652 Exercise Limits**  
(10.11.92)

Except with the written permission of the Exchange, no member or restricted permit holder shall exercise, for any account in which he has an interest or for the account of any client, a long position in any option where such member, client or restricted permit holder, acting alone or in concert with others, directly or indirectly, has or will have exercised, within any five (5) consecutive business days an aggregate long position exceeding the number of contracts established as position limits by article 6651.

**6653 Variation to Position and Exercise Limits**  
(10.11.92)

In the case of a stock split in the underlying interest:

- a) the Exchange may establish special position and exercise limits which may reflect the basis of the stock split, providing that
- b) the normal limits shall apply to the aggregate positions of all new option series of that class of options listed after the date of the split.

Prompt notice shall be given for each new limit fixed by the Exchange, by posting notice thereof on the bulletin board of the option trading floor and by notice to members.

**6654 Reports Related to Position Limits**  
(05.08.75, 15.11.79, 24.04.84, 20.03.91, 10.11.92, 07.04.94, 07.09.99, 11.02.00, 28.01.02, 26.09.05)

- a) Each approved participant shall file with the Bourse, no later than three business days following the last business day of each week, a report in such form as may be prescribed, giving the name and address of any client who, on the last business day of any week, held aggregate long or short positions in excess of:
  - i) 250 contracts, in the case of stock and bond and 500 contracts, in the case of index participation units;
  - ii) 1,500 contracts, in the case of index options;
  - iii) 500 contracts, for currency options;
  - iv) 250 options or futures equivalent contracts (as defined in article 6651) with respect to a position involving the option and the underlying futures contract, in the case of options on Government of Canada Bond futures;
  - v) 300 options or futures equivalent contracts (as defined in article 6651) with respect to a position involving the option and the underlying futures contract, in the case of options on Canadian Bankers' Acceptance futures;

on the same side of the market in any single class. The report shall indicate for each such class of options, the number of contracts comprising each such position and, in the case of short positions, whether covered or uncovered.

- vi) The position limits requirements described above apply to sponsored options by using an equivalent unit of trading.
- b) In addition to the reports required above, each approved participant shall report immediately to the Bourse any instance in which the approved participant has reason to believe that a client, acting alone or in concert with others, has exceeded or is attempting to exceed the position limits established in article 6651.
- c) For the purposes of this article, the term "client" in respect to any approved participant shall include the approved participant, any general or special partner of the approved participant, any officer or director of the approved participant, or any participant, as such, in any joint group or syndicate account with the approved participant or with a partner, officer or director thereof.

**6655 Report of Uncovered Short Positions**

(28.09.82, 10.11.92)

Each member shall submit to the Exchange Chief Examiner a report of the total uncovered short position in each option contract open for trading showing:

- a) the position carried by such member or restricted permit holder for its own account;
- b) the positions carried by such member for the account of clients;

provided that members shall not report positions carried for the accounts of other members where such members report the positions themselves. Such report shall be made as of the 15th of each month (or more frequently if required by the Exchange) and shall be submitted not later than the second business day following the date as of which the report is made.

**6656 Limit on Outstanding Uncovered Short Positions**

(10.11.92, 07.04.94)

- a) Whenever it is determined that there are outstanding an excessive number of uncovered short positions in option contracts of a given class or that an excessively high percentage of outstanding short positions in option contracts of a given class are uncovered, the Exchange may prohibit any further opening writing transactions in options contracts of that class unless the resulting short position will be covered.
- b) The Exchange may also prohibit the uncovering of any existing covered short positions in one or more series of options of that class, as it deems appropriate in the interest of maintaining a fair and orderly market in option contracts or in the underlying interest.
- c) The Exchange may exempt transactions of specialists from the restrictions imposed under this article and it shall rescind such restrictions upon its determination that they are no longer appropriate.

**6657 Liquidation of Positions in Excess of Limits**

(28.09.82, 10.11.92, 07.04.94)

Whenever the Exchange finds that a person or group of persons acting in concert holds or controls, or is obligated in respect of an aggregate position, long or short, in a class of options in excess of the position limit established pursuant to article 6651, the Exchange may order all members carrying a position in such class of options for such person or persons to liquidate such position in an expeditious manner consistent with the maintenance of a fair and orderly market.

**6658 Other Restrictions on Options Transactions and Exercises**

(10.11.92, 07.04.94)

- a) The Exchange may impose such restrictions on transactions or on exercises as it deems advisable in the interests of maintaining a fair and orderly market in options contracts or in the underlying interests or as it otherwise deems advisable in the public interest or for the protection of investors.
- b) During the period of any such restriction, no member shall, for his own account or for the account of a client, engage in any transaction or exercise in contravention of such restriction.
- c) Notwithstanding the foregoing, during the ten (10) business days prior to the expiration date of a given series of options, no restriction on exercise may be in effect with respect with that series of options, except that during such ten (10) business day period, the Exchange may:
  - i) restrict or otherwise modify the requirements for delivery resulting from an exercise against an uncovered writer;
  - ii) order that an exercised options contract be settled in accordance with article 6676.

**6659 Unacceptable Practices**

(02.07.96)

The following are unacceptable practices:

- to make a prearranged transaction;
- to divulge to another member, restricted permit holder or client, an order which has not been previously divulged (price and quantity) in the trading area where the assigned specialist is located with the publicity and frequency necessary to make the existence of such bids and offers generally known.

**6660 Routing and Recording of Orders**

(02.07.96)

Each order, whether it originates from the member's office or directly from the client, must be kept in writing and timestamped on the floor.

The record of each order filled must show the person receiving the order, the time the order is entered, the price paid or received, to the extent feasible the time of execution, the broker from or to or through whom the security was bought or sold and must be retained for five years.

The record of each order which remains unfilled shall show the person receiving the order and shall be retained for two years.

Professional orders must be kept in writing in the same manner as client orders.

**6661 Recording of Telephone Conversations**

(02.07.96, 07.09.99, 11.02.00)

To ensure the integrity of the markets and resolve disputes regarding trades in stock options, bond options, index options and options on index participation units, the Exchange will record all telephone conversations between persons authorized to communicate directly with the trading booths on the floor and the persons trading these products.

**6662 Procedures for Consulting Recordings**

(02.07.96, 07.09.99)

- a) Authorization to consult the recordings of telephone conversations shall be granted in the case of an investigation by the Exchange, the Quebec Securities Commission or by any other regulatory body with which the Exchange has concluded an information sharing agreement.
- b) Only persons authorized by the President and authorized representatives of the member firms may listen to a recording.
- c) Before consulting a recording, the Exchange shall notify the person concerned or its authorized representative, who may wish to be present during consultation, except in the case of investigation or when a situation warrants.
- d) In the case of litigation or in disciplinary matters, the recordings may be filed as evidence.
- e) Except for persons authorized by the President, all concerned persons or their authorized representative who wish to consult their recording must make a written request to the Director, Futures Operations, of the Exchange explaining the reasons for the request. Upon approval, the authorized person may consult the recording in the presence of one of the authorized persons of the Exchange as per paragraph b).
- f) Members must advise their clients of the recording process of telephone conversations and abide to the provisions of article 7452 of Rule Seven.

