

**RULE SEVEN
OPERATIONS OF APPROVED PARTICIPANTS**

**Section 7001 - 7075
Financial Conditions - General**

7001 Compliance with Legal Requirements
(01.04.93, 13.09.05, 22.03.10)

Every approved participant must comply with the requirements of any legislation applicable to the regulation of brokerage and accounts, examination and information and must provide or make available to the Bourse all information which the Bourse may request for the purpose of any examination or investigation of the business or operations of such approved participant. Failure to comply with any of the provisions of applicable laws or with any requirements of the Bourse pursuant thereto shall be deemed an act detrimental to the interest and welfare of the Bourse.

7002 Form of Reports
(01.04.93, 13.09.05, 22.03.10)

The Special Committee may set the scope, the preparation method and the form of any report that must be submitted to the Bourse by approved participants pursuant to the Rules of the Bourse, to the provisions of a securities legislation or pursuant to a decision, an order or a specific request of the Bourse or of one of its committees, including the Special Committee and the specifications of any system permitting to ensure the implementation and maintenance of books or records to be used by approved participants in connection with the carrying on of their business.

7003 Disclosure to Customers of Approved Participants' Financial Condition
(30.10.89, 01.02.93, 01.04.93, 13.09.05, abr. 22.03.10)

7004 Publication of a Consolidated Statement of Financial Condition
(01.02.93, 01.04.93, 13.09.05, abr. 22.03.10)

7005 Definitions
(01.04.93, 13.09.05, 22.03.10)

For the purposes of this Rule Seven, unless otherwise specified, terms used are defined either in article 1102 of the Rules of the Bourse or in the "Joint Regulatory Financial Questionnaire and Report" form of Policy C-3.

7006 Capital Requirements
(01.04.93, 13.09.05, abr. 22.03.10)

7007 Restricted Trading Permit Holders
(01.05.89, 01.04.93, 13.09.05)

Restricted trading permit holders who are not dealing with the public, except in the capacity of trading representative for an approved participant, are not required to maintain any minimum net worth. However, they must make an annual declaration to the Bourse that their status in this respect has not changed during the past year.

Restricted trading permit holders who clear their transactions through a clearing approved participant must maintain a net worth equal to \$25,000.

If, in addition, these restricted trading permit holders act as market-makers or as traders in futures contracts, they must, in addition to the net worth required in the preceding paragraph, maintain an additional net worth

1) as market makers:

of \$10,000 per assignment up to a maximum of \$25,000;

2) as futures contracts traders:

\$25,000.

For the purpose of this article, "net worth" means the excess of cash and marketable securities, marked to market, over the aggregate liabilities.

This requirement is deemed satisfied if a letter of guarantee, in a form prescribed by the Bourse and containing a provision regarding the maintenance of "net worth", has been issued and is still in effect on behalf of such restricted trading permit holder by the clearing approved participant and in accordance with article 6082. The clearing approved participant must provide against its own capital any deficiency of "net worth" in the account of the restricted trading permit holder approved participant for whom it has issued a letter of guarantee.

7008 Joint Account

(01.04.93, 13.09.05)

- 1) A restricted trading permit holder who is a market-maker and does not deal with the public may have a joint account agreement with one other person who may not be an approved participant of the Bourse. Each joint account agreement must comply with the requirements of the Bourse, including disclosure for all other securities accounts in which the partner who is not an approved participant has a direct or an indirect interest and be approved by the Bourse. Such approval may be withdrawn at the discretion of the Bourse.
- 2) Each market-maker who makes an arrangement to finance his transactions in securities on which he has been appointed must inform the Bourse of the name of the creditor and the terms of such arrangement. The Bourse must be informed immediately of the intention of any party to terminate or change any such arrangement, or to issue a margin call.
- 3) On request, a market-maker must submit to the Bourse a monthly report of his use of credit pursuant to the present rule.

7009 Subordinated Loans

(01.04.93, 13.09.05, abr. 22.03.10)

7010 Early Warning System

(01.09.89, 01.07.91, 01.10.92, 01.04.93, 11.03.98, 08.05.03, 29.07.03, 13.09.05, abr. 22.03.10)

7011 Establishing and maintaining adequate internal controls
(00.00.96, 13.09.05, 22.03.10)

Every approved participant must establish and maintain adequate internal controls to assist in achieving the objective of ensuring, as far as practical, the orderly and efficient conduct of the approved participant's business.

Section 7076 - 7150
Insurance (abr. 22.03.10)

7076 Insurance
(28.02.87, 09.10.87, 30.12.88, 06.08.90, 20.12.91, 01.05.92, 03.03.93, 01.04.93, 01.12.94, 08.11.95, 20.12.96, 01.07.97, 01.04.03, 01.01.05, abr. 22.03.10)

7077 Reporting of Insurance Claims
(01.04.93, 13.09.05, abr. 22.03.10)

Section 7151 - 7159
Financial Reports

7151 Financial Questionnaires and Reports
(01.04.93, 13.09.05, 22.03.10)

Approved participants must file with the Bourse, when requested by it, a copy of the most recent audited financial questionnaire and report completed in the form prescribed by Policy C-3 of the Bourse.

7152 Members of Other Recognized Exchanges or Regulatory or Self-Regulatory Organizations
(01.04.93, 13.09.05, 22.03.10)

Where an approved participant of the Bourse is also a regulated entity, as defined in Policy C-3 of the Bourse, and prepares reports and financial statements as required by another recognized exchange or regulatory or self-regulatory organization, the Bourse may accept, in lieu of the questionnaire and report to which article 7151 refers, a copy of the most recent audited reports and financial statements filed by the approved participant with this other exchange or regulatory or self-regulatory organization along with a written confirmation from such other exchange or regulatory or self-regulatory organization that the approved participant satisfies all of its requirements relating to the regulatory capital required to be maintained.

7153 Trading activity statement - Restricted Trading Permit Holders
(04.05.98, 13.09.05, 22.03.10)

Upon request from the Bourse, the clearing approved participant has the obligation to provide a trading activity statement from the previous day or for a specified period of time, for each restricted trading permit holder for whom the approved participant clears and guarantees the transactions made on the Bourse. This statement must contain the following information:

- a) daily activity result;

- b) year to date activity result;
- c) margin required on positions held;
- d) guarantee deposits;
- e) cash movements (deposits, withdrawals, interest or dividend adjustments to the account); and
- f) the global balance of account.

7154 Interim Questionnaires
(01.04.93, 13.09.05, abr. 22.03.10)

7155 Monthly Financial Report
(01.04.93, 11.03.98, 13.09.05, abr. 22.03.10)

7156 Working Papers
(01.04.93, 13.09.05, abr. 22.03.10)

7157 Statistical Information
(01.04.93, 29.07.02, 01.10.02, 22.03.10)

Every approved participant must provide to the Bourse, upon request, such statistical information with respect to its business as, in the opinion of the Bourse, may be necessary or in the interest of all approved participants of the Bourse.

Section 7160 - 7170
Audit Requirements
(abr. 22.03.10)

7160 Audits
(01.04.93, 13.09.05, abr. 22.03.10)

7161 Appointment of Approved Participants' Auditors
(01.04.93, 13.09.05, abr. 22.03.10)

7162 Resignation of Approved Participants' Auditors
(01.04.93, 13.09.05, abr. 22.03.10)

7163 Auditor's Reports
(01.04.93, 13.09.05, abr. 22.03.10)

7164 Audit Deadline
(23.06.89, 01.04.93, 15.07.97, 13.09.05, abr. 22.03.10)

7165 Audit Guidelines
(30.09.89, 01.04.93, 15.07.97, 13.09.05, abr. 22.03.10)

Section 7201 - 7250 Margins

7201 Margin Requirements

(01.02.91, 01.04.93, 13.09.05, 28.09.07)

Every approved participant must obtain from clients such minimum margin in such amount and in accordance with the requirements, as set out in the present section.

All margin requirements set out in the present section are applicable to approved participants as well as to clients, unless specified otherwise.

7202 Listed Securities

(15.12.86, 30.09.87, 18.06.88, 01.04.93, 11.02.00, 29.04.02, 16.09.02, 01.05.03, 17.05.04, 01.01.05, 13.09.05, 28.09.07)

For the purpose of this article, the terms “floating margin rate”, “incremental basket margin rate”, “index”, “margin interval”, “qualifying basket of index securities” and “tracking error margin rate” are defined in article 9001.

1) Securities listed on a recognized exchange in Canada or in the United States

For positions in securities (other than bonds and debentures but including rights and warrants other than Canadian bank warrants) listed on any recognized stock exchange in Canada or in the United States:

Long Positions	Margin Required
a) Securities trading at \$2.00 or more	50% of market value
b) Securities trading between \$1.75 and \$1.99	60% of market value
c) Securities trading between \$1.50 and \$1.74	80% of market value
d) Securities selling under \$1.50 may not be carried on margin.	

From time to time, the Bourse can determine that positions in securities listed on markets or that are in a group on a market and for which the financial requirements for an initial or a permanent listing do not include adequate requirements regarding net earnings before taxes, tangible assets and minimum working capital may not be carried on margin.

Short Positions	Credit Required
a) Securities trading at \$2.00 or more	150% of market value
b) Securities trading between \$1.50 and \$1.99	\$3.00 per share
c) Securities trading between \$0.25 and \$1.49	200% of market value
d) Securities trading at less than \$0.25	Market value plus \$0.25 per share

2) Securities listed on some other exchanges and that are components of an index

For positions in securities (other than bonds and debentures, but including rights and warrants), 50% of the market value, provided that the two following conditions are met:

- A) the exchange on which the security is listed is an exchange whose name appears in the list of exchanges and associations qualifying as « recognized exchanges and associations » published from time to time by the Investment Dealers Association of Canada for the purpose of determining “regulated entities”;
- B) the security is a component of the main broad-based index of the exchange on which it is listed.

3) Index products**A) Long qualifying basket of index securities or long index participation units**

The minimum margin required, must be the sum of:

- i) in the case of index participation units, the floating margin rate percentage (calculated for the index participation unit based on its regulatory margin interval) of the qualifying basket of index securities (or index participation units); and
- ii) in the case of a qualifying basket of index securities, the floating margin rate percentage (calculated for a perfect basket of index securities based on its regulatory margin interval), plus the calculated incremental basket margin rate for the qualifying basket of index securities;

multiplied by the market value of the qualifying basket of index securities (or index participation units).

B) Short qualifying basket of index securities or short index participation units

The minimum margin required must be the sum of:

- i) 100%; and
- ii) the floating margin rate percentage (calculated for the index participation unit or a perfect basket of index securities) of the qualifying basket of index securities (or index participation units); and
- iii) in the case of a qualifying basket of index securities, the calculated incremental basket margin rate percentage;

multiplied by the market value of the qualifying basket of index securities (or index participation units).

C) Long qualifying basket of index securities offset with short index participation units

Where a position in a qualifying basket of index securities is carried long in an account and the account is also short an equivalent number of index participation units, the margin required must be the sum of the published tracking error margin rate and the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the index participation units.

D) Short qualifying basket of index securities offset with long index participation units

Where a position in a qualifying basket of index securities is carried short in an account and the account is also long an equivalent number of index participation units, the margin required must be the sum of:

- i) the tracking error margin rate, unless the short basket of index securities is of a size sufficient to comprise a basket of securities or multiple thereof required to obtain the index participation units;

and

- ii) the calculated incremental basket margin rate for the qualifying basket of index securities;

multiplied by the market value of the index participation units.

E) Long qualifying basket of index securities – short index participation units – commitment to purchase index participation units

Where an approved participant has a commitment pursuant to an underwriting agreement to purchase a new issue of index participation units, and holds an equivalent long position in a qualifying basket of index securities and also holds an equivalent number of short index participation units, no capital is required, provided the long basket:

- i) is of size sufficient to comprise a basket of securities or multiple thereof required to obtain the index participation units; and
- ii) does not exceed the approved participant's underwriting commitment to purchase the index participation units.

4) Securities eligible to a reduced margin rate

The margin required is 30% of the market value on long positions and the credit required is 130% of the market value on short positions if such securities are:

- i) on the list of securities eligible to a reduced margin rate as approved by a recognized self-regulatory organization and such securities continue to be traded at \$2.00 or more;
- ii) securities against which options issued by the Options Clearing Corporation are traded;
- iii) convertible into securities that qualify under subparagraph i) or subparagraph ii);

- iv) non-convertible preferred and senior shares of an issuer any of whose securities qualify under subparagraph i); or
- v) securities whose original issuance generated Tier 1 capital for a financial institution any of whose securities qualify under subparagraph i) and the financial institution is under the regulatory oversight of the Office of the Superintendent of Financial Institutions of Canada.

For the purpose of the present paragraph 3) the Bourse and the Investment Dealers Association of Canada are designated as recognized self-regulatory organizations.

5) Warrants issued by a Canadian chartered bank

For positions (other than positions of an approved participant that are subject to the provisions of paragraph 9 of article 7213) in warrants issued by a Canadian chartered bank and which entitle the holder to purchase securities issued by the Government of Canada or any province thereof, the required margin must be the greater of the two following elements:

- a) The margin otherwise required by paragraph 1) of this article according to the market value of the warrant; or
- b) 100% of the margin required in respect of the security to which the holder of the warrant is entitled upon exercise of the warrant. However, in the case of a long position, the amount of margin need not exceed the market value of the warrant.

