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| <input type="checkbox"/> Trading – Interest Rate Derivatives | <input type="checkbox"/> Back-office - Options |
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CIRCULAR
February 1, 2005

ACCEPTABLE SECURITIES LOCATIONS

AMENDMENTS TO THE GENERAL NOTES AND DEFINITIONS OF POLICY C-3

The Special Committee – Regulatory Division of Bourse de Montréal Inc. (the “Bourse”) approved amendments to the General Notes and Definitions of Policy C-3 of the Bourse, which deal with the definition of an “acceptable securities location”. These amendments are effective immediately.

The main objective of the amendments is to clarify the situations where a written custody agreement is not required so that banks and trust companies acting as transfer agents can be considered as acceptable securities locations. From now on, a written custody agreement shall be entered into when a bank or a trust company acts as transfer agent and offers custody services in order to have this bank or trust company considered as an acceptable securities location. Consequently, the exemption of having a written custody agreement will apply only in the case where the bank or the trust company acts solely as transfer agent without providing custody services.

For further information, please contact Jacques Tanguay, Vice-President, Regulatory Division, at (514) 871-3518, or by e-mail at jtanguay@m-x.ca.

Joëlle Saint-Arnault
Vice-President, Legal Affairs and Secretary

Circular no.: 015-2005
Amendments no.: 002-2005

JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT GENERAL NOTES AND DEFINITIONS

DEFINITIONS:

- (d) **“acceptable securities locations”** means those entities considered suitable to hold securities on behalf of a Member, for both inventory and client positions, without capital penalty, given that the locations meet the requirements outlined in the segregation bylaws, rules or regulations of the Joint Regulatory Bodies including, but not limited to, the requirement for a written custody agreement outlining the terms upon which such securities are deposited and including provisions that no use or disposition of the securities shall be made without the prior written consent of the Member and the securities can be delivered to the Member promptly on demand. The entities are as follows:
1. Depositories
 - (a) Canada
The Canadian Depository for Securities Limited
Canadian Derivatives Clearing Corporation
WCE Clearing Corporation
 - (b) United States
Depository Trust Company
Pacific Securities Depository Trust Company
Midwest Securities Trust Company
Stock Clearing Corporation of Philadelphia
Options Clearing Corporation
 - (c) Other Foreign
Foreign securities depositories or clearing agencies incorporated or organized under the laws of the foreign country and operating a central system for handling securities or equivalent book-based entries in that country and subject to enabling legislation by a central government authority in the country of operation that provides for compliance and powers of enforcement over its members. The SROs will maintain and regularly update a list of those foreign depositories or clearing agencies that comply with these criteria.
 2. (a) Acceptable Institutions which in their normal course of business offer custodial security services; or
(b) Subsidiaries of Acceptable Institutions provided that each such subsidiary, together with the Acceptable Institution, has entered into a custodial agreement with the member containing a legally enforceable indemnity by the Acceptable Institution in favour of the Member covering all losses, claims, damages, costs and liabilities in respect of securities and other property held for the Member and its clients at the subsidiary's location.
 3. Acceptable Counterparties - with respect to security positions maintained as a book entry of securities issued by the Acceptable Counterparty and for which the Acceptable Counterparty is unconditionally responsible.
 4. Banks and Trust Companies otherwise classified as Acceptable Counterparties - with respect to securities for which they act as transfer agent and for which custody services are not being provided (in such case, a written custody agreement is not required).
 5. Mutual Funds or their Agents - with respect to security positions maintained as a book entry of securities issued by the mutual fund and for which the mutual fund is unconditionally responsible.
 6. Regulated entities.
 7. Foreign institutions and securities dealers that satisfy the following criteria:
 - (a) the paid-up capital and surplus according to its most recent audited balance sheet is in excess of Cdn. \$150 million as evidenced by the audited financial statements of such entity;
 - (b) in respect of which a foreign custodian certificate has been completed and signed in the prescribed form by the Member's board of directors or authorized committee thereof;provided that:
 - (c) a formal application in respect of each such foreign location is made by the Member to the relevant joint regulatory authority in the form of a letter enclosing the financial statements and certificate described above; and
 - (d) the Member reviews each such foreign location annually and files a foreign custodian certificate with the appropriate joint regulatory authority annually.and such other locations which have been approved as acceptable securities locations by the Joint Regulatory Body having prime jurisdiction over the Member.