☒	Trading – Interest Rate Derivatives	☐	Back-office - Options
☐	Trading – Equity and Index Derivatives	☒	Technology
☒	Back-office – Futures	☒	Regulation
		☐	MCeX

CIRCULAR
February 15, 2012

SELFCERTIFICATION

NEW PRODUCT
OVERNIGHT INDEX SWAP FUTURES CONTRACTS (OIS)

ADDITION OF NEW ARTICLES TO RULE FIFTEEN (SECTIONS 15998.1 – 15999.3, OVERNIGHT INDEX SWAP FUTURES)

AMENDMENTS TO ARTICLES 6801, 6802, 6803, 6804, 6807, 6808 AND 6812 OF RULE SIX

MODIFICATIONS TO THE PROCEDURES APPLICABLE TO THE EXECUTION OF CROSS TRANSACTIONS AND THE EXECUTION OF PREARRANGED TRANSACTIONS, THE PROCEDURES APPLICABLE TO THE EXECUTION OF BLOCK TRADES, THE DAILY SETTLEMENT PRICE PROCEDURES FOR FUTURES CONTRACTS AND OPTIONS ON FUTURES CONTRACTS, AND THE PROCEDURES FOR THE CANCELLATION OF TRADES

The Rules and Policies Committee of Bourse de Montréal Inc. ("**Bourse**") approved amendments to Rules Six and Fifteen and to applicable Procedures of Bourse in order to launch the Overnight Index Swap Futures Contracts ("**OIS**"). Bourse will proceed with the launch of the OIS on **February 24, 2012**. Bourse wishes to advise Approved Participants that such amendments were self-certified in accordance with the self-certification process as established in the *Derivatives Act* (R.S.Q., chapter I 14.01).

Amendments to Rules Six and Fifteen and to Procedures applicable to the OIS, which you will find enclosed, will become effective on **February 16, 2012**. Please note that amended versions of the rules and procedures of Bourse will be available on Bourse's website (www.m-x.ca).

For further information, please contact François Gilbert, Vice-President, Legal Affairs, Derivatives, at 514 871-3528 or at legal@m-x.ca.

François Gilbert
Vice President, Legal Affairs, Derivatives
Bourse de Montréal Inc.

Circular no.: 017-2012

NEW PRODUCT
OVERNIGHT INDEX SWAP FUTURES CONTRACTS (OIS)

Addition of new articles to Rule Fifteen (Sections 15998.1 – 15999.3, Overnight Index Swap Futures)

Amendments to articles 6801, 6802, 6803, 6804, 6807, 6808 and 6812 of Rule Six

Modifications to the Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions, the Procedures Applicable to the Execution of Block Trades, the Daily Settlement Price Procedures for Futures Contracts and Options on Futures Contracts, and the Procedures for the Cancellation of Trades

Introduction

Bourse de Montréal Inc. (the Bourse) intends to launch a new derivative product entitled the "Overnight Index Swap Futures Contracts" (OIS). The OIS contract is a short-term interest rate futures contract that complements a similar contract that is currently listed at the Bourse – the 30-day Overnight Repo Rate futures contract (ONX). However, one of the OIS contract's distinguishing feature compared to the ONX contract is that it is referenced to the Bank of Canada Fixed Announcement Dates (FADs), enhancing hedging and exposure opportunities for short-term money market traders, Government of Canada bond desks and cash managers.

I. Proposed Regulatory Amendments

The Bourse proposes to add new articles 15998.1 – 15999.3 to Rule Fifteen and to amend articles 6801, 6802, 6803, 6804, 6807, 6808 and 6812 of Rule Six. In addition, the Bourse proposes amending the following procedures:

- Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions
- Procedures Applicable to the Execution of Block Trades
- Daily Settlement Price Procedures for Futures Contracts and Options on Futures Contracts
- Procedures for the Cancellation of Trades