**Section 6671 - 6700**  
**Exercise, Settlement and Delivery**

**6671 Exercise of Options**

(06.08.86, 10.11.92, 07.09.99)

Options shall be exercised by clearing members in accordance with the By-laws and Rules and General Conditions of the designated Clearing Corporation. Options may be exercised only in a unit of trading or in an integral multiple thereof.

**6672 Allocation of Exercise Notices**  
(10.11.92)

Each member shall establish a fixed written procedure for the allocation of exercise notices assigned in respect of a short position in such member's clients' accounts. The procedure to be adopted may be on a "first in, first out" basis, on a random selection basis or another allocation method that is fair and equitable to the member's clients. In each case, the method shall be approved by the Exchange and shall not be thereafter changed without Exchange approval.

**6673 Settlement**  
(10.11.92, 07.09.99)

Settlement of all transactions shall be on the next business day following the day of the transaction through the designated Clearing Corporation and no delayed or private settlement is permitted.

**6674 Payment of Underlying Interest**  
(19.05.87, 20.03.91, 10.11.92, 07.09.99, 28.01.02, 26.09.05)

- a) In the case of cash-settled options, delivery will be made in accordance with article 6676;
- b) In the case of stock and bond options and sponsored options, clearing of transactions in the underlying interests arising from exercise notices will be through the facilities of the Canadian Depository for Securities Ltd. or in another manner prescribed by the Bourse and the Canadian Derivatives Clearing Corporation;
- c) In the case of futures options, the clearing of transactions arising from exercise notices will be through the facilities of the Canadian Derivatives Clearing Corporation.

**6675 Bonds Acceptable for Delivery**  
(28.09.82, 10.11.92)

To be acceptable for delivery against the exercise of a bond option, the bonds must be of the corresponding underlying issue and bear a full coupon of accrued interest. In the case where an underlying bond issue is reopened, and the resulting new bonds do not meet the full coupon of accrued interest of the original issue, such new bonds will not be acceptable for delivery until the next coupon date on the original issue.

**6676 Settlement and Delivery in the Case of Cash Settled Options**  
(24.04.84, 06.08.86, 10.11.92, 07.09.99, 31.01.01, 29.04.02, 26.09.05)

- a) Settlement of positions held in the S&P/TSE 60 Stock Index option following an exercise shall be made by an exchange of cash between the Clearing Corporation and each of the short and long clearing members pursuant to the rules of the Clearing Corporation. The amount to be paid or received in final settlement of each S&P/TSE 60 Stock Index option contract is determined by multiplying \$100 by the difference between the strike price and the official opening level of the S&P/TSE 60 Stock Index on the expiration date, expressed to two decimal places.
- b) Settlement of options positions held in the S&P/TSE sectorial indices following an exercise shall be made by an exchange of cash between the Clearing Corporation and each of the short and long clearing members pursuant to the rules of the Clearing Corporation. The amount to be paid or received in final settlement of each S&P/TSE sectorial index option contract is determined by

multiplying the trading unit by the difference between the strike price and the official opening level of the S&P/TSE sectorial index on the expiration date, expressed to two decimal places.

- c) Settlement of positions held in cash settlement sponsored options following an exercise must be made by an exchange of cash between the clearing corporation and each of the clearing approved participant holding a position pursuant to the Rules of the Canadian Derivatives Clearing Corporation. The amount to be paid or received in settlement of each sponsored option contract is determined by multiplying the unit of trading by the difference between the exercise price of the sponsored option and the price of the underlying interest as determined by the Bourse, multiplied by the designated CAN\$/foreign currency exchange spot rate.
- d) Settlement of positions held in currency option following an exercise shall be made by an exchange of cash between the Clearing Corporation and each of the short and long clearing members pursuant to the rules of the Clearing Corporation. The amount to be paid or received in final settlement of each currency option contract is determined by multiplying the unit of trading by the difference between the strike price and the Bank of Canada "Noon rate" expressed in Canadian cents for the corresponding currency vis-à-vis the Canadian dollar on the expiration date.

**6677 Settlement when Delivery of the Underlying Interest is Restricted**

(09.05.77, 10.11.92, 07.04.94, 07.09.99)

When the Exchange, acting in accordance with article 6658 restricts or modifies the delivery of the underlying interest or bond upon the exercise of any series of option contracts during the ten (10) business days prior to the expiration date, the Clearing Corporation shall, at the beginning of each business day during which such restriction is in effect, establish a settlement value, if any, for such series of option contracts. In such event, the Exchange may direct cash settlement, and determine the amount of such settlement, when it is in the public interest.

**6678 Failure to Deliver or Accept Delivery of the Underlying Interest**

(10.11.92, 07.09.99)

- a) If, in the case of Equity and Bond Options on the exercise of a Call, the delivery of the underlying interest is not made on the exercise settlement date, the holder may instruct his Clearing Member to issue a "buy-in" notice. Similarly, if, on the exercise of a Put, payment for the underlying interest is not made on the exercise settlement date, the exercising holder may instruct his Clearing Member to issue a "sell-out" notice. The Clearing Member shall deliver a copy of such notice by 10:00 a.m. of the following business day to the defaulting assigned Clearing Member, to the Clearing Corporation and to the Exchange.
- b) A "buy-in" notice must state that the undelivered underlying interest will be "bought-out" unless the obligation to deliver is disputed before 1:00 p.m., or delivery is made before 2:00 p.m., of the day of issuance of the notice. A "sell-out" notice must state that the underlying interest to be delivered will be "sold-out" unless the obligation to accept delivery is disputed before 1:00 p.m. or delivery is accepted before 2:00 p.m. of the day of issuance of the notice.
- c) The defaulting Clearing Member may dispute the obligation, or the Clearing Corporation may postpone the operation of the buy-in or sell-out procedure where to do so is in the best interests of the public market in options or the underlying interests, where a fair market in which to exercise the buy-in or sell-out does not exist or where there is other good reasons for so doing.

- d) Any dispute by the defaulting Clearing Member will be resolved by the Clearing Corporation. In the absence of a dispute or postponement, if the underlying interest is not delivered, in the case of a Call, or delivery thereof is not accepted, in the case of a Put, within the specific time, the Clearing Corporation may purchase the undelivered underlying interest, in the case of a Call, or sell the underlying interest for which delivery is not accepted, in the case of a Put, in the best available market for the account of the exercising Clearing Member.
- e) Delivery shall be made to, or received from, as the case may be, the exercising Clearing Member, by 2:30 p.m. on the day on which the buy-in or sell-out, as the case may be, is executed against payment.
- f) The exercising Clearing Member shall forthwith notify the defaulting Clearing Member of any difference between the price paid on the buy-in, in the case of a Call, or received on the sell-out, in the case of a Put, for the underlying interest and the exercise price. The defaulting Clearing Member is obligated to pay such amount to the exercising Clearing Member by the close of business on the day following the day on which the buy-in or sell-out is executed. If the defaulting Clearing Member fails to make such payment, the Clearing Corporation is obligated to do so.

