

**RULE FOURTEEN
DERIVATIVE INSTRUMENTS – MISCELLANEOUS RULES**

(11.03.80, 13.09.05, 04.03.08)

**Section 14001 – 14050
Miscellaneous**

14001 General
(24.04.84, abr. 13.09.05)

14002 Definition of Member
(abr. 13.09.05)

14003 Futures Contracts Committee
(abr. 13.09.05)

14004 Delivery through Clearing Corporation
(13.09.05)

All deliveries and cash settlements must be made through and assigned by the clearing corporation. At expiry, all open positions must be satisfied by delivery or cash settlement, as may be the case. Delivery or cash settlement in respect thereof must be made in the manner prescribed by the Bourse and the clearing corporation.

14005 Emergency Situations
(01.06.84, 13.09.05, 04.03.08)

- a) The Bourse has the power and the authority to act in the event that it determines the existence of an emergency situation which threatens the integrity, liquidity or orderly liquidation of any class of derivative instruments listed on the Bourse. The Bourse may exercise these emergency powers in the event that it has valid reasons to believe that any of the circumstances similar to the following exist:
- 1) a manipulation, attempted manipulation, corner or squeeze is occurring or threatens to occur;
 - 2) the liquidity of a derivative instruments listed on the Bourse or its orderly liquidation is threatened by the concentration of positions in the hands of entities or individuals who are unable or unwilling to settle or to make or take delivery in the ordinary course;
 - 3) an action of the Government of Canada, of a Canadian provincial government or any foreign government or of any other derivative instruments market is likely to have a direct and adverse impact on the integrity, liquidity and orderly liquidation of any derivative instrument listed on the Bourse; or
 - 4) an unusual, unforeseeable, and adverse circumstance has occurred.
- b) In the event that the Bourse determines that an emergency situation exists, it may take any of the following actions or any other action that may be appropriate to remedy the situation:
- 1) terminate trading;

- 2) limit trading to liquidation of derivative instruments only;
 - 3) order liquidation of all or a portion of an approved participant's accounts;
 - 4) order liquidation of positions as to which the holder is unable or unwilling to settle or to make or take delivery;
 - 5) confine trading to a specific price range or otherwise modify the daily price limit when such a limit exists;
 - 6) modify the trading days or hours;
 - 7) alter conditions of delivery or of settlement;
 - 8) fix the settlement price at which derivative instruments are to be liquidated according to the Rules of the clearing corporation;
 - 9) require additional margins to be deposited with the clearing corporation.
- c) When the clearing corporation informs the Bourse of any emergency situation, whether in progress or apprehended, of which it has become aware, the Bourse shall act within 24 hours to consider appropriate measures, if any. The clearing corporation shall have the right to participate in any deliberation made pursuant to the present article.
- d) As soon as practicable following the imposition of emergency action, the Board of Directors must be promptly notified. Any action taken pursuant to this article may not extend beyond the duration of the emergency. In no event shall actions taken pursuant to this rule remain in effect for more than 90 days following their imposition.

Section 14051 – 14100
Requirements for Dealing
with Clients
(04.03.08)

14051 Dealing with a Client in Derivative Instruments
(24.04.84, 13.09.05, 04.03.08)

No approved participant must have any dealing with any client or prospective client in obtaining, taking or soliciting orders for or advising on trades in derivative instruments unless one or more persons employed by the approved participant are approved by the relevant self-regulatory organization as responsible persons for the supervision of trading in derivative instruments.

Every approved participant shall be responsible for ensuring that every account dealing in derivative instruments is operated and supervised in accordance with any applicable regulatory requirement and with best business practices.