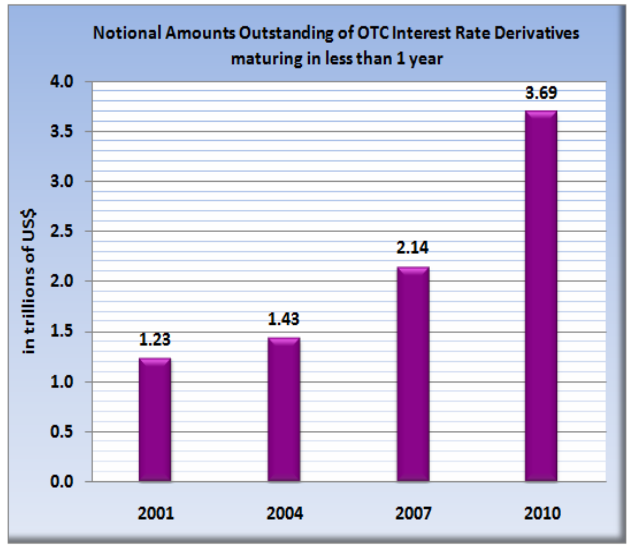
All these additions and amendments to the Rules and Procedures will facilitate the listing and trading of the OIS contract on the Bourse's electronic trading platform.

II. Rationale

The Bourse is expanding its product coverage of the Canadian short-term interest rate market with the introduction of the Overnight Index Swap futures contracts (OIS) in response to growing market demand for derivative products that more accurately reflect shorter term interest rate exposures.

In the wake of the 2007/2008 financial crisis, activity has soared in the over-the-counter Overnight Index Swap market as CDOR-based instruments (Canadian Dealer Offered Rate) often did not capture movements in policy rates as a result of credit-induced widening in CDOR rates. Many factors have fueled the growth in the OIS market. Since the third quarter of 2007 these factors prominently include a jump in the volatility of spreads between the reference overnight rate and CDOR/LIBOR, coupled more recently with a considerable jump in repo trading activity in Canada.

In fact since 2007, notional amounts outstanding of over-the-counter interest rate derivatives (Swaps and FRAs) maturing in less than 1 year have grown 20 percent per annum.



Source: Bank of Canada

Hence, the Bourse is meeting the evolving market demand with the introduction of the OIS futures contract to offer market participants enhanced hedging and exposure opportunities for money market trading.

In the Canadian OIS market, the reference rate is the Overnight Repo Rate Average (CORRA) reported by the Bank of Canada[1]. CORRA is a weighted average rate of overnight collateralized repo trades that occur on the screens of inter-dealer brokers on a specified date as reported to the Bank of Canada.

- **Rationale for the Overnight Index Swap Futures Contract:**

OVERNIGHT INDEX SWAP FUTURES CONTRACT

Rationale for Product	Uses	Market Participants
▪ Product provides a better measure for the direction of the Bank of Canada's future policy rate changes ▪ Market trades OIS to reflect Bank of Canada fixed announcement dates to fixed announcement dates (FADs) ▪ More precise hedge for OIS as it uses a geometric average of the CORRA to reflect OIS market convention ▪ More reflective of market conditions – unlike CDOR and LIBOR based products, the underlying index for OIS is based on traded rates rather than a poll	▪ Market participants predominantly use OIS market for hedging activities, which are often related to risk management (hedge swap books and repo transactions) ▪ Participants use OIS to hedge either their funding costs or their exposure to short-term interest rate movements ▪ OIS can also be used to alter the term structure (duration) of a portfolio ▪ Market participants may use OIS to speculate on the future path of the Bank of Canada's target overnight rate (Overnight index swaps provide a gauge of what the overnight rate is expected to average over a given period)	▪ Participants include a broad array of financial entities: banks, investment dealers, inter-dealer brokers, corporations, investment funds (CTA's and hedge funds), pension funds, insurance companies and trust companies. ▪ Commercial banks and investment dealers are the largest borrowers and lenders of funds in the overnight market, primarily because of their market making activities in a wide variety of financial assets which require them to hold inventories of financial securities financed largely by borrowing in the overnight market.