**6679 Failure to Pay for or Deliver the Underlying Interest**

(10.11.92, 07.09.99)

If, in the case of equity and bond options, payment for the underlying interest is not made in the case of a Call, or the underlying interest is not delivered, in the case of a Put, by the exercising Clearing Member, the writer may instruct his Clearing Member to issue a sell-out notice, in the case of a Call, or a buy-in notice, in the case of a Put, and the procedure set out in article 6678 shall be followed with regard to notification and the sale or purchase of the underlying interests. The defaulting exercising Clearing Member is obligated to pay to the assisted Clearing Member any difference between the exercise price and the price obtained on the sell-out, in the case of a Call, or paid on the buy-in, in the case of a Put. If the defaulting Clearing Member fails to make such payment, the Clearing Corporation is obligated to do so.

**6680 Extraordinary Circumstances**

(10.11.92)

In the interest of keeping fair and orderly trading on the Exchange and for the protection of both option holders and writers, the Exchange may make special trading and settlement rules when an underlying Interest is involved in:

- a) a take-over bid under a circular, or under Rule Twelve;
- b) a stock dividend, a share split or a consolidation;
- c) any other unforeseen events.

**6681 Liability of Exchange to Holders and Writers of Options**

(24.04.84, 10.11.92, 07.09.99)

- a) The rights and obligations of holders and writers of options shall be as set forth in the By-Laws and Rules or General Conditions of the relevant Clearing Corporation.

- b) The Exchange shall have no liability for damages, claims, losses or expenses caused by any errors, omissions or delays in calculating or disseminating any current stock prices or index values or prices of other underlying interests resulting from an act, condition or cause beyond the reasonable control of the Exchange, including, but not limited to, an act of God, fire, flood, extraordinary weather conditions, war, insurrection, riot, strike, accident, action of government, communications or power failure, equipment or software malfunction; any error omission or delay in the reports of transactions in one or more component stocks; or any error, omission or delay in the reports of the current index value by the Exchange.

**OPTIONS ON GOVERNMENT OF CANADA BOND FUTURES**  
(20.03.91)

**Section 6701 - 6750**  
**Specific Rules Concerning the Contract Specifications**

**6701 Application of Specific Rules**  
(20.03.91)

In addition to sections 6601-6610 and 6621-6640, options on Government of Canada Bond Futures shall be subject to the Regulation contained in this section.

**6702 Nature of Option on Government of Canada Bond Futures**  
(20.03.91, 07.04.94)

A buyer of one Government of Canada Bond Futures Option may exercise his option on any business day up to and including the last trading day to assume a position in one Government of Canada Bond Futures contract (long, if the option is a call and short, if the option is a put) of a specified contract month at a specified strike price.

The seller of one Government of Canada Bond Futures Option incurs, if the option is exercised, the obligation of assuming a position in one Government of Canada Bond Futures contract (short if the option is a call and long if the option is a put) of a specified contract month at a specified strike price.

**6703 Trading Unit**  
(20.03.91)

One Government of Canada Bond Futures contract represents CAN\$100,000 face value at maturity.

**6704 Strike Prices**  
(20.03.91, 17.12.91)

Strike prices are set in maximum 2 points intervals per Government of Canada Bond Futures (i.e. futures at 98, strike prices at 96, 98, 100, etc.).

Strike prices shall be listed in the following manner:

one strike price as close as possible to the settlement price of the underlying futures contract on the previous business day, plus a minimum of one strike price higher and one strike price lower.

The Montreal Exchange may, at its discretion, modify the procedure for the introduction of strike prices as it deems appropriate in order to respond to market condition.

**6705 Minimum Tick Size**  
(20.03.91, 07.04.94)

The minimum tick size shall be 0.01 point representing CAN\$10 per contract.

**6706 Daily Trading Limit**  
(20.03.91, 07.04.94)

Options do not cease trading when the daily price limit of the underlying bond futures contract has been reached (see article 6808).

**6707 Last Day of Trading**  
(20.03.91, 17.12.91)

Options cease trading on the third Friday of the month preceding the option contract month provided however, that such Friday is a business day and precedes by at least two business days the first notice day of the underlying contract.

Otherwise, the last day of trading of the option shall be the business day prior to such Friday and preceding by at least two business days the first notice day of the underlying contract.

**6708 Trading Hours**  
(22.11.96, abr. 06.01.03)

**OPTIONS ON 3-MONTH CANADIAN BANKERS' ACCEPTANCE FUTURES**  
(07.04.94)

**Section 6751 - 6770**  
**Specific rules concerning the contract specifications**

**6751 Application of Specific Rules**  
(07.04.94, 29.10.04)

In addition to sections 6601-6610 and 6621-6639, options on 3-Month Canadian Bankers' Acceptance Futures shall be subject to the regulation contained in this section.

**6752 Nature of Options on 3-Month Canadian Bankers' Acceptance Futures**  
(07.04.94)

A buyer of one 3-Month Canadian Bankers' Acceptance Futures Option may exercise his option on any business day up to and including the last trading day to assume a position in one 3-Month Canadian Bankers' Acceptance Futures contract (long position, if the option is a call and short position, if the option is a put) of a specified contract month at a specified strike price.

The seller of one 3-Month Canadian Bankers' Acceptance Futures option incurs, if the option is exercised, the obligation of assuming a position in one 3-Month Canadian Bankers' Acceptance Futures contract (short position, if the option is a call and long position, if the option is a put) of a specified contract month at a specified strike price.

**6753 Trading Unit**  
(07.04.94)

The trading unit for one 3-Month Canadian Bankers' Acceptance Futures option shall be:

One 3-Month Canadian Bankers' Acceptance Futures contract representing CAN\$1,000,000 principal of 3-Month Canadian Bankers' Acceptances.

**6754 Strike Prices**  
(07.04.94)

Strike prices are set at maximum 0.50 point intervals.

One strike price as close as possible to the settlement price of the underlying futures contract on the previous business day, plus two in-the-money and two out-of-the-money strike prices will generally be available.

The Montreal Exchange may, at its discretion, modify the procedure for the introduction of strike prices as it deems appropriate in order to respond to market condition.

**6755 Minimum Price Fluctuation (Tick Size)**  
(07.04.94, 15.10.02, 03.10.08)

Unless otherwise determined by the Bourse, the minimum price fluctuation of the premium shall be 0.005 point representing CAN\$12.50 per contract.

In the case of cabinet trades, the minimum price fluctuation of the premium shall be 0.001 point representing CAN\$2.50 per contract.

For the purpose of this article, a cabinet trade is a trade that allows liquidating a deep out-of-the-money option at a premium that is lesser than 0.01 point. Options with a premium lesser than 0.01 point shall automatically be considered deep out-of-the-money options consequently being able to be quoted and traded at a price (premium) ranging between 0.001 and 0.009 point.