7202A Margin Offsets on Capital Shares

(19.03.93, 01.04.93, 01.01.04, 13.09.05)

1) For the purposes of the present article:

- a) "capital share" means a share issued by a split share company which represents all or a substantial portion of the capital appreciation portion of the underlying common share;
- b) "capital share conversion loss" means any excess of the market value of the capital shares over the retraction value of the capital shares;
- c) "combined conversion loss" means any excess of the combined market value of the capital and preferred shares over the combined retraction value of the capital and preferred shares;
- d) "preferred share" means a share issued by a split share company which represents all or a substantial portion of the dividend portion of the underlying common share, and includes equity dividend shares of split share companies;
- e) "retraction value" means:
 - A) for capital shares:
 - i) where the capital shares can be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the excess of the market value of the underlying common shares received over the retraction cash payment to be made when retraction of the capital shares takes place;

- ii) where the capital shares cannot be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the retraction cash payment to be received when retraction of the capital shares takes place;
- B) for capital shares and preferred shares in combination:
- i) where the capital shares and preferred shares can be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the market value of the underlying common shares received;
 - ii) where the capital shares and preferred shares cannot be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the retraction cash payment to be received when retraction of the capital and preferred shares takes place;
- f) "split share company" means a corporation formed for the sole purpose of acquiring underlying common shares and issuing its own capital shares based on all or a substantial portion of the capital appreciation portion and its own preferred shares based on all or a substantial portion of the dividend income portion of such underlying common shares.

2) Long capital shares and short common shares

Where capital shares are carried long in an account and the account is also short an equivalent number of common shares, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:

- i) the lesser of:
 - a) the sum of:
 - I) the capital share conversion loss, if any; and
 - II) the normal capital required (margin required in the case of client account positions) on the equivalent number of preferred shares;

or

- b) the normal capital required (margin required in the case of client account positions) on the underlying common shares;

and

- ii) where the capital shares cannot be tendered to the split share company for retraction directly for the underlying common shares at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying common shares.

3) Long capital shares, long preferred shares and short common shares

Where both capital shares and an equivalent number of preferred shares are carried long in an account and the account is also short an equivalent number of common shares, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:

- i) the lesser of:
 - a) combined conversion loss, if any; or
 - b) the normal capital required (margin required in the case of client account positions) on the underlying common shares;

and

- ii) where the capital shares and preferred shares cannot be tendered to the split share company for retraction directly for the underlying common share, at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying common shares.

4) Long capital shares and short call options

Where capital shares are carried long in an account and the account is also short an equivalent number of call options expiring on or before the redemption date of the capital shares, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:

- i) the lesser of:
 - a) the normal capital required (margin required in the case of client account positions) on the capital shares less, if any, the market value of the short call options, however, the capital required cannot be less than zero; and
 - b) any excess of the market value of the underlying common shares over the aggregate exercise value of the call options;

and

- ii) the capital share conversion loss, if any; and
- iii) where the capital shares cannot be tendered to the split share company for retraction directly for the underlying common shares at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying common shares.

5) Long common shares and short capital shares

Where common shares are carried long in an account and the account is also short an equivalent number of capital shares, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:

- i) the lesser of:
 - a) the sum of:
 - I) the capital share conversion loss, if any; and
 - II) the normal capital required (margin required in the case of client account positions) on the equivalent number of preferred shares;
- and
- b) the normal capital required (margin required in the case of client account position) on the underlying common shares;
- and
- ii) 40% of the normal capital required (margin required in the case of client account positions) on the underlying common shares.

6) Long common shares, short capital shares and short preferred shares

Where common shares are carried long in an account and the account is also short both an equivalent number of capital shares and an equivalent number of preferred shares, the capital and margin requirements, for approved participants and client account positions respectively, must be equal to the sum of:

- i) the lesser of:
 - a) the combined conversion loss, if any; or
 - b) the normal capital required (margin required in the case of client account positions) on the underlying common shares;
- and
- ii) where the capital and preferred shares cannot be tendered to the split share company for retraction directly for the underlying common shares at the option of the holder, 40% of the normal capital required (margin required in the case of customer account positions) on the underlying common shares.

7202B Instalment Receipts
(20.12.96, 13.09.05)

- a) For the purposes of this article, the following definitions apply:
 - i) "instalment receipt" means a security issued by or on behalf of an issuer or a selling security holder that evidences partial payment for an underlying security and requires one or many

- subsequent payments by instalments in order to entitle the holder of the instalment receipt to delivery of the underlying security;
- ii) "underlying security" means the security of an issuer purchased pursuant to an instalment receipt;
 - iii) "future payment(s)" means the unpaid payment or payments of the purchase price of an underlying security pursuant to an instalment receipt.
- b) No approved participant must purchase or hold an instalment receipt pursuant to which the approved participant, or any nominee or holder for the approved participant including The Canadian Depository for Securities Limited or other depository (collectively a "nominee"), is required to make any payment (other than a payment made for the approved participant's own account as beneficial owner of the instalment receipt), unless the agreement, pursuant to which the instalment receipts are created and issued, allows the approved participant or its nominee to be released from the responsibility to make any such payment, either by:
- i) transfer of the instalment receipt to a person other than the approved participant, if there has been a failure to pay in full any instalment when due. In this regard, the agreement in question must provide that such transfer can take place at any time prior to the close of business (Montreal time) on the second business day following the default in payment and prior to the time the issuer's or selling security holder's rights, with respect to this default, can be exercised; or
 - ii) any other mechanism as may from time to time be approved by the Bourse.
- c) If there has been a failure to pay in full any instalment when due pursuant to an instalment receipt and if such instalment receipt is registered in the name of the approved participant or its nominee, such approved participant must forthwith, within the time permitted by the applicable agreement pursuant to which the instalment receipts are created and issued, take all the necessary steps to be released from the responsibility to make any payment, including, if relevant, causing such instalment receipt to be transferred to another person.
- d) Subject to sub-paragraphs e) and f) below, the margin or the capital required for an instalment receipt held, respectively, in a client account or in inventory must be the margin or the capital applicable to the underlying security.
- e) The margin required for an instalment receipt in a client account must not exceed the market value of the instalment receipt.
- f) Where the future payments exceed the market value of the underlying security, the capital required for an instalment receipt held in inventory must be the capital applicable to the underlying security plus (except in the case of a short position) the amount by which the future payments exceed the market value of the underlying security.

7203 Unlisted Securities Eligible to Margin

(01.04.93, 18.02.00, 13.09.05, 25.11.05, 28.09.07)

a) Provided there exists a verifiable market between dealers and securities brokers for positions in the following unlisted securities may be carried on margin on the same basis as prescribed for listed securities:

- securities of Canadian banks;
- securities of insurance companies licensed to do business in Canada;
- securities of Canadian trust companies;
- Securities of mutual funds qualified for sale by prospectus in any Canadian province, except money market mutual funds securities (as defined in Regulation 81-102 regarding mutual funds) which can be margined at a rate of 5%;
- other senior securities of already listed companies;
- unlisted securities in respect of which application has been made to list on a recognized stock exchange in Canada and approval has been given subject to the filing of relevant documents and of satisfactory evidence of distribution may be carried on margin for a period not exceeding 90 days from the date of such approval;
- securities which qualify as legal for investment by Canadian life insurance companies, without recourse to the “basket clause”;
- all securities listed on the Nasdaq Stock Marketsm (Nasdaq National Market® and The Nasdaq SmallCap Marketsm).

b) The minimum margin required on all other unlisted securities not mentioned above must be as follows:

Long Positions	Margin Required
	100% of market value
Short Positions	Credit Required
Securities trading at \$0.50 or more	200% of market value
Securities trading at less than \$0.50	Market value plus \$0.50 per share

7204 Bonds, Debentures, Treasury Bills and Notes

(01.07.86, 04.02.87, 15.09.89, 30.04.91, 09.10.91, 01.03.93, 01.05.93, 05.07.93, 01.04.93, 27.05.97, 18.02.98, 29.08.01, 17.05.04, 13.09.05, 28.09.07, 01.05.08)

GROUP I Governments of Canada, United States, United Kingdom and other foreign national governments

The margins required on bonds, debentures, Treasury bills, and other securities of or guaranteed by the Government of Canada, of the United States, of the United Kingdom and of any other national foreign government (provided such foreign government securities are currently rated Aaa or AAA by Moody's Investors Service Inc. or Standard & Poor's Corporation, respectively), and maturing (or called for redemption) in the periods indicated below, are as follows:

Margin Required

1 year or less	1% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365.
over 1 year to 3 years	1% of market value
over 3 years to 7 years	2% of market value
over 7 years to 11 years	4% of market value
over 11 years	4% of market value

GROUP II Provinces of Canada and International Bank of Reconstruction and Development

The margins required on bonds, debentures, treasury bills and other securities of or guaranteed by any Province of Canada, bonds of the International Bank of Reconstruction and Development, and bonds and debentures guaranteed by the deposit in trust of a grant payable by a province in Canada covering the principal and the interest maturing, or called for redemption in the time periods indicated below are as follows:

Margin required

1 year or less	2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years	3% of market value
over 3 years to 7 years	4% of market value
over 7 years to 11 years	5% of market value
over 11 years	5% of market value

GROUP III Municipal, school and hospital corporations and religious orders

Margins required on bonds, debentures or notes (not in default) of or guaranteed by any municipal corporation in Canada or in the United Kingdom, maturing in the time periods indicated below, are as follows:

Margin required

1 year or less	3% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years	5% of market value
over 3 years to 7 years	5% of market value
over 7 years to 11 years	5% of market value
over 11 years	5% of market value

Bonds and debentures (not in default) of or guaranteed by any school corporation, religious order or hospital corporation in Canada, 5% of market value.

GROUP IV Other non-commercial bonds and debentures

The margin required on other non-commercial bonds and debentures (not in default), is equal to 10% of market value.

GROUP V Corporations and trust and mortgage loan companies – non-negotiable and non-transferable debt securities

The margins required on commercial and corporate bonds, debentures and notes (not in default) and non negotiable and non transferable trust company and mortgage loan company obligations registered in the approved participant's name, maturing in the time periods indicated below, are, subject to the provisions of paragraphs a1) to 6) hereafter, as follows :

Margin Required

1 year or less	3% of market value
over 1 year to 3 years	6% of market value
over 3 years to 7 years	7% of market value
over 7 years to 11 years	10% of market value
over 11 years	10% of market value

1) if convertible and selling over par, the margin required must be the lesser of the two following amounts:

- a) the sum of the two following elements :
 - i) the par value multiplied by the above rates;
 - ii) the excess of market value over the par value;

- b) the maximum margin required for a convertible security calculated pursuant to paragraph 10 of article 7213;
- 2) if these securities are convertible and selling at or below par, the margin required must be the above rates multiplied by the market value;
 - 3) if these securities are selling at 50% or less of the par value and if they are rated “B” or lower by either Dominion Bond Rating Service or by Canadian Bond Rating Service, the margin required must be 50% of the market value;
 - 4) in the case of U.S. pay securities, if selling at 50% or less of the par value and if rated “B” or lower by either Moody’s or Standard & Poors, the margin required must be 50% of the market value;
 - 5) if these securities are convertible and are residual debt instruments (zero coupon), the margin required is the lesser of the two following amounts :
 - a) the greater of
 - i) the margin required for a convertible debt instrument calculated pursuant to this Group V;
 - ii) the margin required for a residual debt instrument (zero coupon), calculated pursuant to Group XI of this article;
 - b) the maximum margin required for a convertible security calculated pursuant to paragraph 10 of article 7213;
 - 6) where such commercial bonds, debentures and notes are debt securities of companies whose notes are acceptable notes, as defined in Group VI of the present article, then the margin requirements of this Group VI must apply.

GROUP VI Corporations and trust and mortgage loan companies – negotiable and transferable debt securities

The margins required on acceptable commercial, corporate and finance company notes, and trust company and mortgage loan company bonds, readily negotiable and transferable and maturing in the time periods indicated below are as follows:

Margin Required

1 year or less	3% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year	apply rates for commercial and corporate bonds, debentures and notes

Acceptable commercial, corporate and finance company notes means notes issued by a company incorporated in Canada or in any province of Canada and a) having a net worth of not less than \$10,000,000 or b) guaranteed by a company having a net worth of not less than \$10,000,000 or c) a binding agreement exists whereby a company having a net worth of not less than \$25,000,000 is obliged,

as long as the notes are outstanding, to pay to the issuing company or to a trustee for the noteholders, amounts sufficient to cover all indebtedness under the notes where the borrower:

a) files annually under the applicable provincial legislation a prospectus relating to its notes which have a term to maturity of one year or less and provides to approved participants acting as authorized agents the following information in written form:

- i) disclosure of limitation, if any, on the maximum principal amount of notes authorized to be outstanding at any one time;
- ii) a reference to the bank lines of credit of the borrower or of its guarantor if a guarantee is required;

or

b) provides to approved participants acting as authorized agents an information circular or memorandum which includes or is accompanied by the following:

- i) recent audited financial statements of the borrower or of its guarantor if a guarantee is required;
- ii) an extract from the borrower's general borrowing by-law dealing with the borrower's corporate authorization to borrow;
- iii) a true copy of a resolution of directors of the borrower certified by the borrower's secretary, and stating in substance:

- [1] the limitation, if any, on the maximum amount authorized to be borrowed by way of issues or notes;

- [2] those officers of the borrower company who may legally sign the notes by hand or by facsimile;

- [3] the denomination in which notes may be issued;

- iv) where notes are guaranteed, a certified copy of a resolution of directors of the guarantor company, authorizing the guarantee of such notes;

- v) a certificate of incumbency and facsimile signatures of the authorized signing officers of the borrower and its guarantor, if any;

- vi) specimen copies of the note or notes;

- vii) a favorable opinion from the legal counsel of the borrower regarding the incorporation, the organization and the corporate status of the borrower, its corporate capacity to issue the notes and the due authorization by it of the issuance of the notes;

- viii) where notes are guaranteed, a favorable opinion from the legal counsel of the guarantor regarding the incorporation, the organization and the corporate status of the guarantor, its capacity to guarantee the notes and the due authorization, validity and effectiveness of its guarantee;

ix) a summary setting forth the following:

- [1] a brief historical summary of the borrowing company and of its guarantor, if any;
- [2] the purpose of the issue;
- [3] a reference to the bank lines of credit of the borrowing company or of its guarantor, if a guarantee is required;
- [4] the denomination in which notes may be issued.