[1] http://www.bankofcanada.ca/rates/interest-rates/money-market-yields/

III. Detailed Analysis

A. The Overnight Market

Major financial market participants in Canada with a temporary surplus or shortage of funds use the overnight market to lend or borrow funds among themselves until the next business day. The interest rate at which these transactions occur is referred to as the overnight rate and it is through its influence on the level of this rate that the Bank of Canada implements monetary policy. This is done by setting a target level for the overnight rate, often referred to as the Bank of Canada's key interest rate or policy rate.

Hence, the overnight market is an active forum for trading short-term funds that provides flexibility in cash management for both lenders and borrowers of funds, and the level of interest rates in the overnight market has always been closely linked to the Bank of Canada's monetary policy operations.

The Overnight market in Canada is characterized in large part as follows:

- Overnight Index Swap market;
- Market for wholesale deposits; and
- Collateralized transactions (repo market)

However, the success of the Overnight market has been primarily driven by the explosive growth of the Overnight Index Swap segment. The most actively traded product in the over-the-counter Overnight market is an Overnight Index Swap (OIS). An OIS is an over-the-counter derivative in which two parties agree to exchange, or swap, for an agreed period, a fixed interest rate determined at the time of the trade for a floating rate that will vary over time based on a published overnight index. In this regard, Overnight Index Swap contracts are similar to traditional fixed-for-floating interest rate swaps. *The distinguishing feature of the Overnight Index Swap is that the Canadian Overnight Repo Rate Average (CORRA) over the period of the swap is the reference rate for floating leg of the swap. Specifically, the practice in the OIS market is to use the compounded rate of return of the daily CORRA, expressed as an average over the number of days in the swap.*

Market participants predominantly use the Overnight Index Swap market for hedging activities, which are often related to risk management. Specifically, participants can use the Overnight Index Swap to hedge either their funding costs or their exposure to short-term interest rate movements. The Overnight Index Swap market can be used as well to alter the term structure of a portfolio or for taking a speculative position on the future path of the Bank of Canada's target overnight rate.

Market Size

The Canadian overnight index swap market has grown considerably since it was introduced in March 1999. Although it is difficult to determine the market's exact size, information obtained from dealers suggest that the notional principal amount outstanding has soared from between $40 billion to $100 billion in the spring of 2007 to between $750 billion to $1 trillion in the spring of 2011. This makes the overnight index swap market the largest segment of the money market, ahead of such money market instruments as Commercial Paper, Bankers' Acceptances and Government of Canada Treasury Bills, which have outstanding amounts of around $52 billion, $50 billion and $167 billion, respectively. The overnight index swap market is larger as well compared to the market for futures contracts on Bankers' Acceptances which have an open interest of around $620 billion (June 2011).

Market Overview

The OIS market is highly customizable with terms that can cover any set of dates. Typically, the terms to maturity for OIS range from one week to one year, with the majority of trading and quotes concentrated in relatively short and standardized maturities of three months or less. In fact, there is considerable trading activity in the OIS market for terms that span one Bank of Canada Fixed Announcement Date (FADs) to another, and there is an increase in trading as well as a result of repo transactions that mature on, or close to FADs.

In regard to market quality and liquidity, the bid/ask spreads for OIS are generally 1 to 2 basis points (bps) for swaps of three months or less, 2 to 3 bps for swaps of six months, and three to five bps for longer-term swaps. However, bid/ask spreads can vary from day to day, depending on market conditions. The more common factors that affect spreads include the predictability and consistency of the CORRA and the relative level of uncertainty about future changes in the target overnight rate by the Bank of Canada.

The standard quote sizes for an OIS tend to be between $25 million and $125 million, with the $125 million applying to contracts up to three months and the $25 million applying to longer contracts. However, the average trade size of actual transactions tends to be between $200 and $300 million in the 1-month area, and $50 to $100 million for longer dated contracts - amounts that are significantly larger compared to the standard quotes. Market depth and liquidity is quite good and it is not uncommon to see large sized transactions for over $1 billion in the 1-month area and several hundred million dollars for other swap terms on a daily basis.