**6756 Daily Price Limit**  
(07.04.94)

Options on 3-Month Canadian Bankers' Acceptance Futures are not subject to a daily price limit.

**6757 Last Trading Day**  
(07.04.94, 29.10.04)

Options with an expiry that does not coincide with the expiry of the underlying futures contract shall cease trading at the date and at the time referred to in the options contract. Otherwise, options shall cease trading on the same day and time as the underlying futures contract.

**6758 Trading Hours**  
(22.11.96, abr. 06.01.03)

**OPTIONS ON THE S&P/TSE 60 STOCK INDEX****Section 6771 - 6779****Specific Rules Concerning the Contract Specifications**

(07.09.99)

**6771 Application of Specific Rules**

(07.09.99, 29.04.02)

In addition to articles 6571-6700 of the Rules, options on the S&P/TSE 60 Stock Index shall be subject to the Rules contained in this section.

**6772 Nature of Options**

(07.09.99, 31.01.01, 29.04.02)

A buyer of one S&P/TSE 60 Stock Index option may exercise his option only on the expiration date ("European style") to receive a cash payment equal to the difference between the strike price and the official opening level of the S&P/TSE 60 Stock Index on the expiration date, as provided for in article 6676 a) of the Rules.

The seller of one S&P/TSE 60 Stock Index option has, if the option is exercised, the obligation of rendering payment equal to the difference between the strike price and the official opening level of the S&P/TSE 60 Stock Index on the expiration date, as provided for in article 6676 a) of the Rules.

**6773 Trading Unit**

(07.09.99)

The multiplier for one option contract shall be CAN \$100 per index point of the S&P/TSE 60.

**6774 Strike Prices**

(07.09.99)

Strike prices are set at a minimum of 2.5 index point intervals.

**6775 Minimum Price Increment (Tick Size)**

(07.09.99)

The minimum tick size shall be:

.05 index point intervals equivalent to CAN\$5.00 per contract for premiums of .10 index points and over; and

.01 index point intervals equivalent to CAN\$1.00 per contract for premiums of less than .10 index points.

**6776 Daily Price Limit**

(07.09.99, 29.04.02)

The Bourse will halt trading in options on the S&P/TSE 60 Stock Index in accordance with the Circuit Breaker Policy (T-3) of the Bourse.

**6777 Last Trading Day**  
(07.09.99)

Index options shall cease trading on the Exchange trading day preceding the Expiration Date of the contract month, as defined in article 6637 b) of the Rules.

**6778 Trading Hours**  
(07.09.99, 29.04.02, abr. 06.01.03)

**6779 Trading Halts or Suspensions**  
(24.09.01)

- A) Trading on the Bourse in an option on the S&P/TSE 60 stock index shall be halted whenever a Market Supervisor shall conclude, in his judgement, that such action is appropriate in the interests of a fair and orderly market. A Market Supervisor must take the following factors into account when deciding whether to halt or suspend trading in an option on the S&P/TSE 60 stock index class:
- i) for options on the S&P/TSE 60 stock index, the extent to which trading is not occurring in stocks underlying the index;
  - ii) for options on the S&P/TSE 60 stock index, whether the most current calculation of the index derived from the current market prices of the stocks is available;
- B) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present.
- C) Trading in options on the S&P/TSE 60 stock index of a class or a series that has been the subject of a halt or suspension by the Bourse may resume if a Market Supervisor determines that the interests of a fair and orderly market are served by a resumption of trading. Among the factors to be considered in making this determination are whether the conditions which led to the halt or suspension are no longer present and the extent to which trading is occurring in stocks underlying the index.
- D) Once trading resumes, the pre-opening stage shall be done in accordance with article 6376 of the Rules.

**OPTIONS ON S&P/TSE SECTORIAL INDICES**

**Section 6780-6800**

**Specific Rules Concerning the Contract Specifications**  
(31.01.01)

**6780 Application of Specific Rules**  
(31.01.01)

In addition to articles 6571-6700 of the Rules, options on S&P/TSE sectorial indices shall be subject to the Rules contained in this section.

**6781 Nature of options**  
(31.01.01)

A buyer of one S&P/TSE sectorial index option may exercise his option only on the expiration date (“European style”) to receive a cash payment equal to the difference between the strike price and the official opening level of the S&P/TSE sectorial index on the expiration date, as provided for in article 6676 b) of the Rules.

The seller of one S&P/TSE sectorial index option has, if the option is exercised, the obligation of rendering payment equal to the difference between the strike price and the official opening level of the S&P/TSE sectorial index on the expiration date, as provided for in article 6676 b) of the Rules.

**6782 Trading Unit**  
(31.01.01, 29.04.02)

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

**6783 Strike Prices**  
(31.01.01)

Strike prices are set at a minimum of 2.5 index point intervals.

**6784 Minimum Price Increment (Tick Size)**  
(31.01.01, 29.04.02)

The minimum tick size shall be:

.05 index point intervals for premiums of .10 index points and over; and

.01 index point intervals for premiums of less than .10 index points.

**6785 Daily Price Limit**  
(31.01.01)

The Exchange will halt trading in options on the S&P/TSE sectorial indices in accordance with the Circuit Breaker Policy (T-3) of the Montreal Exchange.

**6786 Last Trading Day**  
(31.01.01)

Index options shall cease trading on the Exchange trading day preceding the Expiration Date of the contract month, as defined in article 6637 b) of the Rules.

**6787 Trading Hours**  
(31.01.01, abr. 06.01.03)

**6788 Trading Halts or Suspensions**  
(24.09.01)

- A) Trading on the Bourse in an option on S&P/TSE sectoriel index shall be halted whenever a Market Supervisor shall conclude, in his judgement, that such action is appropriate in the interests of a fair and orderly market. A Market Supervisor must take the following factors into account when deciding whether to halt or suspend trading in an option S&P/TSE sectorial index class:
- i) for options on S&P/TSE sectorial index, the extent to which trading is not occurring in stocks underlying the index;
  - ii) for options on S&P/TSE sectorial index, whether the most current calculation of the index derived from the current market prices of the stocks is available;
- B) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present.
- C) Trading in options on S&P/TSE sectorial index of a class or a series that has been the subject of a halt or suspension by the Bourse may resume if a Market Supervisor determines that the interests of a fair and orderly market are served by a resumption of trading. Among the factors to be considered in making this determination are whether the conditions which led to the halt or suspension are no longer present and the extent to which trading is occurring in stocks underlying the index.
- D) Once trading resumes, the pre-opening stage shall be done in accordance with article 6376 of the Rules.

**CURRENCY OPTIONS**

**Section 6790 – 6799**  
**Specific Rules Concerning the Contract Specifications**  
(26.09.05)

**6790 Application of Specific Rules**  
(26.09.05)

In addition to articles 6571-6700 of the Rules, currency options shall be subject to the Rules contained in this section.