14052 Approval of Futures Contracts Principal
(19.10.82, 24.04.84, 13.09.05, abr. 04.03.08)

- 14053 Qualifications of Futures Contracts Principal**
(24.04.84, 21.08.02, 13.09.05, abr. 04.03.08)
- 14054 Duties of Futures Contracts Principal**
(24.04.84, 21.08.02, 13.09.05, abr. 04.03.08)
- 14055 Approved Futures Contracts and Options on Futures Contracts Representative**
(13.09.05, abr. 04.03.08)
- 14056 Application for Approval as Futures Contracts and Options on Futures Contracts Representative**
(24.04.84, 21.08.02, 13.09.05, abr. 04.03.08)
- 14057 Qualifications of Futures Contracts and Options on Futures Contracts Representatives**
(10.03.81, 24.04.84, 21.08.02, 13.09.05, abr. 04.03.08)
- 14058 Minimum Number of Registered Futures Contracts and Options on Futures Contracts Representatives**
(13.09.05, abr. 04.03.08)

Section 14101 – 14150
(04.03.08)
Reports for Derivative Instruments

- 14101 Record of Orders**
(24.04.84, 18.04.85, 13.09.05, abr. 04.03.08)
- 14102 Reports Pertaining to the Accumulation of Positions for Derivative Instruments**
(24.04.84, 01.06.84, 13.09.05, 04.03.08)
- a) Each approved participant must file with the Bourse, on a weekly basis or as otherwise required by the Bourse, a report, in such form as may be prescribed, giving the name, address and account number of any clients and/or persons controlling this account who hold a position in excess of the reporting limit stipulated by the Bourse for each class of derivative instruments listed on the Bourse. The Bourse may, at its discretion, require reports from one or more approved participants on a smaller number of positions owned or controlled;
- b) in addition to the reports mentioned above, each approved participant must report immediately to the Vice-President of the Regulatory Division of the Bourse any instance in which the approved participant has reason to believe that a client, acting alone or in concert with other persons, has exceeded or is attempting to exceed the position limits established by the Bourse;
- c) for the purpose of the present article and unless specifically exempted by the Bourse, the term "client" includes the approved participant itself, any partner, officer or director of the approved participant, or any participant, as such, in any joint group, syndicate or omnibus account with the approved participant or with a partner, officer or director thereof.
- 14103 Record of Transactions for Futures Contracts and Options on Futures Contracts**
(24.04.84, 13.09.05, abr. 04.03.08)
- 14104 Record of Information Statements**
(24.04.84, 13.09.05, abr. 04.03.08)

14105 Bourse's Authority with Respect to Reports
(24.04.84, 13.09.05)

Each approved participant must file with the Bourse such reports as may be prescribed from time to time by the Bourse.

Section 14151 – 14200
Conduct of Derivative Instruments Accounts
(04.03.08)

14151 Opening of Futures Contracts and Options on Futures Contracts Accounts
(12.08.80, 31.05.83, 24.04.84, 13.09.05, abr. 04.03.08)

14152 Futures Contracts and Options on Futures Contracts Trading Agreement
(10.03.81, 31.05.83, 24.04.84, 13.09.05, abr. 04.03.08)

14153 Diligence as to Accounts
(31.05.83, 24.04.84, 13.09.05, abr. 04.03.08)

14154 Futures Contracts and Options on Futures Contracts Accounts Opened by a Person Other than the Client
(13.09.05, abr. 04.03.08)

14155 Trade Confirmations and Monthly Statements
(10.03.83, 24.04.84, 28.05.99, 26.03.03, 13.09.05, abr. 04.03.08)

14156 Electronic Delivery
(26.03.03, 13.09.05, abr. 04.03.08)

14157 Position Limits for Derivative Instruments
(24.04.84, 30.12.93, 13.09.05, 04.03.08)

No approved participant shall make, for any account in which it has an interest or for the account of any client, a transaction in a specific derivative instrument listed on the Bourse if the approved participant has reason to believe that as a result of such transaction the approved participant or its client would, acting alone or in concert with others, directly or indirectly, hold or control a position in excess of the position limit established by the Bourse.

For the purposes of position limit regulations, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, must be aggregated.

A person with authority over one or more managed accounts must not execute or order the execution of transactions for such account or accounts where such transactions, by themselves or in addition to his personal transactions, exceed the limits prescribed under the Rules of the Bourse regarding total positions in any derivative instrument.

Exemptions

In accordance with the provisions of Policy C-1, an approved participant may file, in the form prescribed, an application to the Bourse, to obtain on behalf of a bona fide hedger an exemption from the position limits prescribed by the Bourse.

A bona fide hedger may also under certain circumstances file directly with the Bourse, in the form prescribed, an application to obtain an exemption from the position limits prescribed by the Bourse.