Market Participants

Participants in the overnight index swap market include a broad array of financial entities: banks, investment dealers, inter-dealer brokers, corporations, investment funds (including hedge funds), pension funds, insurance companies, trust companies, finance companies, government agencies, and the Government of Canada. Over the past decade, the range of participants has not changed dramatically. However, their relative importance has changed somewhat, with institutional investors in general playing a modestly larger role in this market.

Commercial banks and investment dealers remain the largest borrowers and lenders of funds in the overnight market, primarily because of their market making activities in a wide variety of financial assets (e.g., stocks and bonds), which require them to hold inventories of financial securities financed largely by borrowing in the overnight market. Other participants, such as asset managers (including hedge fund managers) and sophisticated investors, also use the overnight market to finance their market positions.

Financial institutions are the main providers of liquidity in the overnight market and are usually willing to provide quotes for both borrowing and lending overnight funds to their clients and other financial institutions.

IV. Proposed product

A. OIS Futures Contract

The proposed Overnight Index Swap (OIS) futures contract is designed following consultation with market participants active in the OIS market. The details of the contract specifications of the proposed OIS futures contract are included in Appendix I.

Essentially, the price of the OIS futures contract represents the market's expectation of the Canadian Overnight Repo Rate Average (CORRA), compounded daily, over the period of the futures contract.

- **Contract Design**

The OIS contract is similar to the 30-day Overnight Repo Rate futures contract (ONX) currently listed by the Bourse, however, *there are two major differences:*

⇒ **Calculation Period:** The OIS contract reflects the CORRA *calculated over the period of the contract month that begins the day following the last Bank of Canada Fixed Announcement Date to the day of the next Bank of Canada Fixed Announcement Date (FAD date to FAD date which is typically on average 45 calendar days)*. Whereas, the ONX contract reflects the CORRA calculated over the number of calendar days in the contract month (which is typically on average 30 days).

⇒ **Calculation of the CORRA:** The OIS contract reflects the *compounded rate of return of the daily overnight repo rate (CORRA), expressed as an average (geometric average)* over a period. Whereas, the ONX contract reflects the simple average rate of return of the CORRA over a period.

Hence, the proposed OIS futures contract, rather than being referenced to calendar months - as per the ONX futures contract - has an accrual period in line with the Bank of Canada Fixed Announcement Dates (FADs), to reflect the practice of the Overnight Index Swaps market – the largest segment of the Overnight market in Canada.

In fact, the Bank of Canada's framework for the FADs consists of 8 pre-specified dates per year on which policy rate decisions are announced[2]. The number of days between FADs varies from 40 to 51 days – with an average of about 45 days.

CONTRACT SPECIFICATIONS – SALIENT FEATURES

	Current ONX Futures (30-day Overnight Repo Rate Futures Contract)	Proposed OIS Futures (Overnight Index Swap Futures Contract)
Contract Size	5 000 000$	5 000 000$
Settlement Method	Cash Settlement 100 minus the simple average (arithmetic) of the daily overnight repo rate (CORRA) for the period	Cash Settlement 100 minus the compounded average (geometric) of the daily overnight repo rate (CORRA) for the period
Tick Size	0.005 = C$20.55 (one-half of 1/100 of one percent of C$5,000,000 on a 30/365 day basis)	0.001 = C$6.25 (one-tenth of 1/100 of one percent of C$5,000,000 on a 45.625/365 day basis)
Final Settlement Price Calculation	▪ The contract is cash settled against the monthly average of the daily overnight repo rate for the contract month. ▪ The daily overnight repo rate (CORRA) is calculated and reported by the Bank of Canada. ▪ The monthly average is a simple arithmetic average corresponding to the sum of the daily overnight repo rates divided by the number of calendar days in the month.	▪ The contract is cash settled against the compounded average of the daily overnight repo rate for the contract month. ▪ The daily overnight repo rate (CORRA) is calculated and reported by the Bank of Canada. ▪ The average is the compounded daily overnight repo rate over the period of the contract that begins the day following the last Bank of Canada Fixed Announcement Date to the day of the next Bank of Canada Fixed Announcement Date. (FAD date to FAD date)
Contract Expirations	12 contract expirations per year (monthly)	Contract expirations to match the published Bank of Canada Fixed Announcement Dates