**6791 Nature of Options**  
(26.09.05)

A buyer of one currency option may exercise his option only on the expiration date ("European style") to receive a cash payment equal to the difference between the strike price and the Bank of Canada "Noon rate" on the expiration date, as provided for in article 6676 d) of the Rules.

The seller of one currency option, if the option is exercised, has the obligation of rendering payment equal to the difference between the strike price and the Bank of Canada "Noon rate" on the expiration date, as provided for in article 6676 d) of the Rules.

**6792 Trading Unit**  
(26.09.05)

The trading unit for one option contract shall be 10,000 units of foreign currency, or a multiple thereof.

**6793 Strike Prices**  
(26.09.05)

Strike prices are set at a minimum interval of CAN 0.50 cents per unit of foreign currency unless otherwise determined by the Bourse.

**6794 Minimum Price Increment (Tick Size)**  
(26.09.05)

The minimum tick size shall be CAN 0.01 cent per unit of foreign currency unless otherwise determined by the Bourse.

**6795 Last Trading Day**  
(26.09.05)

Currency options shall cease trading on the Expiration Date of the contract month, as defined in article 6637 b) of the Rules.

## **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, 15.05.09, 18.06.10, 01.09.10)

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 2-year Government of Canada Bond futures expiring before December 2010:  
CAN\$200,000 nominal value of a notional Government of Canada Bond bearing a coupon of 4%.
- ii) in the case of the December 2010 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 6%.
- 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 Index:  
CAN \$200 times the S&P/TSX 60 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.
- j) in the case of the futures contract on designated S&P/TSX sectorial 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.
- 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.
- l) in the case of the futures contract on carbon dioxide equivalent (CO<sub>2</sub>e) units with physical settlement:  
  
100 carbon dioxide equivalent (CO<sub>2</sub>e) units. Each unit is an entitlement to emit one metric ton of carbon dioxide equivalent (CO<sub>2</sub>e).
- m) in the case of the futures contract on carbon dioxide equivalent (CO<sub>2</sub>e) units with cash settlement:  
  
100 carbon dioxide equivalent (CO<sub>2</sub>e) units. Each unit is an entitlement to emit one metric ton of carbon dioxide equivalent (CO<sub>2</sub>e).
- n) in the case of the futures contract on designated Canadian Crude Oil:

1,000 U.S. barrels.

**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, 15.05.09, 18.06.10)

- 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 contracts on the S&P/TSX Indices	In index points.
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 <sub>2</sub> e) units with physical and cash settlement	In CAN dollars and cents per metric ton of carbon dioxide equivalent (CO <sub>2</sub> e)
Futures contracts on Canadian Crude Oil	In U.S. dollars and cents per U.S. barrel

**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, 15.05.09, 18.06.10)

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
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1-month and 3-month Canadian bankers' acceptance futures	CAN Dollars
Government of Canada Bond futures	CAN Dollars
Futures contracts on S&P/TSX Indices	CAN Dollars
Canadian share futures Contract	CAN Dollars
Futures contract on carbon dioxide equivalent (CO <sub>2</sub> e) units with physical and cash settlement	CAN Dollars
International share futures contracts	International currency
Futures contracts on Canadian Crude Oil	U.S. Dollars

**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, 15.05.09, 18.06.10)

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 contracts on S&P/TSX 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 <sub>2</sub> e) units with physical settlement	Daily, monthly, quarterly and annual expiries
Futures contract on carbon dioxide equivalent (CO <sub>2</sub> e) units with cash settlement	Daily, monthly, quarterly and annual expiries
Futures contracts on Canadian Crude Oil	Monthly and quarterly expiries

**6805 Trading Hours**

(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 22.11.96, 02.10.98, 09.03.99, 07.09.99, 19.06.00, 31.01.01, 14.06.02, abr. 06.01.03)

**6806 Trading Outside Trading Hours**

(08.09.89, 29.07.93, 02.10.98, 09.03.99, 06.01.03, 20.03.09)

Except as permitted by articles 6815, 6815A and 6816, no futures contracts may be traded or transferred, and no agreement to trade or transfer futures contracts may be entered into, before the opening or after the closing of trading in any futures contract such as determined by the Bourse.

**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, 15.05.09, 18.06.10)

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.<br><br>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 Index   | 0.01 index point  |
| e) Mini Futures contract on the S&P/TSX Composite Index   | 1 index point   |
| f) Canadian share futures contract  | A minimum of \$0.01 CDN per Canadian share  |
| 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  |
| h) Futures contracts on S&P/TSX sectorial indices   | 0.01 index point  |
| i) Futures contract on carbon dioxide equivalent (CO <sub>2</sub> e) units with physical settlement | A minimum of \$0.01 CDN per metric ton of carbon dioxide equivalent (CO <sub>2</sub> e)   |
| j) Futures contract on carbon dioxide equivalent (CO <sub>2</sub> e) units with cash settlement     | A minimum of \$0.01 CDN per metric ton of carbon dioxide equivalent (CO <sub>2</sub> e)   |

k) Futures contracts on Canadian Crude Oil                      A minimum of \$0.01 U.S. per barrel

**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, 17.04.09, 15.05.09, 18.06.10)

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: NIL
- d) Futures contracts on the S&P/TSX Indices:

- i) Trading halts

- Trading halts on the futures contracts on the S&P/TSX 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<sub>2</sub>e) units with physical and cash settlement

NIL

h) Futures contracts on Canadian Crude Oil

NIL

**6809 Variable Limits - Government of Canada Bond Futures**  
(08.09.89, 07.09.99, 03.05.04; abr. 17.04.09)

**6810 Current Month Exclusions (Government of Canada Bond futures)**  
(08.09.89, 07.09.99, 03.05.04, abr. 17.04.09)

**6811 Definitions : Limit Bid Limit Offers**  
(08.09.89, abr. 17.04.09)

**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, 15.05.09, 18.06.10)

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 Index:

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

e) Mini futures contract on the S&P/TSX Composite Index:

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

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.

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 constituent, or such other day as prescribed by the Bourse.

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

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

i) Futures contract on carbon dioxide equivalent (CO<sub>2</sub>e) 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.

j) Futures contract on carbon dioxide equivalent (CO<sub>2</sub>e) 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.

k) Futures contracts on Canadian Crude Oil:

the first business day prior to the crude oil “Initial Notice of Shipment Date” of the delivery month as determined by the Bourse, or such other day as prescribed by the Bourse. Initial Notice of Shipment Date means, with respect to the contract month, the first due date and time generally accepted by industry for the filing of the Notice of Shipment.

**6813 Daily Settlement Price**

(22.04.88, 08.09.89, 14.09.90, 20.03.91, 13.07.98, 07.09.99, 31.01.01, abr. 30.05.08)

**6814 Settlement of margins, gains and losses**

(22.04.88, 08.09.89, 07.09.99)

Unless otherwise determined by the Exchange or the Clearing Corporation, settlement shall be on a next business day basis through the facilities of the appropriate Clearing Corporation and no delayed or private settlement of transactions in Exchange futures contracts is permitted.