GROUP VII Bonds in default

The margin required on bonds in default must be equal to 50% of market value.

GROUP VIII Income bonds

The margins required on income bonds and debentures on which interest has been paid in full at the stated rate for the two preceding years as required by the related trust indenture which must specify that such interest be paid if earned, are as follows:

Currently paying interest at the stated rate:

Margin required

10% of market value

Not paying interest, or paying at less than the stated rate:

Margin required

50% of market value

GROUP IX British Columbia Government guaranteed parity bonds:

Long Positions: ¼ of 1% of par value or rates prescribed under Group II above;

Short Positions: rates prescribed under Group II above.

GROUP X Floating rate debt obligations:

50% of the rates of margin otherwise required. If margin is otherwise required in respect of excess market value over par, 100% of the margin rates otherwise required must apply to the excess market value.

For the purpose of this paragraph, the term “floating rate debt obligation” means a debt instrument described in Groups I, II, III and VI of the present article and in article 7205 for which the rate of interest is adjusted at least quarterly by reference to an interest rate for periods of 90 days or less.

This paragraph is applicable only to an account of a market-maker or to inventory accounts of an approved participant.

GROUP XI Stripped Coupons and Residual Debt Securities

- 1) The margin required for stripped coupons and residual debt securities, which is based on a percentage of the market value, is equal to:
 - a) for securities with a term to maturity of less than 20 years, one and a half times the margin rate applicable to the debt instrument which has been stripped or to which the detached coupon or other evidence of interest relates; and
 - b) for securities with a term of 20 years or more, three times the margin rate applicable to the debt instrument which has been stripped or to which the detached coupon or other evidence of interest relates.

In determining the term to maturity of a coupon or other evidence of interest, the payment date for such interest must be considered the maturity date. Margin in respect of residual debt instruments which are convertible into other securities must be determined in accordance with Group V of this article.

- 2) Where an approved participant or a client holds a short (or long) position in bonds or debentures denominated in Canadian dollars issued or guaranteed by either the Government of Canada or a Province of Canada and also holds a long (or short) position in the stripped coupons or residual portion of such debt securities, the margin required must be the excess of the margin required on the long (or short) position over the margin required on the short (or long) position, provided that the net margin may only be determined as aforesaid on the basis that:
 - a) margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in stripped coupons or residual portion to the extent that the market value of the two positions is equal. No offset is permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position;
 - b) margin required in respect of bonds or debentures issued or guaranteed by the Government of Canada may only be netted against the margin required for the stripped coupons or residual portion of other Government of Canada securities which mature within the same periods referred to in Group I of the present article;
 - c) margin required in respect of bonds or debentures issued or guaranteed by a Province of Canada may only be netted against the margin required for the stripped coupons or residual portion of another Province of Canada securities which mature within the same periods referred to in Group II of the present article.

- 3) Notwithstanding the foregoing provisions of this Group XI, where an approved participant or a client holds:
- a) a short (or long) position in bonds or debentures issued or guaranteed by the Government of Canada and a long (or short) position in the stripped coupons or residual portion of bonds or debentures issued or guaranteed by a province of Canada; or
 - b) a short (or long) position in bonds or debentures issued or guaranteed by a province of Canada and a long (or short) position in the stripped coupons or residual portion of bonds or debentures issued or guaranteed by the Government of Canada;

the margin required must be 50% of the total margin required for both positions otherwise determined under the Rules, provided that such margin may only be determined as aforesaid on the basis that:

- i) margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in stripped coupons or residual portion to the extent that the market value of the two positions is equal, and no such netting is permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position;
 - ii) margin required in respect of bonds or debentures may only be netted against the margin required for the stripped coupons or residual portion of securities which mature within the same periods referred to in Group I and II of this article;
 - iii) the bonds and debentures and the stripped coupons or residual portion of such debt instrument must be denominated in Canadian dollars.
- 4) Where an approved participant holds a short (or long) position in bonds or debentures denominated in Canadian dollars issued by a corporation with a single A or higher rating by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard and Poor's Bond Record, and also holds a long (or short) position in the stripped coupon or residual portion of such debt instruments, the margin required must be the lesser of 20% and the greater of the margin required on the long (or short) position and the margin required on the short (or long) position, provided that the margin may only be determined as aforesaid on the basis that:
- a) the offset is permitted only to the extent that the market value of the two positions is equal, and no offset is permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position; and
 - b) margin required in respect of bonds or debentures issued by a corporation may only be offsetted against the margin required for the stripped coupons or residual portion of debt instruments of the same issuer, which mature within the same periods referred to in Group XI in this article for the purpose of determining margin rates.
- 5) Where an approved participant holds a short (or long) position in bonds or debentures denominated in a foreign currency referred to in Group I of this article and also holds a long (or short) position in the stripped coupons or residual portion of such debt instruments denominated in the same currency, the margin required must be the excess of the margin required on the long (or short) position over the

margin required on the short (or long) position, provided that the net margin may only be determined as aforesaid on the basis that:

- a) margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in stripped coupons or residuals to the extent that the market value of the two positions is equal, and no such netting or offset is permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position; and
- b) margin required in respect of bonds or debentures issued or guaranteed by a particular government may only be netted against the margin required for the stripped coupon or residual portion of debt instruments of the same government, which mature within the same periods referred to in Group I of this article for the purpose of determining margin rates.

GROUP XII Mortgage-backed securities

On securities which are based upon mortgages and are guaranteed as to timely payment of principal and interest by the issuer or its agent, the margin rate is the rate prescribed in articles 7204, 7205 and 7206 applicable to the securities of such guarantor according to the relevant maturity plus an additional margin of 25% of such applicable rate.

Where an approved participant or a client holds a short (or long) position in bonds or debentures issued or guaranteed by the Government of Canada and also holds a long (or short) position in mortgage-backed securities guaranteed by the Government of Canada, the margin required must be the excess of the margin required on the long (or short) position over the margin required on the short (or long) position, provided that the net margin may only be determined as aforesaid on the basis that:

- 1) Margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in mortgage-backed securities to the extent that the market value of the two positions is equal. No netting or offset is permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position;
- 2) Margin required in respect of bonds or debentures may only be netted against the margin required for the mortgage-backed securities which mature within the same periods referred to in the present article for the purpose of determining margin rates; and
- 3) Notwithstanding the foregoing, if the market value of a long (or short) position in mortgage-backed securities exceeds the remaining principal amount of such position and the mortgages underlying such mortgage-backed securities position are subject to being repaid in full at the option of the mortgagee prior to maturity, the margin required must be the greater of the individual margins for (i) the long (or short) position in mortgage-backed securities as determined under the present paragraph or (ii) the short (or long) position in bonds or debentures as determined under Group I of this article.

7204A Pairing for Margin Purposes

(09.10.91, 27.05.97, 18.02.98, 19.08.98, 17.12.02, 01.01.05, 13.09.05, 27.02.06, 01.05.08)

- 1) Where an approved participant or a client
 - a) owns securities described in Group I or II of article 7204 whose maturity is over one year, and

- b) has a short position in securities
 - i) issued or guaranteed by the same issuer of the securities referred to in a) (provided that for these purposes each of the provinces of Canada must be regarded as the same issuer as any other province);
 - ii) maturing over one year;
 - iii) maturing within the same periods for the purpose of determining margin rates for the securities referred to in a); and
 - iv) with a market value equal to the securities referred to in paragraph a) (with the intent that no pairing is permitted in respect of the market value of a long [or short] position which is in excess of the market value of the short [or long] position);

the two positions may be offset and the required margin must be computed with respect to the net long or net short position only. This rule also applies to future purchase and sale commitments.

- 2) Where an approved participant or a client
 - a) owns securities described in Group I or II of article 7204 maturing within one year, and
 - b) has a short position in securities
 - i) issued or guaranteed by the same issuer of the securities referred to in a) (provided that for these purposes, each of the provinces of Canada must be regarded as the same issuer as any other province);
 - ii) maturing within one year; and
 - iii) with a market value equal to the securities referred to in paragraph a) (with the intent that no offset is permitted in respect of the market value of a long [or short] position which is in excess of the market value of the short [or long] position);

then the margin required must be the excess of the margin on the long (or short) position over the margin required on the short (or long) position. This rule also applies to future purchase and sale commitments.

- 3) A) Where an approved participant or a client has a short and long position in the following groups of securities of article 7204, the total margin required in respect of both positions must be 50% of the greater of the margin required on the long or short position:

Long (Short)	and	Short (Long)
a) Group I (Canada only)	and	Group I (Canada only with different maturity bands)
b) Group I (Canada only)	and	Group II (province of Canada only with identical or different maturity bands)

- c) Group I (Canada only) and Group III (municipality of Canada only)
- d) Group II (province of Canada only) and Group II (province of Canada only with different maturity bands)
- e) Group II (province of Canada only) and Group III (municipality of Canada only)
- B) Where an approved participant or a client has a short and long position in the following groups of securities of article 7204, the total margin required in respect of both positions must be the greater of the margin required on the long or short position:
- | Long (Short) | and | Short (Long) |
|---|-----|--|
| f) Group I (U.S. Treasury only) | and | Group I (Canada only) |
| g) Group I (U.S. Treasury only) | and | Group II (province of Canada only) |
| h) Group I (Canada and | and | Group III (municipality of Canada only)
U.S. Treasury only) |
| i) Group I (Canada and
U.S. Treasury only) | and | Group V (corporate) |
| j) Group II (province of Canada only) | and | Group III (municipality of Canada only) |
| k) Group II (province of Canada only) | and | Group V (corporate) |
| l) Group V (corporate) | and | Group V (corporate of the same issuer) |
- C) Furthermore, the offsets described above in paragraphs A) and B) may only apply if the following requirements are complied with:
- i) securities offsets described in subparagraphs a), b) and d) can be of different maturity bands, all other offsetting positions must mature within the same periods referred to in article 7204 for the purpose of determining margin rates;
 - ii) securities described in Group III (municipality of Canada) of article 7204 are eligible for offsets described in subparagraphs c) and e) only if they have a long-term issuer credit rating of a single A or higher by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record;
 - iii) securities described in Group V (corporate) of article 7204 and securities described in article 7205 are eligible for offset only if they are not convertible and have a single A or higher rating by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record;
 - iv) securities in offsetting positions must be denominated in the same currency; and

- v) the market value of the offsetting positions is equal and no offset is permitted in respect of the market value of the short (or long) position which is in excess of the market value of the long (or short) position.

For the purpose of this article, securities described in article 7205 are eligible for an offset identical to the one applicable to securities described in Group V of article 7204.

7204B Supplemental margin
(09.10.91, 01.04.93, 13.09.05)

For the purposes of articles 7204, 7205, 7206 and 7209, a supplemental margin shall be required in addition to the margin requirements prescribed elsewhere in the Rules, in respect of all securities evidencing a debt obligation of an issuer on the following basis:

- 1) A debt security issued by the Government of Canada maturing in each of the three periods below shall be monitored for price volatility in the primary markets in which approved participants trade such securities:
 - a) over 1 year to 3 years;
 - b) over 3 years to 7 years; and
 - c) over 7 years
- 2) The closing price of the relevant security on each trading day in the markets being monitored (a "base day") shall be compared to the closing price of such security on the next four trading days succeeding such base day. The first day of such four succeeding days on which the difference (negative or positive) between i) the closing price of this day and ii) the base day closing price, expressed as a percentage of the base day closing price, is greater than the margin rate prescribed for the relevant security under the rules shall be designated as an "offside base day". If an offside base day has been designated as such, that day shall be the new base day for the purpose of making further base day closing price comparisons as aforesaid.

For any 90 calendar day period, the percentage that the number of offside base days is to the total number of trading days in such period shall be determined. If such percentage exceeds 5% for any two of the three classes of debt securities being monitored, supplemental margin will be required for all debt securities in accordance with this article.