B. Potential Users of the OIS Contract

- Traders who have an underlying need for cash in the near term that use near dated short-term interest rate futures contract to hedge:
  - ⇒ Swap traders
  - ⇒ Repo traders
  - ⇒ T-Bill traders
  - ⇒ Bond Desks

[2] http://www.bankofcanada.ca/monetary-policy-introduction/key-interest-rate/schedule/

- Speculators, proprietary traders, algorithmic traders and hedge funds to manage directional trading, and to trade the spread between OIS and CDOR/LIBOR (credit spread).

V. Summary of the Proposed Amendments to the Rules of the Bourse

The current Rules of the Bourse do not allow for the listing of the Overnight Index Swap futures contract (OIS). Consequently, amendments and additions to Rules Six and Fifteen of the Bourse are necessary to allow for the listing of the contract. In addition, the Bourse proposes to amend the following procedures: the Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions, the Procedures Applicable to the Execution of Block Trades, the Daily Settlement Price Procedures for futures contracts and Options on Futures Contracts, and the Procedures for the Cancellation of Trades.

A – Articles 6801, 6802, 6803, 6804, 6807, 6808 and 6812 of Rule Six

It is proposed to amend articles 6801, 6802, 6803, 6804, 6807, 6808 and 6812 of Rule Six of the Bourse in order to add the trading specifications of the OIS contract.

B – Articles 15998.1 to 15999.3 of Rule Fifteen

It is proposed to add articles 15998.1 to 15998.9 and 15999.1 to 15999.3 to Rule Fifteen of the Bourse in order to add specific trading and settlement provisions applicable to the OIS contract.

C- Procedures Applicable to the Execution of Cross Transactions and Prearranged Transactions

The Bourse proposes that the Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions (PCPT) be amended to include the OIS contract. The PCPT is amended so that the prescribed exposure time delays which must occur at or between the current best bid and the current best offer available in the electronic system of the Bourse and the minimum quantity thresholds for futures contracts on the OIS contract be established in accordance with the requirements of article 6380 of the Bourse's Rules. The prescribed time delay for the OIS contract will be set at 5 seconds with no minimum quantity threshold – in accordance with the established exposure time delays and minimum quantity threshold for interest rate futures contracts.

D- Procedures Applicable to the Execution of Block Trades

The Bourse proposes that the Procedures Applicable to the Execution of Block Trades (PAEBT) be amended to include the OIS contract. It is proposed that the PAEBT be amended such that the prescribed time delay to report a block trade to the Bourse and the minimum quantity threshold for the OIS contract is established in accordance with article 6380 of the Bourse's Rules.

The prescribed time delay to report block trades to the Bourse for OIS futures contracts will be set at 15 minutes, in accordance with the established prescribed time delay for all permissible futures contracts on the list identified in the procedures applicable to the execution of block trades.

To reflect large sized transactions that take place in the over-the-counter OIS market, it is proposed to establish the minimum threshold quantity for a block trade for the OIS contract at 200 contracts (a notional amount of $1 billion). The minimum threshold quantity for a block trade may be re-evaluated, based on accumulated trading history, and adjusted if necessary.

E- Daily Settlement Price Procedures of Futures Contracts and Options on Futures Contracts

The Bourse proposes to amend the Daily Settlement Price Procedures for Futures Contracts and Options on Futures Contracts (DSPP) so that the requirements related to the daily settlement prices of the OIS contract are established in accordance with article 6390 of the Bourse's Rules.

Similarly to the 30-day overnight repo rate futures contract (ONX), it is proposed to establish the closing range of the OIS contract at 3 minutes. The closing range may be re-evaluated periodically, based on accumulated trading history, and adjusted if necessary.