**6815 Exchanges for Physicals (EFP) and Exchanges for Risk Transactions (EFR)**

(08.09.89, 17.10.91, 05.01.94, 19.01.95, 01.05.95, 07.09.99, 31.01.01, 03.05.04, 21.04.08, 17.04.09)

Exchanges for physicals (EFP) or exchanges for risk (EFR) transactions involving futures contracts listed and traded on the Bourse are permitted if such transactions are executed in accordance with the requirements of this article and of the procedures established by the Bourse.

**1) Exchanges for physicals (EFP)**

- a) An EFP may be concluded between two parties if one of the parties is the buyer of a physical or cash component that is acceptable to the Bourse for the purpose of the EFP transaction and the seller of the futures contract, and the other party is the seller of such physical or cash component and the buyer of the futures contract.

- b) The purchase and sale of the futures contract must be simultaneous with the sale and purchase of a corresponding quantity of the physical or cash component acceptable to the Bourse for the purpose of the EFP transaction.
- c) The physical or cash component of the EFP transaction must involve a physical or cash instrument that is related to and that has a reasonable price correlation with the underlying interest of the futures contract being exchanged. The quantity or value covered by the physical or cash component of the EFP transaction must be approximately equivalent to the quantity or value covered by the futures contract.

## **2) Exchange for Risk Transactions**

An exchange of a futures contract for an over-the-counter (OTC) derivative instrument and/or swap agreement (an Exchange for Risk (EFR) transaction) consists of two discrete, but related simultaneous transactions: a risk transaction and a futures contract transaction. At the time such transaction is effected, the parties to the futures contract transaction must be the same parties to the risk transaction and the buyer and the seller of the futures contract must be, respectively, the seller and the buyer of the OTC derivative instrument and/or swap agreement. The risk component of the EFR transaction must involve an OTC derivative instrument and/or swap agreement that is related to and that has a reasonable price correlation with the underlying interest of the futures contract being exchanged. The quantity or value covered by the risk component of the EFR transaction must be approximately equivalent to the quantity or value covered by the futures contract.

## **3) General Provision**

- a) EFP and EFR transactions must at all times be executed in accordance with such other procedures, terms and conditions that the Bourse may prescribe from time to time.
- b) The futures contracts that are eligible to EFP or EFR transactions, and the last day and time for executing such transactions shall be determined by the Bourse.
- c) The cash components acceptable for the purpose of an EFP transaction and the over the counter derivative instruments acceptable for the purpose of an EFR transaction are those specified in the procedures set by the Bourse.
- d) Each party to an EFP or EFR transaction must satisfy the Bourse, upon request, that the transaction is a bona fide EFP or EFR transaction. To this effect, parties to such a transaction must maintain and must provide to the Bourse upon request complete records and documentary evidence relating to such transaction including all records relating to the purchase or sale of securities, physical underlyings, sub-instruments of these physical underlyings, instruments related thereto or over the counter derivative instruments and to any transfer of funds or ownership made in connection with such transaction.
- e) It is prohibited for any party to an EFP or an EFR transaction to effect a transaction which is contrary to the requirements and practices prescribed by the rules, policies and procedures of the Bourse or to effect such a transaction for the sole purpose of reporting, registering or recording a price that is not a bona fide price or of making a transaction which is a "wash sale", an accommodation trade or a fictitious sale.
- f) An EFP or an EFR transaction may be made at such prices that are mutually agreed upon by the two parties to this transaction. However, the price at which the futures contract leg of the transaction is

arranged must be fair and reasonable in light of factors such as, but not limited to, the size of the 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 as well as the general market conditions.

- g) Each EFP or EFR transaction must be reported to the Bourse in accordance with the procedures set by the Bourse. Such report must be in the form prescribed by the Bourse and must contain all the information required on such prescribed form.
- h) Each EFP or EFR transaction executed during the usual trading hours of the futures contract to which the transaction applies must be immediately reported to the Bourse. Each EFP or EFR transaction executed after the usual trading hours of the futures contract to which the transaction applies must be reported to the Bourse no later than 10:00 a.m. (Montréal time) on the next trading day following the execution of the transaction.
- i) The accounts involved on each side of an EFP or EFR transaction must satisfy at least one of the following conditions:
  - i) they have different beneficial ownership;
  - ii) they have the same beneficial ownership, but are under separate control;
  - iii) the accounts are commonly controlled, but involve separate legal entities which may or may not have the same beneficial ownership.

In cases where the parties to an EFP or EFR transaction involve the same legal entity, same beneficial ownership, or separate legal entities under common control, the parties must be able to demonstrate that the exchange transaction was a legitimate arms-length transaction.

- j) It is strictly prohibited for any party, for both the buyer and the seller, to enter into an EFP or EFR transaction to circumvent the contract month roll in the corresponding security or derivative instrument.

#### **6815A Substitution of over-the-counter derivative instruments for futures contracts**

(30.05.08)

- a) Transactions allowing to substitute an over-the-counter derivative instrument and/or a swap agreement for futures contracts listed and traded on the Bourse are permitted if such transactions are executed in accordance with the requirements of this article and of the procedures established by the Bourse.
- b) A substitution of an over-the-counter (OTC) derivative instrument and/or swap agreement for futures contracts consists of two discrete transactions: a risk transaction and a futures contract transaction. At the time such transaction is effected, the parties to the futures contract transaction must be the same parties to the risk transaction and the buyer and the seller of the futures contract must be, respectively, the buyer and the seller of the OTC derivative instrument and/or swap agreement. The risk component of the substitution transaction must involve the interest underlying the futures contracts (or a derivative, by-product or related product of such underlying interest) and must have a reasonable price correlation with the underlying interest of the futures contract involved in the substitution transaction. The quantity or value covered by the risk component of the substitution of over-the-counter derivative instruments for futures contracts must be approximately equivalent to the quantity or value covered by the futures contract transaction.

- c) Substitution transactions involving over-the-counter derivative instruments must at all times be executed in accordance with such other procedures, terms and conditions that the Bourse may prescribe from time to time.
- d) The futures contracts that are eligible to substitution transactions, and the last day and time for executing such transactions shall be determined by the Bourse.
- e) The risk components acceptable for the purpose of a substitution transaction are those specified in the procedures set by the Bourse.
- f) Each party to a substitution transaction must satisfy the Bourse, upon request, that the transaction is a bona fide substitution transaction. To this effect, parties to such a transaction must maintain and must provide to the Bourse upon request complete records and documentary evidence relating to such transaction including all records relating to the purchase or sale of securities, physical underlyings, sub-instruments of these physical underlyings, instruments related thereto or over the counter derivative instruments and to any transfer of funds or ownership made in connection with such transaction.
- g) It is prohibited for any party to a substitution transaction to effect a transaction which is contrary to the requirements and practices prescribed by the rules, policies and procedures of the Bourse or to effect such a transaction for the sole purpose of reporting, registering or recording a price that is not a bona fide price or of making a transaction which is a "wash sale", an accommodation trade or a fictitious sale.
- h) A substitution transaction may be made at such prices that are mutually agreed upon by the two parties to this transaction. However, the price at which the futures contract leg of the transaction is arranged must be fair and reasonable in light of factors such as, but not limited to, the size of the 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 as well as the general market conditions.
- i) Each substitution transaction must be reported to the Bourse in accordance with the procedures set by the Bourse. Such report must be in the form prescribed by the Bourse and must contain all the information required on such prescribed form.
- j) Each substitution transaction executed during the usual trading hours of the futures contract to which the transaction applies must be immediately reported to the Bourse. Each substitution transaction executed after the usual trading hours of the futures contract to which the transaction applies must be reported to the Bourse no later than 10:00 a.m. (Montréal time) on the next trading day following the execution of the transaction.
- k) The accounts involved on each side of a substitution transaction must satisfy at least one of the following conditions:
  - i) they have different beneficial ownership;
  - ii) they have the same beneficial ownership, but are under separate control;
  - iii) the accounts are commonly controlled, but involve separate legal entities which may or may not have the same beneficial ownership.