14158 Open Positions for Derivative Instruments

(31.05.83, 24.04.84, 13.09.05, 04.03.08)

All derivative instruments positions for a client or non-client account must remain open until liquidated by a closing transaction, by delivery, by cash settlement or failure to perform as provided in the rules of the exchange where such derivative instruments are traded and the clearing corporation.

14159 Transfer of Accounts

(24.04.84, 13.09.05, abr. 04.03.08)

14160 Discretionary and Managed Accounts for Futures Contracts and Options on Futures Contracts

(24.04.84, 13.09.05, abr. 04.03.08)

14161 Special Notice to Clients Pertaining to Discretionary and Managed Accounts for Futures Contracts and Options on Futures Contracts

(24.04.84, 13.09.05, abr. 04.03.08)

14162 Presumption of Authority in Futures Contracts and Options on Futures Contracts Accounts

(24.04.84, 13.09.05, abr. 04.03.08)

14163 Exceptions to the Requirements Pertaining to Managed and Discretionary Futures Contracts and Options on Futures Contracts Accounts

(24.04.84, 13.09.05, abr. 04.03.08)

14164 Futures Contracts and Options on Futures Contracts Managed Accounts

(24.04.84, 13.09.05, abr. 04.03.08)

14165 Obligation to comply

(24.04.84, 13.09.05, abr. 04.03.08)

14166 Written Authorization

(24.04.84, 13.09.05, abr. 04.03.08)

14167 Designation of a Person with Supervisory Authority

(24.04.84, 13.09.05, abr. 04.03.08)

14168 Designation as a Portfolio Manager or as Associate Portfolio Manager

(24.04.84, 21.08.02, 13.09.05, abr. 04.03.08)

- 14169 Portfolio Management Committee**
(24.04.84, 13.09.05, abr. 04.03.08)
- 14170 Quarterly Review of Managed Accounts**
(24.04.84, 13.09.05, abr. 04.03.08)
- 14171 Investment Policies**
(24.04.84, 13.09.05, abr. 04.03.08)
- 14172 Fees Agreement**
(24.04.84, 13.09.05, abr. 04.03.08)
- 14173 Separate and Distinct Supervision for each Managed Account**
(24.04.84, 13.09.05, abr. 04.03.08)
- 14174 Code of Ethics**
(24.04.84, 13.09.05, abr. 04.03.08)
- 14174 Omnibus Accounts**
(24.04.84, abr. 13.09.05)

Section 14201 – 14225
(04.03.08)

Margins for Derivative Instruments

- 14201 Margin Requirements on Derivative Instruments**
(24.04.84, 13.09.05, 04.03.08)

The margin requirements applicable to all positions in derivative instruments listed on the Bourse and held by an approved participant or on behalf of its clients are determined, from time to time by the Bourse, in collaboration with the clearing corporation.

Margin requirements established by the Bourse may be made applicable to one or more rather than all approved participants or clients if deemed necessary by the Bourse.

- 1) Every client and non-client position must be marked to the market daily.
- 2) Every approved participant must collect from its clients and non-clients for whom trades in derivative instruments are effected, a margin (which margin must be maintained) of not less than the minimum prescribed under the rules or regulations of the derivatives exchange on which the derivative instrument is traded (or its clearing corporation).
- 3) Every approved participant must collect from each of its clients and non-clients for whom trades are effected through an omnibus account the amount of margin that would be required from such clients and non-clients if their trades were effected through fully-disclosed accounts.
- 4) The Bourse may, in its discretion, require one or more or all approved participants to collect from one or more or all clients or non-clients for whom trades in derivative instruments are effected an amount of margin greater than the minimum prescribed under the rules or regulations of the derivatives exchange on which the derivative instrument is traded (or its clearing corporation). The Bourse may

set such requirements with respect to any or all derivative instruments positions of a client or non-client.

Note: Many derivatives exchanges (especially in the United States) prescribe margin requirements based on initial and maintenance rates. In such cases, when a derivative instrument position is entered into, the approved participant must collect from the client an amount of margin not less than the prescribed initial margin rate. Subsequently, adverse price movements in the value of the derivative instruments may reduce the client's margin on deposit to an amount below the maintenance margin level. When this happens the approved participant must then collect from the client a further amount sufficient to restore the margin on deposit to the initial rate.