Based on the requirements of article 6390 and of the DSPP, OIS futures contracts have been integrated in the section 4.8 of the DSPP. Hence, the settlement price shall be the weighted average of all traded prices during the closing range. The closing range is defined as the last 3 minutes of the trading session for all OIS futures contracts.

F- Procedures for the Cancellation of Trades

To protect the integrity of the market and to ensure that input errors can be corrected when a transaction outside the no cancel range is identified by the Bourse's market supervisors, the current Bourse error policy shall be adopted for all OIS futures contracts.

In order to minimize the impact for all market participants, the no cancel range must be set wide enough so that it captures exceptional situations such as when a trade is executed at an unrepresentative price or, when a good faith input error occurs.

The Bourse proposes to amend the Procedures for the Cancellation of Trades (PCT) so that the requirements for trade cancellations for OIS futures contracts are established in accordance with articles 6303, 6381, 6382, 6383, 6384 and 6385 of the Bourse's Rules.

Based on the requirements of articles 6303, 6381, 6382, 6383, 6384 and 6385 and of the PCT, OIS futures contracts have been added to the list of derivative instruments.

Similarly to the 30-day overnight repo rate futures contract (ONX), the increment parameter of the PCT for the OIS futures contracts has been established at 5 basis points for outright positions and 5 basis points for strategies positions. The no-cancel range for the OIS futures contracts will apply for all trading sessions.

G- Terms and conditions for margin requirements

The Rules of the Bourse do not specify any amounts regarding margins applicable to futures contracts listed on the Bourse. These margins are revised periodically (at least once a month) by the Bourse based on the margin intervals calculated by CDCC and transmitted to approved participants by means of circular. Bank of Canada Overnight Index Swap futures contracts will be subject to the same updates as the one applicable to all futures contracts.

H- Terms and conditions for position limits

The terms and conditions for the position limits for OIS futures contracts are found in Article 15998.7 of Rule Fifteen. Similarly to the 30-day overnight repo rate futures contract (ONX), the Bourse recommends that the position limit for the OIS contract should be established at 5,000 contracts for speculators, and 7,000 contracts for hedgers.

I- Terms and conditions for reporting level

The terms and conditions for the reporting level of OIS futures contracts are found in Article 15978 of Rule Fifteen. The Bourse recommends that approved participants must report, no later than three business days following the last business day of each week, any gross long or gross short position in excess of 300 contracts in the case of OIS futures contracts.

VI. Objective of the Proposed Amendments to the Rules of the Bourse

The objectives of the proposed amendments to articles 6801, 6802, 6803, 6804, 6807, 6808 and 6812 of Rule Six as well as to the relative Procedures (as described above) and of the addition of articles 15998.1 – 15998.9 and 15999.1 – 15999.3 to Rule Fifteen are to:

- ⇒ Allow the introduction of Overnight Index Swap futures contracts; and
- ⇒ Establish the specifications of Overnight Index Swap futures contracts.

VII. Public Interest

The amendments and additions to the Rules of the Bourse are proposed in order to make the use of Overnight Index Swap futures contracts accessible and efficient for the market participants who have expressed their support for such contracts.

VIII. Process

The proposed amendments to Rules Six and Fifteen of the Bourse as well as to the procedures are submitted to the Rules and Policies Committee of the Bourse for approval and will then be submitted to the Autorité des marchés financiers (AMF) for self-certification purposes. These modifications will be transmitted as well to the Ontario Securities Commission (OSC) for information.

IX. Documents Attached

- Specifications for the Overnight Index Swap futures contracts
- Rule Six of Bourse de Montréal Inc.: amendments to articles 6801, 6802, 6803, 6804, 6807, 6808, and 6812
- Rule Fifteen of Bourse de Montréal Inc.: addition of new sections 15998.1 to 15998.9 and 15999.1 to 15999.3
- Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions
- Procedures Applicable to the Execution of Block Trades
- Daily Settlement Price Procedures for Futures Contracts and Options on Futures Contracts
- Procedures for the Cancellation of Trades