- 3) The amount of supplemental margin that may be required in respect of any securities shall be 50% of the margin otherwise required under articles 7204, 7205, 7206 and 7209.
- 4) The period of time during which supplemental margin shall be required shall not be less than 30 days.
- 5) The Bourse shall be responsible for monitoring the price volatility of debt securities and determining when supplemental margin is required in accordance with paragraph 2) and when the requirement for supplemental margin shall be revoked in accordance with paragraph 6).
- 6) If at any time after supplemental margin has been required for at least 30 days in accordance with paragraph 2), the percentage that the number of offside base days is to the total number of trading

days for the immediately preceding 90 days period does not exceed 5%, the requirement for supplemental margin shall be revoked.

- 7) The Bourse shall notify approved participants of the imposition or revocation of the requirement for supplemental margin. Any such notification shall be communicated in writing to all approved participants immediately upon the determination that such supplemental margin must be imposed or revoked and such notice shall be effective not less than five business days after giving the notice.

7205 Bank Papers
(01.04.93, 13.09.05)

Deposit certificates, promissory notes, debentures or banker's acceptances issued by a Canadian chartered bank maturing:

Margin Required

within 1 year or less 2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365

Margin required

over 1 year same rates as for commercial and corporate bonds, debentures and notes

7206 Foreign Bank and Company Acceptable Papers
(01.04.93, 13.09.05)

- 1) Foreign bank acceptable papers

Deposit certificates or promissory notes issued by a foreign bank, readily negotiable and transferable and maturing:

Margin required

within 1 year 2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365

over 1 year same rates as for commercial and corporate bonds, debentures and notes

"Foreign bank acceptable papers" means deposit certificates or promissory notes issued by a bank other than a Canadian chartered bank with a net worth (capital and reserves) of not less than \$200,000,000.

- 2) Foreign commercial, corporate and finance company acceptable notes

Foreign commercial, corporate and finance company acceptable notes readily negotiable and maturing:

Margin Required

within 1 year	3% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year	same rates as for commercial and corporate bonds, debentures and notes

" Foreign commercial, corporate and finance company acceptable notes" means promissory notes issued by a company, or guaranteed by a company incorporated in a country other than Canada, with a net worth of not less than \$25,000,000 and which provides information equivalent to that required under Group VI of article 7204.

7207 Margin Requirements for Repurchase, Resale and Cash and Securities Loan Transactions (01.01.94, 13.09.05)

1) For the purposes of the present article:

"repo" means an agreement to sell and repurchase securities;

"reverse repo (resale)" means an agreement to purchase and resell securities; and

"securities loan" means a cash and securities loan agreement where cash is to be paid by or delivered to the approved participant as part of the transaction.

2) Notwithstanding the requirements set out in the "Joint Regulatory Financial Questionnaire" and Report of Policy C-3 of the Bourse to make any provision out of an approved participant's capital in respect of a repo, reverse repo or securities loan, where:

- a) the date of repurchase, resale or termination of the loan, as the case may be, is determined at the time of entering into the transaction; and
- b) the amount of any compensation, price differential, fee, commission or other financing charge to be paid in connection with the repurchase, resale or loan is calculated according to a fixed rate (whether expressed as a price, a decimal or annual percentage or any other manner that does not vary until termination),

the margin in respect of the obligation of the approved participant thereunder must be determined in accordance with Group I of article 7204 -, provided that this paragraph 2) does not apply in the case of an overnight repo, reverse repo or securities loan which for the purposes of this article means an obligation to repurchase, resell or terminate the loan within five (5) business days of the date the obligation is assumed. All calculations must be performed daily and must make full provision for any principal and return of capital then payable, all accrued interest, dividends or other distributions on securities used as collateral.

3) Where an approved participant

- a) has entered into a repo, reverse repo or securities loan transaction as described in paragraph 2) and in respect of which the time period to the date of repurchase, resale or termination of the loan, as the case may be, is over one (1) year; and

- b) has an offsetting position in a reverse repo, repo or securities loan transaction denominated in the same currency and within the same margin category based on maturity,

the two positions may be paired and the required margin computed with respect to the net position only.

4) Where an approved participant

- a) has entered into a repo, reverse repo or securities loan transaction as described in paragraph 2) in respect of which the time to the date of repurchase, resale or termination of the loan is within one (1) year; and
- b) has an offsetting position in a reverse repo, repo or securities loan transaction denominated in the same currency and maturing within one (1) year,

the margin required must be the difference between the margin on the two positions.

7208 Margin on Gold, Silver and Platinum
(27.01.87, 01.03.90, 01.04.93, 13.09.05)

The minimum amounts of margin which must be obtained from customers (and which must be maintained) on precious metals and on negotiable certificates on precious metals issued by Canadian chartered banks and trust companies authorized to do business in Canada are:

Gold : 10% of market value

Platinum and silver : 15% of market value.

7209 Mortgage - National Housing Act (N.H.A.)
(01.04.93, 13.09.05)

1) Mortgage insured under the National Housing Act:

6% of market value.

2) Conventional first mortgages held in approved participant or market makers inventories:

12% of market value or the rates set by chartered banks, whichever is greater.

7210 Margin requirements on Unhedged Foreign Exchange Positions
(03.09.96, 13.09.05)

Unhedged foreign exchange positions of an approved participant or customer of an approved participant must be margined in accordance with the present article. Foreign exchange positions are monetary assets and liabilities (as hereinafter defined) and must include currency spot transactions, futures contracts, forward contracts, swaps and any other transaction which results in exposure to foreign exchange rate risk.

1) GENERAL PRINCIPLES

- A) Each unhedged foreign exchange position must be margined in the manner provided in the present article, on a currency by currency basis, according to the four currency groups defined in paragraph 5) at the following margin rates, subject to an adjustment to the margin rate of a group 1, 2 or 3 currency pursuant to sub-paragraph 5 C) of the present article:

CURRENCY GROUPS

	1	2	3	4
<u>Spot Risk Margin Rate</u>	1.0%	3.0%	10.0%	25.0%
<u>Term Risk Margin Rate</u>	1.0%	3.0%	5.0%	12.5%

- B) All calculations in respect of unhedged positions must be made on a trade date basis.
- C) Approved participants are permitted, at their option, to margin certain inventory positions in accordance with paragraph 3, instead of the other applicable provisions of this article.
- D) References to conversion to Canadian dollars at the spot exchange rate must be to the rate quoted by a recognized quote vendor for contracts with a term to maturity of one day.
- E) Monetary assets and liabilities are assets and liabilities, respectively, of an approved participant in respect of money and claims to money, whether denominated in foreign or domestic currency, which are fixed by contract or otherwise.
- F) Long or short currency futures contracts held in inventory and listed on a recognized exchange, which are included in the unhedged foreign exchange calculations hereunder, are not required to be margined pursuant to articles 14201 and 14209.
- G) Approved participants are permitted, at their option, to exclude non-allowable monetary assets from monetary assets for the purpose of calculating the margin requirements under the present article.
- H) For the purpose of this article, the Chicago Mercantile Exchange and the Philadelphia Board of Trade are deemed to be recognized exchanges.

2) FOREIGN EXCHANGE MARGIN REQUIREMENTS

The margin requirements for foreign exchange positions must correspond to the aggregate of the spot risk margin requirement and the term risk margin requirement, calculated based on the spot risk margin rate and the term risk margin rate, respectively, specified in sub-paragraph 1 A) of this article.

A) Spot Risk Margin requirement

- i) The spot risk margin requirement must apply to all monetary assets and liabilities, regardless of term to maturity.

- ii) The spot risk margin requirement must be calculated as the product of the net monetary position and the spot risk margin rate.
- iii) Monetary assets and liabilities will be considered to be spot positions, unless they have a term to maturity of more than 3 days.
- iv) The spot risk margin requirement must be converted to Canadian dollars at the then current spot exchange rate.

B) Term Risk Margin requirement

- i) The term risk margin requirement must apply to all monetary assets and liabilities which have a term to maturity of more than 3 days, the term to maturity being defined as the amount of time to when the right to the monetary asset or the obligation to satisfy monetary liability expires.
- ii) The term risk margin requirement is calculated as the product of the market value of the monetary asset or liability, the weighting factor and the term risk margin rate. The weighting factor of a monetary asset or liability having a term to maturity of 2 years or less must correspond to the number of days to maturity of the monetary asset or liability divided by 365 days, provided that if the term to maturity is 3 calendar days or less, the weighting factor must be zero.
- iii) The term risk margin rate for an unhedged foreign exchange position must not exceed the following rates:

CURRENCY GROUPS

1 2 3 4

Maximum Term Risk 4.0% 7.0% 10.0% 25.0%

Margin Rate

- iv) Where the approved participant has both monetary assets and monetary liabilities, the term risk margin requirements may be netted as follows:

- i) 2 years or less to maturity

The term risk margin requirements in respect of monetary assets or liabilities denominated in the same currency, which both have a term to maturity of 2 years or less, must correspond to the net of the term risk margin requirements of the monetary assets and liabilities;

- ii) Over 2 years to maturity

The term risk margin requirements in respect of monetary assets or liabilities denominated in the same currency, which both have a term to maturity of more than 2 years, must correspond to the greater of the term risk margin requirements of the monetary assets and liabilities;

iii) Provisos

- a) The term risk margin requirements in respect of monetary assets or liabilities denominated in the same currency, where one has a term to maturity of 2 years or less and the other has a term to maturity of more than 2 years and which have a difference in their respective terms to maturity of 180 days or less, must correspond to the net of the term risk margin requirements of the monetary assets and liabilities.
- b) Where an approved participant has offsetting positions, one having a term to maturity of 2 years or less and the other having a term to maturity of more than 2 years, the sum of the term risk margin requirements of the offsetting positions must not exceed the product of the market value which is offsetted and the following rates:

CURRENCY GROUPS

1	2	3	4
5.0%	10.0%	20.0%	50.0%

- v) The term risk margin requirement must be converted to Canadian dollars at the then current spot exchange rate; and
- vi) The sum of the security margin requirement and of the foreign exchange margin requirement must not exceed 100%.

3) ALTERNATIVE MARGIN ON FUTURES AND FORWARD CONTRACTS HELD IN INVENTORY

As an alternative to the foreign exchange margin requirement determined under the present article, for futures contracts and forward contracts positions held in inventory and denominated in a currency for which a currency futures contract is traded on a recognized exchange, the foreign exchange margin requirement may be calculated as follows:

A) Futures Contracts

Foreign exchange positions consisting of futures contracts may be margined at the margin rates prescribed by the exchange on which such futures contracts are listed.

B) Forward Contracts Pairings

Forward contracts positions which are not denominated in Canadian dollars may be margined as follows:

- i) the margin must be the greater of the margin as prescribed in paragraphs 1) and 2) of this article for each position; and
- ii) two forward contracts held by an approved participant which (a) have one currency common to both contracts, (b) are for the same settlement date and (c) have equal and offsetting amounts of

common currency positions may be treated as a single contract for the purposes of this sub-paragraph 3 B).

C) Futures and Forward Contract Pairings

Futures contracts and forward contracts positions which are not denominated in Canadian dollars may be margined as follows:

- i) a) margin must be the greater of the margin as prescribed in paragraphs 1) and 2) of this article for each position;
- b) margin rates applicable to unhedged positions under this sub-paragraph 3 C) must be the rates established by the present article and not the rates prescribed by the exchange on which the futures contracts are listed; and
- ii) two forward contracts held by an approved participant which (a) have one currency common to both contracts, (b) have the same settlement date and (c) have equal and offsetting amounts of common currency positions may be treated as a single contract for the purposes of this sub-paragraph 3 C).

4) CLIENT ACCOUNTS MARGIN

Unhedged foreign exchange positions of clients must be margined in accordance with paragraphs 1, 2, and 5 of this article, provided that:

- i) no margin is required in respect of the accounts of clients who are acceptable institutions, as defined in Policy C-3 of the Bourse entitled "Joint Regulatory Financial Questionnaire and Report";
- ii) the margin required in respect of acceptable counterparties and regulated entities, as defined in Policy C-3 of the Bourse entitled "Joint Regulatory Financial Questionnaire and Report", must be calculated on a mark-to-market basis;
- iii) the margin required in respect of foreign exchange positions (excluding cash balances) held in accounts of clients who are classified as other counterparties, as defined in Policy C-3 of the Bourse entitled "Joint Regulatory Financial Questionnaire and Report", which are denominated in a currency other than the currency of the account, must correspond to the aggregate of the security margin requirement and the foreign exchange margin requirement, provided that where the margin rate applicable to the security is greater than the spot risk margin rate specified in sub-paragraph 1 A) of this article, the foreign exchange margin requirement must be nil. The sum of the security margin requirement and the foreign exchange margin requirement must not exceed 100%; and
- iv) listed futures contracts must be margined in the same manner as prescribed in articles 14201 and 14209.

5) CURRENCY GROUPS

A) Currency Groups Criteria

The qualitative and quantitative criteria for each currency group are as follows:

Group 1

- the volatility of the currency must be below the volatility threshold specified in sub-paragraph 5 B) i) of this article; and
- it is the primary intervention currency of the Canadian dollar.

Group 2

- the volatility of the currency must be below the volatility threshold specified in sub-paragraph 5 B) i) of this article; and
- there must be a daily quoted spot rate by a Canadian Schedule 1 chartered bank, and one of the following:
 - a daily quoted spot rate by a member of the European Monetary System and a participant in the Exchange Rate Mechanism; or
 - a listed futures contract for the currency on a recognized exchange.