14202 Orders in Undermargined Client Accounts

(24.04.84, 13.09.05)

Approved participants must not accept orders for new trades from a client unless the minimum amount of margin for the new trades is on deposit or is forthcoming within a reasonable time and unless the margin on that client's pre-existing open positions complies with the margin requirements established by the Bourse or is forthcoming within a reasonable time. Client credits in excess of margin requirements on all open positions may be allocated to the margin on a new commitment.

14203 Margin Calls

(24.04.84, 18.04.85, 13.09.05)

An approved participant may call for additional margins at his discretion, but whenever a client's margin is below the minimum amount required, the approved participant must call for such additional margin necessary to bring the account up to the required level, and the amount of such additional margin must, each time a margin call is made, be calculated to be no less than the amount of the liability of the approved participant to the clearing corporation, for margin in respect of the same open position, as if no other positions were at that time registered with the clearing corporation.

If within a reasonable delay the client fails to comply with such demand, the approved participant may close out all of the client's positions or sufficient positions to restore the client's account to the required margin status.

If the approved participant is unable to contact the client, a written demand sent to or left at the client's place of business or at the address provided by him to the approved participant shall be deemed sufficient.

Approved participants must keep a written record of all margin calls, whether they made in writing, by telephone or by other means of communication.

14204 Closing out of Client's Positions

(24.04.84, 13.09.05)

In the event of the failure of an approved participant to maintain client margins as required under this Rule, the Bourse may order such approved participant to immediately close out all or such part of the positions on his books in order to correct the margin deficiency.

14205 Margins on Day Trading
(10.03.81, 24.04.84, 13.09.05, 04.03.08)

An approved participant may use his discretion in permitting a client having an established account to make day trades in derivative instruments without margining each transaction, provided that any such transactions which are not closed out on the same day shall be subject to the full amount of margin required.

14206 Intercommodity or Intermarket Spread Margins
(24.04.84, 13.09.05)

Intercommodity or intermarket spread margins must be those determined from time to time by the Bourse.

Section 14226 - 14250
Bona Fide Hedger Accounts
(04.03.08)

14226 Definition of a Bona Fide Hedge
(24.04.84, 13.09.05, 04.03.08)

Bona fide hedging transactions and positions are transactions or positions in derivative instruments or transactions to be made or positions to be taken at a later time in the cash market, which are economically appropriate to the reduction of risks in the conduct and management of a commercial enterprise and which arise from:

- a) the potential change in the value of assets which a person owns, or merchandises or anticipates owning, or merchandising;
- b) the potential change in the value of liabilities which a person owes or anticipates incurring;
- c) the potential change in the value of services which a person provides, purchases or anticipates providing or purchasing.

Notwithstanding the foregoing, no transactions or positions shall be considered as bona fide hedges for the purposes of this Rule unless their purpose is to offset price risks incidental to commercial cash operations and unless the relevant provisions of this Rule have been satisfied.

14227 Bona Fide Hedger Accounts
(24.04.84, 30.12.93, 13.09.05, 04.03.08)

An approved participant must not consider an account as a bona fide hedger account unless the following conditions have been satisfied:

- a) the prospective hedger has stated that:
 - 1) the intended positions will be bona fide hedges;
 - 2) the hedges are necessary or advisable as an integral part of his business (fully explaining the nature and extent of his business);

- b) the hedge positions are kept in a separate hedge account in the records of the approved participant;
- c) the hedger complies with whatever limitations or requirements the Bourse imposes in connection with such hedges;
- d) the hedger complies with all applicable Rules and Policies of the Bourse;
- e) hedges are made in an orderly manner in accordance with sound commercial practices, and are not initiated or liquidated in a manner that would cause unreasonable price fluctuations or unwarranted price changes.

14209 Deductions from Net Allowable Assets – Futures Contracts and Options on Futures Contracts
(13.09.05, abr. 04.03.08)

1Section 14251 – 14300
Requirements for Dealing with
U.S. Clients in
Mercantile Futures Contracts

14251 Definitions
(18.04.85, abr. 13.09.05)

14252 Obligations of Members Dealing with U.S. Clients
(18.04.85, abr. 13.09.05)