OIS – Overnight Index Swap Futures

Trading Unit	Each contract shall be for a nominal value of C$5,000,000.
Underlying	The compounded daily overnight repo rate (CORRA) quoted in terms of an overnight repo rate index.
Fixed Rate and Floating Rate of the Swap	Fixed for floating interest rate swap where a fixed rate is swapped against a floating rate. The floating rate is the compounded daily overnight repo rate (CORRA) over the period of the contract month.
Contract Months	Contract months will be listed to match the Bank of Canada's schedule of Fixed Announcement Dates.
Price Quotation	Index: 100 – R R = the compounded daily overnight repo rate (CORRA) for the contract month. It is calculated in accordance with the following formula: $R = \left[\prod_{i=1}^{d_0} \left(1 + \frac{\mathrm{ORR}_i \times n_i}{365} \right) - 1 \right] \times \frac{365}{d} \times 100$ where: "d_o", the number of Business Days in the calculation period; "i" is a series of whole numbers from one to d_o, each representing the relevant Business Day in chronological order from, and including, the first Business Day in the relevant Calculation Period; ORR_i = Overnight Repo Rate (CORRA) on the i^{th} day of the calculation period (if the i^{th} day is not a business day, the previous available CORRA is used); "n_i" is the number of calendar days in the relevant Calculation Period on which the rate is ORR_i; "d" is the number of calendar days in the relevant Calculation Period.
Last Trading Day	The day of a Bank of Canada Fixed Announcement Date.
Contract Type	Cash settlement.
Minimum Price Fluctuation	0.001 = C$6.25 (one-tenth of 1/100 of one percent of C$5,000,000 on a 45.625/365 day basis).
Reporting Limit	300 contracts.

Position Limits	Information on position limits can be obtained from the Exchange as they are subject to periodical changes.
Final Settlement Price	The final settlement price shall be determined by the Bourse and shall be equal to 100 minus the compounded daily overnight repo rate (CORRA) expressed in terms of an overnight repo rate index and calculated over the period of the contract month that begins the day following the last Bank of Canada Fixed Announcement Date to the day of the next Bank of Canada Fixed Announcement Date. Weekend and holiday rates are considered to be the rate applicable on the previous business day for which a rate was reported. For example, Friday's rate is used for Saturday and Sunday rates. The daily overnight repo rate (CORRA) is calculated and reported by the Bank of Canada. The final settlement price is rounded to the nearest 1/10th of one basis point (0.001). In the case a decimal fraction ends with 0.0005 or higher, the final settlement price shall be rounded up The final settlement price is determined on the first business day following the last day of trading.
Minimum Margin Requirements	Information on minimum margin requirements can be obtained from the Exchange as they are subject to periodical changes.
Daily Price Limit	None
Trading Hours (Montréal time)	Early session: 6:00 a.m. to 7:45 a.m. Regular session: 8:00 a.m. to 3:00 p.m. Extended session*: 3:09 p.m. to 4:00 p.m. * There is no extended session on the last trading day of the expiring contract month. Note: During early closing days, the regular session closes at 1:00 p.m., time at which the daily settlement price is established. In those circumstances, the extended session is from 1:09 p.m. to 1:30 p.m.
Clearing Corporation	Canadian Derivatives Clearing Corporation (CDCC).
Ticker Symbol	OIS

RULE SIX

TRADING

D. SPECIAL RULES FOR TRADING FUTURES CONTRACTS

Section 6801 - 6820
Terms of Trade
Futures

6801 Standard Trading Unit
(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 29.04.02, 14.06.02, 03.05.04, 24.07.06, 16.11.07, 30.05.08, 15.05.09, 18.06.10, 01.09.10, 01.10.10, 06.05.11, 16.02.12)

No futures contract shall be traded on the Bourse unless it has standardized terms and is issued by the appropriate clearing corporation in cooperation with the Bourse.