In cases where the parties to a substitution transaction involve the same legal entity, same beneficial ownership, or separate legal entities under common control, the parties must be able to demonstrate that the transaction was a legitimate arms-length transaction.

- l) It is strictly prohibited for any party, for both the buyer and the seller, to enter into a substitution transaction to circumvent the contract month roll in the corresponding security or derivative instrument.

#### **6816 Ex-Pit Transfers of Existing Futures Contracts**

(08.09.89, 07.09.99)

- a) Transfers of open futures contracts may be accomplished other than on the Exchange Floor only if there is no change in the beneficial ownership of the futures contracts, the members involved in the transfer are able to produce to the Exchange upon request, all orders, records and memoranda pertaining thereto and the transfer either
  - i) is made at the request of the beneficial owner of the futures contracts from one member to another; or
  - ii) is made at the request of a member to another member; or
  - iii) is made to correct an error in clearing; or
  - iv) is made to correct an error in the recording of transactions in the members' books.
- b) Both members which are parties to an ex-pit transfer pursuant to this article shall complete and submit to the designated Clearing Corporation such information evidencing the terms of the ex-pit transfer as may be prescribed by the Clearing Corporation on the day on which such ex-pit transfer is effected.

#### **6817 Treatment of Long and Short Positions**

(07.10.93, 03.01.95, 07.09.99)

- a) Unless concurrent long and short futures positions in the same contract month are held on behalf of i) an omnibus account; or ii) in accordance with the provisions of paragraph c) of this rule, a clearing member shall not be permitted to maintain with the Clearing Corporation such positions for i) a single account; or ii) accounts under common control and ownership. It is the duty of the clearing member to ascertain that such positions are permitted to be concurrently long and short.
- b) A clearing member shall promptly close out a customer's open long or short position held with the Clearing Corporation if an offsetting purchase or sale is made for such customer's account.
- c) A clearing member would be permitted to carry with the Clearing Corporation concurrent long and short positions for separate accounts of a customer, provided that :
  - i) each person directing trading for one of the separate accounts is unaffiliated with and acts independently from each other person directing trading for a separate account;
  - ii) each trading decision made for each separate account is determined independently of all trading decisions made for the other separate account or accounts; and

- iii) no position held in accordance with the above sub-paragraphs i) and ii) may be offset by transfer, adjustment, or any other bookkeeping procedures, but each position must be offset by usual floor transactions.
- d) Although article 6816 allows for ex-pit transfers of futures contracts, a clearing member shall not be permitted to knowingly allow such transfers when, as a result, concurrent long and short positions would be held contrary to this rule. The positions which would create the concurrent long and short situation may not be so transferred, but must remain with the original clearing member, be transferred elsewhere, or liquidated by normal floor transactions.

**6818 Average Price Trades**  
(20.03.00)

Members, at the request of a client, may accumulate a futures position in an inventory account and transfer this position to the client account at an average price. This may only be done if the member has a firm time-stamped order from the client before they start to accumulate the position.

The Montreal Exchange requires that confirmations to clients of average price trades must indicate that the transaction price is an average price. In addition, if the trade was transacted on several exchanges, the member must either indicate on which exchanges the trade was transacted or must indicate that details of the trade are available on request. In either case, the member must be able to provide clients with full details (both price and exchanges) of the transaction in a timely manner.

If a member has a firm time-stamped client order and accumulates futures in an inventory account for administrative purposes only, the transfer of the position to the client must be done over-the-counter (OTC). This procedure is required to ensure that the unwinding does not represent a change in beneficial interest (i.e. the client is the beneficial owner of the futures in the inventory account at all times). However, if a member accumulates a position based on an indication of interest from the client, the transfer of the position to the client account must result in a transaction on the floor of the Exchange.

The date used on the client's confirmation shall be the date of the unwinding, provided that the client requested an average price. Members must, however, maintain records of each individual trade and of the transfer, which must be available to both the client and regulatory authorities on request.

**6819 Extraordinary Circumstances for shares futures contracts**  
(31.01.01)

In order to keep fair and orderly trading on the Exchange and for the protection of both share futures buyers and sellers, the Exchange may make special trading and settlement rules when an underlying Interest is involved in:

- a) a take-over bid under a circular, or under Rule Twelve;
- b) a stock dividend, a share split or a consolidation;
- c) any other unforeseen events.

Generally, no adjustments will be made for declared dividends, if any, on the underlying stocks.

**Section 6821 - 6840**  
**Open Outcry Trading Pit Committee**  
(abr. 24.09.01)

- 6821 Authority**  
(08.09.89, 10.11.92, 07.09.99, abr. 24.09.01)
- 6822 Composition**  
(08.09.89, 10.11.92, abr. 24.09.01)
- 6823 Quorum**  
(08.09.89, abr. 24.09.01)
- 6824 Floor Trading Regulations**  
(08.09.89, abr. 24.09.01)
- 6825 Orderly Trading**  
(08.09.89, abr. 24.09.01)
- 6826 Investigations**  
(08.09.89, abr. 24.09.01)
- 6827 Floor Officials**  
(08.09.89, 20.03.91, 29.03.93, abr. 24.09.01)
- 6828 Offences and Penalties**  
(08.09.89, 10.11.92, 23.05.96, abr. 24.09.01)
- 6829 Levy of a Fine**  
(08.09.89, 29.03.93, 24.02.94, 06.03.96, 23.05.96, abr. 24.09.01)
- 6830 Appeals**  
(08.09.89, 10.11.92, abr. 24.09.01)
- 6831 Levy of fees for requests of hearing**  
(07.07.97, abr. 24.09.01)

**Section 6841 - 6880**  
**Floor Procedures and Open Outcry**  
**Trading Rules Financial Derivatives and Index Futures contracts**  
(abr. 24.09.01)

- 6841 Access**  
(04.04.95, 13.07.95, abr. 24.09.01)
- 6842 Routing and Recording of Orders**  
(08.09.89, abr. 24.09.01)
- 6843 Recording of Telephone Conversations**  
(08.09.89, 07.09.99, abr. 24.09.01)