Group 3

- the volatility of the currency must be below the volatility threshold specified in sub-paragraph 5 B) i) of this article;
- there must be a daily quoted spot rate by a Canadian Schedule 1 chartered bank; and
- the currency must be of a member country of the International Monetary Fund with Article VIII status, and there are no capital payment restrictions as they relate to security transactions.

Group 4

- None

B) Monitoring adherence to currency groups criteria

The Vice-President of the Regulatory Division of the Bourse is responsible for monitoring the adherence of each group 1, 2 or 3 currency to the quantitative and qualitative criteria described in sub-paragraph 5 A) of the present article.

i) Currency Volatility

The volatility of each group 1, 2 or 3 currency must be monitored as follows:

The Canadian dollar equivalent closing price on each of the four trading days succeeding the "base day" must be compared to the base day closing price. The first of four succeeding trading days on which the percentage change in price (negative or positive) between the closing price on

the succeeding day and the closing price on the base day is greater than the unhedged positions margin rate prescribed for this currency in sub-paragraph 1 A) of this article must be designated an "offside base day".

If an offside base day has been designated, this offside base day must be designated as a new base day for the purpose of making further base day closing price comparisons, as aforesaid. If the number of offside base days during any 60 trading days period is greater than 3, the currency shall be deemed to have exceeded the volatility threshold of the currency group.

ii) **Qualitative Criteria**

The vice-president of the Regulatory Division of the Bourse, at least on an annual basis, must assess the adherence, by each currency in a group, to the qualitative criteria of this currency group to determine whether the currency continues to satisfy the qualitative criteria of the currency group.

C) Foreign Exchange Margin Surcharge

If the volatility of a group 1, 2 or 3 currency exceeds the volatility threshold defined in sub-paragraph 5 B) i), then the margin rate must be increased by increments of 10% until the application of the increased margin rate results in no more than two offside base days during the preceding 60 trading days. The increased margin rate must apply for a minimum of 30 trading days and must be automatically decreased to the margin rate otherwise applicable when, after such 30 trading day period, the volatility of the currency is less than the volatility threshold defined in sub-paragraph 5 B) i) of the present article.

The vice-president of the Regulatory Division of the Bourse is responsible for determining the required increase or decrease in foreign exchange margin rates under this sub-paragraph 5 C) of this article.

D) Currency Groups Downgrades and Upgrades

Where:

- i) the vice-president of the Regulatory Division of the Bourse determines that a particular currency no longer satisfies the criteria of this currency group, as defined in sub-paragraph 5 A) of this article; or
- ii) an approved participant has provided to the vice-president of the Regulatory Division of the Bourse information demonstrating that a currency satisfies the criteria specified in sub-paragraph 5 A) of this article for a currency group other than the one for which the currency is then designated, and the vice-president of the Regulatory Division of the Bourse has verified such information to his or her satisfaction, the vice-president of the Regulatory Division of the Bourse must decide that the currency be moved to the currency group with the lower or higher margin rate, as the case may be, and notify approved participants of the change.

E) Foreign Exchange Concentration Capital Charge

When, in respect of any group 2, 3 or 4 currency, the aggregate of the foreign exchange margin provided under the present article on an approved participant's monetary assets and liabilities and the foreign exchange margin on client accounts exceeds 25% of the firm's net allowable assets, net of

minimum capital required (as determined for the purposes of the Joint Regulatory Financial Questionnaire and Report of Policy C-3 of the Bourse), a concentration capital charge, in addition to the foreign exchange margin already provided under this article, must apply. The concentration capital charge must be equal to the amount of the foreign exchange margin provided under this article, which is in excess of 25% of the approved participant's net allowable assets, net of minimum capital required.

7211 Approved Participant Accounts

(01.04.93, 13.09.05)

- 1) Securities carried by approved participants and restricted trading permit holders in inventory, trading, arbitrage and joint accounts are subject to the margin requirements of this section, subject to the exceptions provided in article 7213.
- 2) Income tax on unrealized profit on inventory position may be deducted from the margin required on such position for a maximum deduction equal to the lesser of the income tax or the margin required.

7212 Margin Calculations

(01.04.93)

Margins may be calculated on a settlement (value) date basis.

7213 Exceptions to Margin Rules

(30.11.86, 15.12.86, 01.06.88, 01.01.92, 15.01.93, 10.05.93, 01.04.93, 25.02.94, 12.03.97, 21.12.98, 29.08.01, 18.07.03, 01.01.04, 17.05.04, 01.01.05, 13.09.05, 01.03.07, 28.09.07)

Exceptions to the margin rules are the following:

- 1) No margin is required in respect of:
 - a) securities which have been called for cash redemption, pursuant to the terms and conditions attached thereto; or
 - b) securities for which a legal and binding cash offer to purchase has been made in respect of which any conditions have been met.

Provided that such securities are not carried for an amount in excess of the price offered, and all legal requirements have been met and all regulatory, competition bureau and court approvals to proceed with the redemption call or offer have been received and verified.

In the event that a cash offer is made for a fraction of the issued and outstanding class of securities, the above reduced margin requirements shall only apply to the same fraction of the position held in a particular account for that class of securities.

- c) deposit certificates issued by a Canadian chartered bank or a trust company in Canada qualifying as an acceptable institution or an acceptable counterparty, as these terms are defined in Policy C-3 of the Bourse, and having a 24-hour call feature that would not reduce the principal amount received on redemption if applicable.
- 2) Margin requirements for potential liability under an underwritten rights or warrants agreement.

Where an underwriter has a commitment to purchase securities in connection with a rights or warrants offering, such commitment must be margined at the following rates:

a) if the market value of the security which can be acquired pursuant to the exercise of the rights or warrants is below the subscription price, the underwriter's commitment must be valued at the current market price for the security and the margin rates applicable to the security must be applied;

b) if the market value of the security is equal to or greater than the subscription price, the commitment must be margined at rates, calculated on the subscription price, equal to the following percentage of the margin rate applicable to the security under the present section:

50%, where market value is 100% to 105% of the subscription price;

30%, where market value is more than 105% but not more than 110% of the subscription price;

10% where market value is more than 110% but not more than 125% of the subscription price;

no margin is required where market value is more than 125% of the subscription price.

3) Securities eligible to a reduced margin rate

The margin required is 25% of the market value if such securities held by an approved participant are:

i) on the list of securities eligible to a reduced margin rate as approved by a recognized self-regulatory organization and such securities continue to trade at \$2.00 or more;

ii) securities against which options issued by the Options Clearing Corporation are traded;

iii) convertible into securities that qualify under the subparagraph i) or subparagraph ii);

iv) non-convertible preferred and senior shares of an issuer any of whose securities qualify under subparagraph i); or

v) securities whose original issuance generated Tier 1 capital for a financial institution any of whose securities qualify under subparagraph i) and the financial institution is under the regulatory oversight of the Office of the Superintendent of Financial Institutions of Canada.

For the purpose of the present paragraph 3), the Bourse and the Investment Dealers Association of Canada are designated as recognized self-regulatory organizations.

4) Whenever the Bourse decides not to open for trading any additional options of the class covering that underlying security according to article 6605, the margin rate as permitted in paragraph 3) of this article remains in force up to the expiration of the last series of options.

5) Any security which is part of a control block has no loan value for margin calculation purposes, except to the extent that the control block constitutes any or all of the securities which an approved participant has an obligation or commitment to acquire, or has acquired, under a prospectus filing. In

such case, the appropriate margin requirement provided for in article 7224 applies as long as the criteria in said article have been met. For the purpose of the present paragraph, a "control block" means a sufficient number of any securities of the same issuer to affect materially the control of that issuer. In the absence of evidence to the contrary, any holding by any person, company or combination of persons or companies of more than 20% of the outstanding voting securities of an issuer is deemed to affect materially the control of that issuer.

- 6) Where the account of an approved participant, a market-maker or a restricted trading permit holder contains preferred shares for which the principal and dividends are unconditionally guaranteed by the Canadian government or a provincial government, the margin rate for these securities must be 25% of their market value.
- 7) For the purposes of this paragraph, the term "floating rate preferred share" means a special or a preferred share, for which the rate of dividend fluctuates at least quarterly, in relation with a prescribed short-term interest rate.

The margin rates applicable to floating rate preferred shares are the following ones:

- i) 50% of the margin rate that applies to the related junior security of the issuer multiplied by the market value of the floating rate preferred shares;
 - ii) If the floating rate preferred shares are selling over par and are convertible into other securities of the issuer, the margin required must be the lesser of:
 - A) the sum of:
 - I) the effective rate determined in subparagraph i) above multiplied by par value; and
 - II) the excess of market value over par value;
 - and
 - B) the maximum margin requirement for a convertible security calculated pursuant to paragraph 10 of this article.
 - iii) 50%, if the issuer of the shares is in default of the payment of any dividend on the shares, in which case, the foregoing clauses are not applicable.
- 8) Consideration other than cash to be obtained following an offer
 - a) For the purpose of computing the margin on shares which are the subject of an offer, and in respect of which all conditions have been met, the margin required may be computed on the consideration, other than cash, that would be obtained upon acceptance of the offer. The margin rate to be used is the one prescribed in articles 7201 and following on the consideration to be obtained.
 - b) Where the offer is made for less than 100% of the issued and outstanding shares, the preceding principle must be applied pro rata in the same proportion as the offer.

9) Bank warrants for governments securities

The margin required on bank warrants for government securities must be 100% of the margin rate which is required in respect of the securities to which the holder of the warrant is entitled upon exercise of the warrant provided that, in the case of a long position, margin need not exceed the market value of the warrant.

For the purpose of this paragraph, bank warrants for government securities means warrants issued by a Canadian chartered bank which are listed on any recognized stock exchange or on any other listing organization referred to in paragraph 1) of article 7202, and which entitle the holder to purchase securities issued by the Government of Canada or any province thereof.

10) Maximum Margin Required for Convertible Securities

The margin required for a security that is currently convertible or exchangeable into another security (the "underlying security") need not exceed the sum of:

- i) the margin required for the underlying security; and
- ii) any excess of the market value of the convertible or exchangeable security over the market value of the underlying security.

7214 Discretionary Margin

(01.04.93, 13.09.05)

The Bourse may, whenever it determines that market conditions so warrant, prescribe higher margin requirements with respect to specific listed or unlisted securities.

Without in anyway limiting the generality of the foregoing paragraph, the following are examples of higher margin requirements:

- 1) a provision for 100% margin on specific securities halted or suspended from trading;
- 2) the establishment of a fixed maximum price above which long securities positions must not be priced for margin purposes;
- 3) a provision for prior appropriate margin.

7215 Maturity Date for Bonds with Embedded Options

(28.04.03)

A) For the purposes of the present article:

Callable Debt Security means a security which allows the issuer to redeem the security at a fixed price (the call price), subject to the call protection period.

Call Protection Period means the period of time during which the issuer cannot redeem a callable debt security.

Extendible Debt Security means a security which allows the holder of the security, during a fixed time period, to extend the maturity date of the security to the extension maturity date, and to change the principal amount of the security to a fixed percentage (the extension factor) of the original principal amount.

Extension Election Period means the period of time during which the holder may elect to extend the maturity date and change the principal amount of an extendible debt security.

Retractable Debt Security means a security which allows the holder of the security, during a fixed time period, to retract the maturity date of the security to the retraction maturity date and to change the principal amount of the security to a fixed percentage (the retraction factor) of the original principal amount.

Retraction Election Period means the period of time during which the holder may elect to retract the maturity date and change the principal amount of a retractable debt security.

- B) A callable debt security may, at the approved participant's election, be deemed to have a maturity date equal to:
- i) the original maturity date, if the market price of the callable debt security is trading at or below 101% of the call price; or
 - ii) the first business day after the call protection period, if the market price of the callable debt security is trading above 101% of the call price.
- C) An extendible debt security may, at the approved participant's election, be deemed to have a maturity date equal to:
- i) the original maturity date, if the extension election period has not expired and the market value of the extendible debt security is trading at or below the extension factor multiplied by the current principal amount; or
 - ii) the extension maturity date, if the extension election period has not expired and the market value of the extendible debt security is trading above the extension factor multiplied by the current principal amount; or
 - iii) the original maturity date, if the extension election period has expired.
- D) A retractable debt security may, at the approved participant's election, be deemed to have a maturity date equal to:
- i) the original maturity date, if the retraction election period has not expired and the market value of the retractable debt security is trading at or above the retraction factor multiplied by the current principal amount; or
 - ii) the retraction maturity date, if the retraction election period has not expired and the market value of the retractable debt security is trading below the retraction factor multiplied by the current principal amount; or
 - iii) the original maturity date, if the retraction period has expired.

7216 Margin Requirements on Options

(01.04.93, 13.09.05)

7217 (Reserved for future use)

7218 (Reserved for future use)

7219 (Reserved for future use)

7220 (Reserved for future use)

7221 (Reserved for future use)

7222 (Reserved for future use)

7223 (Reserved for future use)

7224 Margin Requirements for Underwriting Commitments

(01.06.88, 19.08.93, 01.03.05)

a) In the present article, the expression:

i) “appropriate documentation” with respect to the portion of the underwriting commitment where expressions of interest have been received from exempt purchasers means, at a minimum:

A) that the lead manager has a record of the final affirmed exempt purchaser allocation indicating for each expression of interest:

I) the name of the exempt purchaser;

II) the name of the employee of the exempt purchaser accepting the amount allocated;

III) the name of the representative of the lead underwriter responsible for affirming the amount allocated to the exempt purchaser; and

IV) the date and time of the affirmation,

and

B) that the lead manager has notified in writing all the banking group participants when the entire allotment to exempt purchasers has been affirmed pursuant to paragraph A) above so that all banking group participants may take advantage of the reduction in the capital requirement.