- 6844 Procedures for Consulting Recordings**  
(08.09.89, 21.03.91, 13.07.92, 07.09.99, abr. 24.09.01)
- 6844 A Procedures for Viewing Video Recordings**  
(13.07.92, 07.09.99, 11.02.00, abr. 24.09.01)
- 6845 Execution of Orders**  
(08.09.89, 21.10.97, 07.09.99, 11.02.00, abr. 24.09.01)
- 6846 Priority to Client Orders**  
(08.09.89, 03.11.97, abr. 24.09.01)
- 6847 Making a Bid or an Offer**  
(08.09.89, 17.10.91, abr. 24.09.01)
- 6848 Accepting a Bid or an Offer**  
(08.09.89, 20.03.91, 17.10.91, 30.07.93, abr. 24.09.01)
- 6849 First Acceptance**  
(08.09.89, 17.10.91, abr. 24.09.01)
- 6850 Quantity**  
(08.09.89, 17.10.91, 30.07.93, abr. 24.09.01)
- 6851 Orders**  
(08.09.89, 21.04.95, 30.05.96, abr. 24.09.01)
- 6852 Types of Orders on Last Day**  
(08.09.89, 29.06.90, 07.09.99, abr. 24.09.01)
- 6853 Opening Range**  
(08.09.89, 29.06.90, 20.03.91, abr. 24.09.01)
- 6854 Closing Range**  
(08.09.89, 29.06.90, 20.03.91, abr. 24.09.01)
- 6855 Trading Simultaneous Combinations**  
(08.09.89, 29.06.90, 20.03.91, 03.03.92, 30.07.93, 19.01.95, 13.07.95, 09.11.95, abr. 24.09.01)
- 6856 Trading Strips - Canadian Bankers' Acceptance Futures**  
(03.03.92, 16.04.92, 22.03.93, 30.07.93, 23.01.95, abr. 09.11.95, abr. 24.09.01)
- 6857 Rotations**  
(08.09.89, 20.03.91, abr. 24.09.01)
- 6858 Reporting Trades**  
(20.03.91, abr. 24.09.01)
- 6859 Price Infractions**  
(20.03.91, 17.10.91, 03.03.92, 30.07.93, abr. 24.09.01)

- 6860 Fast Market**  
(20.03.91, abr. 24.09.01)
  
- 6861 Transaction Input (Excluding Index Options and options on index participation units)**  
(08.09.89, 29.06.90, 20.03.91, 03.03.92, 01.05.95, 07.09.99, 11.02.00, abr. 24.09.01)
  
- 6862 Confirming Trades**  
(29.06.90, 20.03.91, 01.05.95, abr. 24.09.01)
  
- 6863 Transaction Reports (Excluding Index Options and options on index participation units)**  
(29.06.90, 07.09.99, 11.02.00, abr. 24.09.01)
  
- 6864 Matching Transactions (Excluding Index Options and on options on index participation units)**  
(29.06.90, 20.03.91, 05.01.94, 01.05.95, 24.07.98, 07.09.99, 11.02.00, abr. 24.09.01)
  
- 6865 Corrections (Excluding Index Options and options on index participation units)**  
(08.09.89, 29.06.90, 20.03.91, 01.05.95, 07.09.99, 11.02.00, abr. 24.09.01)
  
- 6866 Unacceptable Practices**  
(29.06.90, 04.04.94, 22.11.96, abr. 24.09.01)
  
- 6867 Jitney trading by members**  
(abr. 24.09.01)
  
- 6868 Jitney trading by restricted trading permit holder**  
(03.11.97, abr. 24.09.01)

**Section 6881 - 6900**  
**Open Outcry Trading**  
**Curb Trading**  
(abr. 29.10.01)

- 6881 Curb Trading**  
(29.07.93, abr. 29.10.01)
  
- 6882 Hours of Trading**  
(29.07.93, abr. 29.10.01)
  
- 6883 Eligible Contract, Associated Trading Range and Restrictions**  
(29.07.93, 02.12.93, 08.02.95, 09.11.95, 02.04.97, abr. 29.10.01)
  
- 6884 Stop Orders**  
(29.07.93, abr. 29.10.01)

**Section 6901 - 6950**  
**Canadian Bankers' Acceptance Futures**  
(abr. 23.01.95)

**Section 6901 - 6950**  
**Futures Contracts Electronic Trading**  
(02.10.98)

- 6901 Electronic Trading System**  
(02.10.98, abr. 31.01.01)
- 6902 Access to Electronic Trading**  
(02.10.98, abr. 31.01.01)
- 6903 Orders**  
(02.10.98, abr. 31.01.01)
- 6904 Time-Stamping of Limit Order**  
(02.10.98, abr. 31.01.01)
- 6905 Management of Priorities**  
(02.10.98, abr. 31.01.01)
- 6906 Priority to Client Orders**  
(02.10.98, abr. 31.01.01)
- 6907 Trade and Clearing Information**  
(02.10.98, abr. 31.01.01)
- 6908 Keeping Records of Orders**  
(02.10.98, abr. 31.01.01)
- 6909 Modification of the Order**  
(02.10.98, abr. 31.01.01)

**Section 6910 - 6916**  
**Production, Execution and Cancellation of Orders**  
(abr. 31.01.01)

- 6910 Allocation of tradeable orders**  
(02.10.98, abr. 31.01.01)
- 6911 Receipt of Orders**  
(02.10.98, abr. 31.01.01)
- 6912 Input of Orders**  
(02.10.98, abr. 31.01.01)
- 6913 Cancellation of Erroneous Trades**  
(02.10.98, abr. 31.01.01)
- 6914 Warning Message**  
(02.10.98, abr. 31.01.01)

- 6915 Acceptable Market Price**  
(02.10.98, abr. 31.01.01)
- 6916 Decision by the Trading Supervisor**  
(02.10.98, abr. 31.01.01)
- 6917 Delays of Decision and Notifications**  
(02.10.98, abr. 31.01.01)
- 6918 Unacceptable Practices**  
(02.10.98, abr. 31.01.01)
- 6919 Malfunction of the Electronic Trading System**  
(02.10.98, abr. 31.01.01)
- 6920 Price Limits**  
(02.10.98, abr. 31.01.01)

**Section 6951 - 6980**  
**Options on Futures**  
(abr. 24.09.01)

- 6951 Exception to Trading Rules**  
(21.06.93, 07.04.94, abr. 24.09.01)
- 6952 Trading**  
(21.06.93, abr. 24.09.01)
- 6953 Priority of Bids and Offers**  
(21.06.93, abr. 24.09.01)
- 6954 Trading Crosses**  
(21.06.93, 04.04.94, 07.04.94, 12.04.96, abr. 24.09.01)
- 6955 Fast Market**  
(21.06.93, 04.04.94, 12.04.96, abr. 24.09.01)

**Section 6981 - 6990**  
**Lumber**  
**Gold**  
**Futures**  
(abr. 19.01.95)