Under no circumstances may the lead manager reduce its own capital requirement on an underwriting commitment due to such expressions of interest from exempt purchasers without providing notification to the rest of the banking group.

- ii) a “commitment” pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities means, where all other non-pricing agreement terms have been agreed to, where two of the following three pricing terms have been agreed to:
 - A) issue price;
 - B) number of shares;
 - C) commitment amount [issue price x number of shares].
- iii) "disaster out clause" means a provision in an underwriting agreement substantially in the following form:

“The obligations of the underwriter (or any of them) to purchase the securities under this agreement may be terminated by the underwriter (or any of them) at its option by written notice to that effect to the issuer at any time prior to the closing if there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence or any law or regulation which, in the opinion of the underwriter, seriously affects adversely, or involves, or will seriously affect adversely, or involve, the financial markets or the business, operations or affairs of the issuer and its subsidiaries taken as a whole”.
- iv) “exempt purchasers” means all persons with whom the issuer could, pursuant to applicable securities laws, proceed with the sales of securities without having the obligation to produce a prospectus if such sales were made exclusively to these persons.
- v) "market out clause" means a provision in an underwriting agreement which permits an underwriter to terminate its commitment to purchase in the event of unsaleability due to market conditions, substantially in the following form:

“If, after the date hereof and prior to the time of closing, the state of financial markets in Canada or elsewhere where it is planned to market the securities is such that, in the reasonable opinion of the underwriters (or any of them), the securities cannot be marketed profitably, any underwriter must be entitled, at its option, to terminate its obligations under this agreement by notice to that effect given to the issuer at or prior to the time of closing”.
- vi) "new issue letter" means an underwriting loan facility in a form satisfactory to the Bourse. Where the provider of the new issue letter is other than an acceptable institution, the funds that can be drawn pursuant to the letter must either be fully collateralized by high-grade securities or held in escrow with an acceptable institution.

Under the terms of the new issue letter, the letter issuer must:

- A) provide an irrevocable commitment to advance funds based only on the strength of the new issue and the approved participant;
- B) advance funds to the approved participant for any portion of the commitment not sold:
 - I) for an amount based on a stated loan value rate;

II) at a stated interest rate; and

III) for a stated period of time,

and

C) under no circumstances, in the event that the approved participant is unable to repay the loan at the termination date, resulting in a loss or potential loss to the letter issuer, have or seek any right of set-off against:

I) collateral held by the letter issuer for any other obligations of the approved participant or the approved participant's clients;

II) cash on deposit with the letter issuer for any purpose whatsoever; or

III) securities or other assets held in a custodial capacity by the letter issuer for the approved participant either for its own account or for the approved participant's clients,

in order to recover the loss or potential loss.

vii) "normal margin" means margin otherwise required by the Rules.

viii) "normal new issue margin" means:

A) where the market value of the security is \$2.00 per share or more and the security qualifies for a reduced margin rate pursuant to paragraph 3 of article 7213, 60% of normal margin for the period from the date of commitment to the business day prior to settlement date and 100% of normal margin from settlement date on; or

B) where the market value of the security is \$2.00 per share or more and the security does not qualify for a reduced margin rate pursuant to paragraph 3 or article 7213, 80% of normal margin for the period from the date of commitment to the business day prior to settlement date and 100% of normal margin from settlement date on; or

C) where the market value of the security is less than \$2.00 per share, 100% of normal margin.

b) Where an approved participant has a commitment pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities, the following margin rates are prescribed:

i) without new issue letter:

A) in the case where the underwriting agreement includes neither a disaster out clause nor a market out clause:

normal new issue margin from the date of commitment;

B) in the case where the underwriting agreement includes a disaster out clause:

50% of normal new issue margin from the date of the commitment until settlement date or the expiry of the disaster out clause, whichever is earlier. Thereafter margin as required in A) above applies;

- C) in the case where the underwriting agreement includes a market out clause:

10% of normal new issue margin from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier. Thereafter margin as required in A) above applies;

- D) in the case where the underwriting agreement includes a disaster out clause and a market out clause:

10% of normal new issue margin from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier. Thereafter margin as required in A), B) and C) above applies.

ii) with new issue letter:

- A) in the case where the underwriting agreement includes neither a disaster out clause nor a market out clause:

10% of normal new issue margin from the date of the letter to the business day prior to settlement date or when the new issue letter expires, whichever is earlier;

10% of normal new issue margin from settlement date to 5 business days after settlement date or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn;

25% of normal new issue margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn;

50% of normal new issue margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn;

75% of normal new issue margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn;

otherwise, the normal new issue margin is required;

- B) in the case where the underwriting agreement includes a disaster out clause:

10% of normal new issue margin from the date of the commitment until the settlement date or the expiry of the disaster out clause, whichever is earlier. Thereafter margin as required in A) above applies;

- C) in the case where the underwriting agreement includes a market out clause:

5% of normal new issue margin from the date of commitment until the settlement date or the expiry of the market out clause, whichever is earlier. Thereafter margin as required in A) above applies;

- D) in the case where the underwriting agreement includes a disaster out clause and a market out clause:

5% of normal new issue margin from the date of commitment until the settlement date or the expiry of the market out clause, whichever is earlier. Thereafter margin as required in A), B) and C) above applies.

If the margin rates prescribed above in respect of commitments for which a new issue letter is available are less than the margin rates required by the issuer of such letter, the higher rates required by the issuer must be applied.

- c) Where an approved participant has a commitment pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities and the approved participant has determined through obtaining appropriate documentation:
- I) that the allocation between retail and exempt purchasers has been finalized;
 - II) that expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed;
 - III) that there is unlikely to be a significant renege rate on the expressions of interest received from exempt purchasers; and
 - IV) that the approved participant is not significantly leveraging its underwriting activities through the use of the capital requirement reduction provided on that portion of the underwriting commitment where expressions of interest have been received from exempt purchasers.

The following margin rates must be applied for the portion of the commitment allocated to exempt purchasers:

i) without new issue letter:

- A) in the case where the underwriting agreement includes neither a market out clause nor a disaster out clause:

From the date that the expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed until the date the sales are contracted:

20% of normal new issue margin is required, provided the current market value of the commitment is at or above 90% of new issue value (90% x issue price x number of shares);

40% of normal new issue margin is required, provided the current market value of the commitment is at or above 80% of new issue value (80% x issue price x number of shares) but less than 90% of new issue value;

otherwise, normal new issue margin is required;

- B) in the case where the underwriting agreement includes a disaster out clause:

from the date that the expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed until the date the sales are contracted:

20% of normal new issue margin is required, provided the current market value of the commitment is at or above 90% of new issue value (90% x issue price x number of shares);

40% of normal new issue margin is required, provided the current market value of the commitment is at or above 80% of new issue value (80% x issue price x number of shares) but less than 90% of new issue value;

otherwise normal new issue margin is required;

- C) in the case where the underwriting agreement includes a market out clause:

margin required is the one prescribed in paragraph b) i) C) above;

- D) in the case where the underwriting agreement includes a disaster out clause and a market out clause:

margin required is the one prescribed in paragraph b) i) D) above.

ii) with new issue letter:

- A) in the case where the underwriting agreement includes neither a disaster out clause nor a market out clause:

margin required is the one prescribed in paragraph b) ii) A) above;

- B) in the case where the underwriting agreement includes a disaster out clause:

margin required is the one prescribed in paragraph b) ii) B) above;

- C) in the case where the underwriting agreement includes a market out clause:

margin required is the one prescribed in paragraph b) ii) C) above;

- D) in the case where the underwriting agreement includes a disaster out clause and a market out clause:

margin required is the one prescribed in paragraph b) ii) D) above.

d) Concentration

Where the normal new issue margin required is reduced by a new issue letter or by a qualifying expressions of interest received from exempt purchasers that have been verbally affirmed but not yet contracted, the approved participant must determine if there is any concentration by doing the calculations prescribed in the Joint Regulatory Financial Questionnaire and Report.

- e) In determining the amount of an approved participant's commitment pursuant to an underwriting agreement or banking group agreement for the purposes of paragraphs b), c) and d) above, receivables from members of the banking or selling groups in respect of their obligations to take down a portion of a new issue of securities may be deducted from the liability of the approved participant to the issuer.

7225 (Reserved for future use)

7226 Margin on Swaps

(01.05.92, 01.04.93, 01.01.04, 13.09.05, 08.09.08)

A) Interest Rate Swaps

For the purposes of the present article, a "fixed interest rate" is an interest rate which is not reset at least every 90 days and a "floating interest rate" is an interest rate which is not a fixed interest rate. On interest rate swap agreements where payments are calculated with reference to a notional amount, the obligation to pay and the entitlement to receive must each be margined as separate components as follows:

- i) where a component is a payment calculated according to a fixed interest rate, the margin required must be the margin rate specified in article 7204 - Group I for a security with the same term to maturity as the outstanding term of the swap, multiplied by 125% and in turn multiplied by the notional amount of the swap;
- ii) where a component is a payment calculated according to a floating interest rate, the margin required must be the margin rate specified in article 7204 - Group I for a security with the same term to maturity as the remaining term to the swap reset date, multiplied by the notional amount of the swap.

The counterparty to the interest rate swap agreement must be considered to be the approved participant's client. No margin is required in respect of an interest rate swap entered into with a client which is an acceptable institution. The margin requirement for clients which are acceptable counterparties or regulated entities must be any market value deficiency calculated relating to the interest rate swap agreement. The margin requirement for clients which are other counterparties shall be any loan value deficiency calculated relating to the interest rate swap agreement, determined by using the same margin requirements for each swap component as calculated in clauses (i) and (ii) above.

B) Total Performance Swaps

On total performance swap agreements, the obligation to pay and the entitlement to receive must each be margined as separate components as follows:

- i) where a component is a payment calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount, the margin requirement

must be the normal margin required for the underlying security or basket of securities relating to this component, based on the market value of the underlying security or basket of securities;

- ii) where a component is a payment calculated according to a floating interest rate, the margin required must be the margin rate specified in article 7204 -Group I for a security with the same term to maturity as the remaining term to the swap reset date, multiplied by the notional amount of the swap.

The counterparty to the total performance swap agreement must be considered the approved participant's client. No margin is required in respect of a total performance swap entered into with a client which is an acceptable institution. The margin requirement for clients which are acceptable counterparties or regulated entities must be any market value deficiency calculated relating to the total performance swap agreement. The margin requirement for clients which are other counterparties must be any loan value deficiency calculated relating to the total performance swap agreement, determined by using the same margin requirements for each swap component as calculated in clauses i) and ii) above.

7226A Swap Positions Offsets

(01.01.04)

For the purposes of the present article, a "fixed interest rate" is an interest rate which is not reset at least every 90 days, a "floating interest rate" is an interest rate which is not a fixed interest rate and a "realization clause" is an optional clause within a total performance swap agreement which allows the approved participant to close out the swap agreement at the realization price (either the buy-in or sell-out price) of the security position involved in the offset.

A) Interest Rate Swap Versus Interest Rate Swap Offset

Where an approved participant

- i) is a party to an interest rate swap agreement requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar fixed or floating interest rate amounts calculated with reference to a notional amount, and
- ii) is a party to another offsetting interest rate swap agreement entitling it to receive (or requiring it to pay) fixed or floating interest rate amounts calculated with reference to the same notional amount denominated in the same currency and is within the same maturity band for margin purposes as the interest rate swap referred to in i),

the margin required in respect of the positions in i) and ii) may be netted, provided that margin on fixed interest rate component payment (or receipt) positions may only be offset against margin on fixed interest rate component receipt (or payment) positions, and margin on floating interest rate component payment (or receipt) positions may only be offset against margin on other floating interest rate component receipt (or payment) positions.

B) Fixed Interest Rate Swap Component and Securities Position Offset

Where an approved participant

- i) is a party to an interest rate swap agreement requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar fixed interest rate amounts calculated with reference to a notional amount, and
- ii) holds a long (or short) position in securities described in article 7204 - Group I with a principal amount equal to and denominated in the same currency as the notional amount of the interest rate swap and with a term to maturity that is within the same maturity band for margin purposes as the interest rate swap,

the margin required in respect of the positions in i) and ii) may be netted.

C) Floating Interest Rate Swap Component and Securities Position Offset

Where an approved participant

- i) is a party to an interest rate swap agreement requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar floating interest rate amounts calculated with reference to a notional amount, and
- ii) holds a long (or short) position in securities described in articles 7204 - Group I or 7205, maturing within one year with a principal amount equal to and denominated in the same currency as the notional amount of the swap,

the margin required in respect of the positions in i) and ii) may be netted.

D) Total Performance Swap versus Total Performance Swap offset

Where an approved participant

- i) is a party to a total performance swap agreement requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar amounts calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount; and
- ii) is a party to another total performance swap agreement entitling it to receive (or requiring it to pay) amounts calculated based on the performance of the same underlying security or basket of securities, with reference to the same notional amount and denominated in the same currency;

the margin required in respect of the position in i) and ii) may be netted, provided that margin on performance component payment (or receipt) positions may only be offset against margin on performance component receipt (or payment) positions, and margin on floating interest rate component payment (or receipt) positions may only be offset against margin on other floating interest rate component receipt (or payment) positions.

E) Total Performance Swap Component and Securities Position Offset

i) Short Total Performance Swap Component and Long Underlying Security or Basket of Securities

Where an approved participant

- a) is a party to a total performance swap agreement requiring it to pay amounts calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount; and
- b) holds long an equivalent quantity of the same underlying security or basket of securities;

the capital required in respect of the position described in a) and b) must be either:

- c) nil, where it can be demonstrated that the sell-out risk relating to the offset has been mitigated:
 - I) through the inclusion of a realization clause in the total performance swap agreement, which allows the approved participant to close out the swap agreement using the sell-out price(s) for the long position in the underlying security or basket of securities; or
 - II) since, due to the features inherent in the long position in the underlying security or basket of securities or the market on which the security or basket of securities trades, the realization value of the long position in the underlying security or basket of securities is determinable at the time the total performance swap agreement is to expire and this value will be used as the closeout price for the swap;

or

- d) 20% of the normal capital required on the long position in the underlying security or basket of securities where the sell-out risk relating to the offset has not been mitigated.

ii) Long Total Performance Swap Component and Short Underlying Security or Basket of Securities

Where an approved participant

- a) is a party to a total performance swap agreement entitling it to receive amounts calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount; and
- b) holds short an equivalent quantity of the same underlying security or basket of securities;

the capital required in respect of the positions described in a) and b) must be:

- c) nil, where it can be demonstrated that the buy-in risk relating to the offset has been mitigated:
 - I) through the inclusion of a realization clause in the total performance swap agreement which allows the approved participant to close out the swap agreement using the buy-in price(s) for the short position in the underlying security or basket of securities; or

- II) since, due to the features inherent in the short position in the underlying security or basket of securities or the market on which the security or basket of securities trades, the realization value of the short position in the underlying security or basket of securities is determinable at the time the total performance swap agreement is to expire and this value will be used as the closeout price for the swap.

or

- d) 20% of the normal capital required on the short position in the underlying security or basket of securities where the buy-in risk relating to the offset has not been mitigated.

7227 Margin Offsets on Convertible Securities
(01.01.04)

1) For the purpose of the present article:

- a) “conversion loss” means any excess of the market value of the convertible securities over the market value of the equivalent number of underlying securities;
- b) “convertible security” means a convertible security, exchangeable security or any other security that entitles the holder to acquire another security, the underlying security, upon exercising a conversion or exchange feature;
- c) “currently convertible” means a security that is either:
 - A) convertible into another security, the underlying security, either currently or within 20 business days, provided all legal requirements have been met and all regulatory, competition bureau and court approvals to proceed with the merger, acquisition, spin-off or other security related reorganization have been received; or
 - B) convertible into another security, the underlying security, after the expiry of a specific period, and the approved participant or client has entered into a term securities borrowing agreement. The agreement must be a written, legally enforceable agreement enabling the approved participant or client to borrow the underlying securities for the entire period from the current date until the expiry of the specific period until conversion;
- d) “Newco securities” means securities of a successor issuer or issuers resulting from an amalgamation, acquisition, spin-off or any other securities related reorganization transaction;
- e) “Oldco securities” means securities of a predecessor issuer or issuers resulting from an amalgamation, acquisition, spin-off or any other securities related reorganization transaction;
- f) “underlying security” means the security, which is received upon exercising the conversion or exchange feature of a convertible security.

2) Long convertible securities considered “currently convertible” and short underlying securities

Where convertible securities are held long in an account and such securities are currently convertible and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:

- i) the conversion loss, if any; and
- ii) where the convertible security cannot be converted directly into the underlying security, at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying securities.

3) Long convertible securities not considered “currently convertible” and short underlying securities

Where convertible securities are held in an account and such securities are not currently convertible and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:

- i) the conversion loss, if any; and
- ii) 20% of the normal capital required (margin required in the case of client account positions) on the underlying securities, to cover the sell-out risk associated with holding convertible securities not considered to be “currently convertible”; and
- iii) where the convertible security cannot be converted directly into the underlying security, at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying securities.

4) Short convertible securities and long underlying securities

Where convertible securities are held short in an account and the account is also long an equivalent number of underlying securities, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:

- i) the conversion loss, if any; and
- ii) 40% of the normal capital required (margin required in the case of client account positions) on the underlying securities.

5) Long “Oldco securities” and short “Newco securities” relating to an amalgamation, acquisition, spin-off or any other securities related reorganization transaction

- i) Where, pursuant to a securities related reorganization involving predecessor and successor issuers, Oldco securities are held long in an account, the account is also short an equivalent number of Newco securities, and the conditions set out in sub-paragraph ii) are met, the capital and margin requirements for approved participant and client account positions, respectively, must be the excess of the combined market value of the Oldco securities over the combined market value of the Newco securities, if any.

- ii) The offset described in subparagraph i) above may be taken where all legal requirements have been met and all regulatory, competition bureau and court approvals to proceed with the merger, acquisition, spin-off or other security related reorganization have been received and where the Oldco securities will be cancelled and replaced by an equivalent number of Newco securities within 20 business days.

7228 Margin Offsets on Exercisable Securities

(01.01.04)

1) For the purpose of the present article:

- a) “exercise loss” means any excess of combined sum of the market value of the exercisable securities and the exercise or subscription payment, over the market value of the equivalent number of underlying securities;
- b) “exercisable security” means a warrant, right, instalment receipt or any other security that entitles the holder to acquire another security, the underlying security, upon making an exercise or subscription payment;
- c) “currently exercisable” means a security that is either:
 - A) exercisable into another security, the underlying security, either currently or within 20 business days, provided all legal requirements have been met and all regulatory, competition bureau and court approvals to proceed with exercising have been received; or
 - B) exercisable into another security, the underlying security, on a future date, and the approved participant or client has entered into a term securities borrowing agreement. The agreement must be a written, legally enforceable agreement enabling the approved participant or client to borrow the underlying securities for the entire period from the current date until the exercise or subscription date;
- d) “underlying security” means the security, which is received upon invoking the exercise feature of an exercisable security.

2) Long exercisable securities considered “currently exercisable” and short underlying securities

Where exercisable securities are held long in an account and such securities are currently exercisable and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:

- i) in the case of client account positions, the amount of the exercise or subscription payment; and
- ii) the exercise loss, if any; and
- iii) where the exercisable security cannot be exercised directly into the underlying security, at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying securities.

3) Long exercisable securities not considered “currently exercisable” and short underlying securities

Where exercisable securities are held long in an account and such securities are not currently exercisable and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:

- i) in the case of client account positions, the amount of the exercise or subscription payment; and
 - ii) the exercise loss, if any; and
 - iii) 20% of the normal capital required (margin required in the case of client account positions) on the underlying securities, to cover the sell-out risk associated with holding exercisable securities not considered to be “currently exercisable”; and
 - iv) where the exercisable security cannot be converted directly into the underlying security, at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying securities.
- 4) Short exercisable securities and long underlying securities

Where exercisable securities are held short in an account and the account is also long an equivalent number of underlying securities, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:

- i) in the case of client account positions, the amount of the exercise or subscription payment; and
- ii) the exercise loss, if any; and
- iii) 40% of the normal capital required (margin required in the case of client account positions) on the underlying securities.

Section 7251 - 7300
Registration of Securities (abr. 00.00.00)

7251 Registration of Securities
(01.04.93, abr. 22.03.10)

7252 Redemption agent
(01.04.93, 01.03.94, 13.09.05, abr. 22.03.10)

Section 7351 - 7400
Offices and Employees

7351 Addresses of Approved Participants
(01.04.93, 13.09.05, 22.03.10)

Every approved participant must provide the Bourse with an address where notices may be served and must subsequently inform the Bourse prior to any change thereof.

- 7352 Branch Offices**
(01.08.87, 01.04.93, 21.08.02, 13.09.05, abr. 22.03.10)
- 7353 (Reserved for future use)**
- 7354 Hiring of Exchange Employees**
(01.04.93, abr. 13.09.05)
- 7355 Use of Offices by Clients and other Non-Employees Prohibited**
(01.04.93, 13.09.05, abr. 22.03.10)

Section 7401 - 7449
Approved Persons
(22.03.10)

- 7401 Approval**
(01.04.93, 13.09.05, abr. 22.03.10)
- 7402 Classes of Registration**
(01.04.93, 21.08.02, 13.09.05, abr. 22.03.10)
- 7403 Application for Approval as an Approved Person**
(01.04.93, 13.09.05, 22.03.10)

Any person employed by an approved participant of the Bourse and wishing to have access to the electronic trading system of the Bourse must obtain the prior approval of the Bourse.

The application for approval as an approved person must be submitted in the form prescribed by the Bourse and must be signed by both the applicant and the approved participant by whom the applicant is employed.

- 7404 Qualifications (Full Registration)**
(01.04.93, abr. 21.08.02)
- 7405 (Reserved for future use)**
- 7406 Qualifications (Limited Registration)**
(01.04.93, abr. 21.08.02)
- 7407 Qualifications (Restricted Registration)**
(01.04.93, abr. 21.08.02)
- 7407 General Restrictions applicable to Approved Persons**
(01.04.93, 13.09.05, 22.03.10)

Unless prior written consent to the contrary from the Bourse, a person approved by the Bourse may only transact business for the account of the approved participant by whom this person is employed and for the accounts of the approved participant's clients.

All transactions made by an approved person must be made on behalf of the approved participant by whom the person is employed, and such approved participant is responsible for all acts and omissions of such approved person. Any act or omission of an approved person which would constitute an infraction of any rule, policy or procedure of the Bourse shall be deemed to be an infraction by the approved participant who was employing this approved person at the time such act or omission occurred.

7408 Joint Accounts
(13.09.05, 22.03.10)

No approved participant must permit the opening of a joint account in which an approved person employed by such approved participant has an interest of any kind, whether direct or indirect.

7409 Dealings with Other Firms by Approved Persons
(01.04.93, 13.09.05, 22.03.10)

No person approved by the Bourse must maintain, in his own name or any other name, an account in securities, options or futures contracts over which he has, directly or indirectly, trading authority or control with any approved participant other than the approved participant by which he is employed, without the written consent of his employer as required by article 7454.

7410 Fixed Duties
(02.04.91, 01.04.93, 07.04.03, abr. 22.03.10)

7411 Outside Remuneration Prohibited
(06.08.90, 01.04.93, 13.09.05, abr. 22.03.10)

7412 Arrangements with Clients
(01.04.93, 13.09.05, abr. 22.03.10)

7413 Notice to the Bourse of Termination of Employment or of Lawsuits and other proceedings
(01.04.93, 13.09.05, 22.03.10)

Every approved participant must give to the Bourse, within the prescribed delays, notice of the termination of the employment of any person approved by the Bourse and, in the case of a dismissal for cause, a statement of the reasons therefore.

In addition, any approved participant must provide to the Bourse, as soon as possible, a report of any information it has regarding any lawsuit, investigation or proceedings affecting the approval of any of its persons approved by the Bourse by any regulatory or self-regulatory organization.

7414 Transfers of Approved Persons
(01.04.93, 13.09.05, 22.03.10)

No approved participant must employ a person approved by the Bourse formerly employed by any other approved participant until the Bourse has given its prior approval to such employment. Any

application for such consent must be submitted in the form prescribed by the Bourse and must be signed by both the approved person and the approved participant proposing to employ him.

The Bourse will not approve an application for such consent if it is established that the approved participant by which the approved person was previously employed has not transmitted to the Bourse the notice of termination of employment required pursuant to article 7413.

If the period of time between the date of the approved person termination of employment with the approved participant by which this approved person was employed and the date on which this approved person employment with another approved participant started is ninety (90) days or more, the Bourse will not approve the application for consent filed pursuant to this article and an application for approval pursuant to article 7403 of this Rule shall be submitted to the Bourse.

7415 Suspension or Revocation of Approval of a Person Approved by the Bourse
(01.04.93, 13.09.05, 22.03.10)

If a person approved by the Bourse no longer meets the required qualifications or any other condition or requirement that may be prescribed by the Bourse, the Bourse may suspend or revoke its approval.

In the event of a suspension or revocation by the Bourse of the approval of an approved person pursuant to this article or pursuant to article 4105 of the Rules of the Bourse, unless otherwise ordered by the Special Committee, the approved participant employing this person must immediately discontinue such employment as a person approved by the Bourse and thereafter this person must not be employed in the same capacity by any approved participant without the permission of the Special Committee. Any such permission may be revoked at any time by the Special Committee.

The approval by the Bourse of any person shall be automatically revoked when this person, following the termination of this person employment with an approved person, does not reintegrate an employment requiring such an approval with an approved participant within a delay of ninety (90) days following the date on which this person employment was terminated.

7416 Approved Participant's Responsibility
(01.04.93, 13.09.05, 22.03.100)

Each approved participant must ensure that all persons approved by the Bourse or by any other regulatory or self-regulatory organization employed by it comply with the provisions of all Rules and Policies of the Bourse.

7417 Mutual Fund Units Sales Incentives
(19.09.94, 13.09.05, abr. 22.03.10)

Section 7450 - 7475
Conduct of Accounts

7450 Business Conduct
(01.04.93, 13.09.05, 22.03.10)

All approved participants must at all times adhere to the principles of good business practice in the conduct of their affairs.

The business of approved participants, approved persons or restricted trading permit holders and their dealings amongst themselves and with the public must at all times comply with the standards set forth in the Bourse regulations.

7451 Disclosure of Conflicts of Interests or Contrary Views

(11.03.85, 11.03.92, 13.09.05, abr. 22.03.10)

7452 Diligence as to Accounts

17.06.86, 01.08.87, 05.09.89, 15.09.89, 04.12.92, 01.04.93, 02.07.96, 09.03.99, 23.08.02, 21.11.03, 22.01.04, 13.09.05, 22.03.10)

1) Every approved participant must use diligence:

- a) to learn and remain informed of the essential facts relative to every customer and to every order or account accepted;
- b) to ensure that the acceptance of any order for any account is done in accordance with principles of good business practice;
- c) to ensure, subject to paragraph d), hereunder, that the acceptance of any order for any account from a customer is suitable for such customer given his financial situation, his investment knowledge, his investment objectives and his risk tolerance;
- d) to ensure, when recommending to a customer the purchase, sale, exchange or holding of any derivative instrument listed and traded on the Bourse, that the recommendation is suitable for such customer given his financial situation, his investment knowledge, his investment objectives and his risk tolerance.

2) Every approved participant must designate a person responsible for the supervision and surveillance of the trading activities in derivative instruments listed on the Bourse and where necessary to ensure continuous supervision, one or more alternate person to this responsible person.

The responsible person and the alternate persons do not have to be approved by the Bourse, but approved participants must provide the Bourse with a list of those persons along with all necessary information to allow the Bourse to communicate with them as needed. Approved participants are also required to immediately inform the Bourse when changes are made to this list.

The responsible person is responsible for establishing and maintaining procedures and for supervising trading activities in derivative instruments listed on the Bourse. This person must ensure that the handling of each client orders is within the bounds of ethical conduct, consistent with just and equitable principles of trade and not detrimental to the reputation of the Bourse or the interests or the welfare of the public or the Bourse. This person must supervise activities relating to the trading of derivative instruments listed on the Bourse in accordance with Bourse requirements and policies. In the absence or incapacity of the responsible person, his authority and responsibilities must be assumed by an alternate responsible person.

7453 Application as to Diligence of Accounts

(01.04.93, 13.09.05, 22.03.10)

1) Corporate Clients

In the case of an account carried by an approved participant for a corporation for the purpose of trading in derivative instruments, the approved participant must make sure that the corporation has the right under its charter and by-laws to engage in the intended transactions for its own account and that the persons from whom orders and instructions are accepted are duly authorized by the corporation to act on its behalf. It is advisable in each such case for the approved participant accepting the account to obtain a copy of the corporate charter, by-laws and authorizations.

Where it is not possible to obtain such documents, a partner, an officer or a director of the approved participant carrying the account must prepare and sign a memorandum for the files of the approved participant indicating the basis upon which he believes that the corporation may properly engage in the intended transactions and that the persons acting for the corporation are duly authorized to do so.

2) Nominee Accounts

When a nominee account is carried by an approved participant, its records must contain the name of the principal for whom the nominee is acting and written evidence of the nominee's authority.

7454 Designation of Accounts and Transactions by Employees of Approved Participants

(01.04.93, 13.09.05, 22.03.10)

No approved participant must carry an account:

- 1) in the name of a person other than that of the client, except that an account may be designated by a number, a nominee name or other identification provided the approved participant maintains sufficient identification in writing to establish the beneficial owner of the account or the person or persons financially responsible for same. This information must be available at all times upon the request of the Bourse;
- 2) for a partner, officer, director or any employee of another approved participant either jointly or with another or others without the prior written consent of the employer; nor must make a derivative instrument transaction or carry an account in derivative instruments in which any of the above is directly or indirectly interested. A copy of such consent of the employer must be kept in the client's file and duplicate reports and monthly statements must be sent to a partner, officer or director designated in such consent (other than the person for whom the account is carried). This paragraph does not apply to any director who is an outside investor with respect to the approved participant or its holding company and whose investment therein does not contravene Rule Three.

7455 Confirmation and Statement of Account to Client

(06.11.89, 01.04.93, 29.10.93, 30.09.94, 02.08.95, 18.02.97, 26.03.03, 13.09.05, abr. 22.03.10)

7456 Conflict of interests

(01.04.93, 13.09.05, 22.03.10)

No approved participant acting as agent for a customer to buy or sell derivative instruments listed on the Bourse may be the buyer or seller on his own account or otherwise act in such a manner as to create a conflict between his own interests and those of his client.

Notwithstanding the foregoing, an approved participant acting as a market-maker will be deemed not to act in a manner as to create a conflict of interest.

- 7457 Transactions Prohibited**
(01.04.93, 13.09.05, abr. 22.03.10)
- 7458 Service Fees**
(01.07.89, 01.04.93, 13.09.05, abr. 22.03.10)
- 7459 Margin Agreements**
(01.04.93, 13.09.05, abr. 22.03.10)
- 7460 Clients' Indebtedness - Approved Participants' Rights**
(01.04.93, 13.09.05, abr. 22.03.10)
- 7461 Guarantees of Margin Accounts**
(01.05.87, 30.09.87, 01.09.92, 13.09.05, abr. 22.03.10)
- 7461A Hedge Agreement**
(30.07.97, 13.09.05, abr. 22.03.10)
- 7462 Account transfers**
(01.02.91, 01.04.93, 02.06.95, 06.10.99, 13.09.05, abr. 22.03.10)
- 7463 (Reserved for future use)**
- 7464 Discretionary Cash Settlement Rule**
(01.04.93, 13.09.05, abr. 22.03.100)
- 7465 R.R.S.P.s Administered by Approved Participants and Other Similar Plans**
(01.04.93, 02.08.94, 13.09.05, abr. 22.03.10)
- 7466 Complaints Record and Files**
(01.04.93, 13.09.05, 22.03.10)

- 1) Each approved participant must keep an up-to-date record of all written complaints received by the approved participant resulting from the conduct of the approved participant or of one of its approved persons in connection with orders or transactions in derivative instruments listed on the Bourse
- 2) Complaint files must be retained for seven (7) years. Furthermore, approved participants must maintain an up-to-date record of all complaints and subsequent documentation received relating to the conduct of the approved participant or of one of its approved persons in connection with orders or transactions in derivative instruments listed on the Bourse. Such record must be retained for a period of seven (7) years from the date of receipt of the complaint by the approved participant and must be made available to the Bourse upon request.
- 3) The complaint record must, at a minimum, contain the following information:
 - i) the complainant's name;
 - ii) the date of complaint;
 - iii) the name of the individual who is the subject of the complaint;

- iv) the derivative instruments which are the subject of the complaint;
- v) the materials reviewed in the investigation made by the approved participant;
- vi) if applicable, the name and title of the persons who were interviewed by the approved participant in the course of its investigation of the complaint and the date of such interviews; and
- vii) the date and conclusions of the decision rendered in connection with the complaint.

7467 Keeping Records of Orders

(08.09.89, 01.04.93, 02.07.96, 13.09.05, 22.03.10)

- 1) Every approved participant must maintain books and records necessary to record properly its trading activities in derivative instruments listed on the Bourse, including, without limitation:

- a) Records containing an itemized daily record of all orders and trades in derivative instruments. Such records must contain the following information for each such order or transaction:

In the case of trades in all derivative instruments;

- i) the identity of the client for whom or the account for which the order was received;
- ii) the date and time on which the order was received;
- iii) the identity of the person who received the order;
- iv) the class and designation of the derivative instrument;
- v) the expiry or delivery month and year of the derivative instrument;
- vi) the date and time on which the order was entered into the electronic trading system of the Bourse;
- vii) whether it is an opening or closing transactions;
- viii) the terms and conditions of the order, of any instruction and of any modification or cancellation thereof;
- ix) where the order is entered pursuant to the exercise of discretionary power of an approved participant, an indication to that effect;
- x) where the order relates to a fully disclosed introduced account or a fully disclosed omnibus account, the component accounts within the introduced or omnibus account on whose behalf the order is to be executed, and the intended allocation among the component accounts once the order has been executed;
- xi) where the order relates to managed accounts, the component accounts on whose behalf the order is to be executed, and the intended allocation among these component accounts once the order has been executed;

- xii) where the order or instruction is placed by an individual other than;
 - A) the person in whose name the account is operated, or
 - B) an individual duly authorized to place orders or instructions on behalf of a customer that is a company,

the name, the number or the designation of the individual placing the order or instruction;
- xiii) the date and time on which the order was modified, executed or cancelled. If executed in more than one transaction, the date and time of each transaction executed to complete the order;
- xiv) the number of derivative instruments bought or sold. If the order has been executed in more than one transaction, the number of derivative instruments bought or sold for each transaction;
- xv) if the person who executed the order is not the person who received it, the identity of such person;
- xvi) if the order was executed by another approved participant acting as an executing broker for the approved participant, the identity of such other approved participant.

In the case of futures contracts,

- xvii) the price at which the futures contract was entered into.

In the case of options contracts,

- xviii) the premium;
- xix) the type of option (put or call);
- xx) the strike price.

- b) Derivative instruments records showing separately for each derivative instrument as of the trade date all long positions or short positions in such derivative instrument carried for the approved participant's account or for the account of customers and, in all cases, the name or designation of the account in which each position is carried.
- 2) All records of filled and unfilled orders, executed transactions and carried positions must be retained for a period of seven (7) years.
 - 3) The Special Committee may grant exemptions from all or any part of the above requirements.

7468 Forwarding Documents Concerning Securities Belonging to Non-Registered Clients
(29.07.88, 01.04.93, 13.09.05, abr. 22.03.10)

7469 Cash and Securities Loan Transactions
(01.09.88, 15.03.93, 01.04.93, 13.09.05, abr. 22.03.10)

7470 Introducing/carrying broker agreements
(26.07.88, 01.04.93, 01.07.97, 05.07.00, 07.05.02, 01.04.03, 13.09.05, abr. 22.03.10)

**Section 7476-7500
Specific Provisions
on Discretionary Accounts
(abr. 22.03.10)**

7476 Definitions
(01.04.93, 13.09.05, abr. 22.03.10)

7477 Obligation to comply
(01.04.93, 13.09.05, abr. 22.03.10)

7478 Written Authorization
(01.04.93, 13.09.05, abr. 22.03.10)

7479 Designation of a Supervisory Authority
(01.04.93, 13.09.05, abr. 22.03.10)

7480 Designation as a Portfolio Manager or Associate Portfolio Manager
(01.04.93, 21.08.02, 13.09.05, abr. 22.03.10)

7481 Portfolio Management Committee
(01.04.93, 13.09.05, abr. 22.03.10)

7482 Quarterly Review of the Managed Accounts
(01.04.93, 13.09.05, abr. 22.03.10)

7483 Investment Policies
(01.04.93, 13.09.05, abr. 22.03.10)

7484 Fees Agreement
(01.04.93, 13.09.05, abr. 22.03.10)

7485 Separate and Distinct Supervision for each Managed Account
(01.04.93, 13.09.05, abr. 22.03.10)

7486 Ethics
(01.04.93, 13.09.05, abr. 22.03.10)

7487 The Approved Participant's Mandate
(01.04.93, 13.09.05, abr. 22.03.10)

Section 7501 - 7550
Procedures Concerning the Custody, the Segregation
and the Safekeeping of Clients' Securities and Free Credits
(abr. 22.03.10)

- 7501 Definitions**
(01.10.86, 01.06.89, 01.04.93, 13.09.05, abr. 22.03.10)
- 7502 Clients Free Credit Balances**
(01.04.93, 13.09.05, abr. 22.03.10)
- 7503 General Concept**
(01.10.86, 01.06.89, 01.04.93, 13.09.05, abr. 22.03.10)
- 7504 Acceptable Internal Locations**
(01.10.86, 01.06.89, 01.04.93, 13.09.05, abr. 22.03.10)
- 7505 Restrictions on the Use of Clients' Securities**
(01.10.86, 01.06.89, 01.04.93, 13.09.05, abr. 22.03.10)
- 7506 Restrictions on Delivery of Customers' Securities**
(01.10.86, 01.04.93, 13.09.05, abr. 22.03.10)
- 7507 Written Notice to Clients Required**
(01.10.86, 01.04.93, 13.09.05, abr. 22.03.10)
- 7508 Determination of the Number of Securities to Be Segregated**
(01.10.86, 01.06.89, 01.04.93, 02.06.95, 13.09.05, abr. 22.03.10)
- 7509 Segregation on a Timely Basis and Corrections to be Made**
(01.10.86, 01.06.89, 01.04.93, 02.06.95, 13.09.05, abr. 22.03.10)
- 7510 Securities Held in Safekeeping**
(01.04.93, 13.09.05, abr. 22.03.10)
- 7511 Acceptable Securities Locations**
(01.10.86, 20.12.91, 01.05.92, 01.04.93, 13.09.05, abr. 22.03.10)