Unless otherwise determined by the Bourse, each trading unit shall consist of the following:

a) in the case of the 30-day overnight repo rate futures:

a nominal value of CAN$5,000,000.

b) in the case of the Overnight Index Swap futures:

a nominal value of CAN$5,000,000.

c) in the case of the 1-month Canadian bankers' acceptance futures:

a nominal value of CAN$3,000,000 of 1-month Canadian bankers' acceptances.

d) in the case of the 3-month Canadian bankers' acceptance futures:

a nominal value of CAN$1,000,000 of 3-month Canadian bankers' acceptances.

e) i) in the case of 2-year Government of Canada Bond futures expiring before December 2010:

CAN$200,000 nominal value of a notional Government of Canada Bond bearing a coupon of 4%.

ii) in the case of the December 2010 2-year Government of Canada Bond futures and for subsequent contract months:

CAN$200,000 nominal value of a notional Government of Canada Bond bearing a coupon of 6%.

f) in the case of the 5-year Government of Canada Bond futures:

CAN$100,000 nominal value of a notional Government of Canada Bond bearing a coupon of 6%.

g) in the case of the 10-year Government of Canada Bond futures:

CAN$100,000 nominal value of a notional Government of Canada Bond bearing a coupon of 6%.

h) in the case of the 30-year Government of Canada Bond futures:

CAN$100,000 nominal value of a notional Government of Canada Bond bearing a coupon of 6%.

i) in the case of the futures contract on the S&P/TSX 60 Index:

i) in the case of standard futures contracts on the S&P/TSX 60 Index: CAN $200 times the S&P/TSX 60 Index standard futures contract level; and

ii) In the case of mini futures contracts on the S&P/TSX 60 Index: CAN $50 times the S&P/TSX 60 Index mini futures contract level.

j) in the case of the mini futures contract on the S&P/TSX Composite Index:

CAN $5 times the level of the S&P/TSX Composite Index mini futures.

k) in the case of the futures contract on designated S&P/TSX sectorial indices:

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

l) in the case of the futures contract on Canadian and international stocks:

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

m) in the case of the futures contract on carbon dioxide equivalent (CO_2e) units with physical settlement:

100 carbon dioxide equivalent (CO_2e) units. Each unit is an entitlement to emit one metric ton of carbon dioxide equivalent (CO_2e).

n) in the case of the futures contract on carbon dioxide equivalent (CO_2e) units with cash settlement:

100 carbon dioxide equivalent (CO_2e) units. Each unit is an entitlement to emit one metric ton of carbon dioxide equivalent (CO_2e).

o) in the case of the futures contract on designated Canadian Crude Oil:

1,000 U.S. barrels.

6802 Price
(24.01.86, 22.04.88, 08.09.89, 17.10.91, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 14.06.02, 03.05.04, 30.05.08, 15.05.09, 18.06.10, 16.02.12)

a) During the life of a contract, only the price per unit of physical commodity is negotiable.

b) The price for any particular delivery month of a contract is determined by the bids and offers made on the Bourse, subject to the regulations.

c) Unless otherwise determined by the Bourse, the price shall be quoted as follows:

Government of Canada Bond futures	Per CAN$100 nominal value
30-day overnight repo rate futures	In terms of an index of 100 minus the monthly average overnight repo rate in percentage point on an annual basis for a 365-day year
Overnight Index Swap futures	In terms of an index of 100 minus the compounded daily overnight repo rate in percentage point on an annual basis for a 365-day year
1-month Canadian bankers' acceptance futures	In terms of an index of 100 minus the yield in percentage point on an annual basis for a 365-day year on 1-month Canadian bankers' acceptances
3-month Canadian bankers' acceptance futures	In terms of an index of 100 minus the yield in percentage point on an annual basis for a 365-day year on 3-month Canadian bankers' acceptances
Futures contracts on the S&P/TSX Indices	In index points.
Canadian share Futures Contract	In CAN cents and dollars per share
International Share Futures Contract	In unit(s) of International currency per share
Futures contract on carbon dioxide equivalent (CO_2e) units with physical and cash settlement	In CAN dollars and cents per metric ton of carbon dioxide equivalent (CO_2e)
Futures contracts on Canadian Crude Oil	In U.S. dollars and cents per U.S. barrel

6803 Currency
(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 14.06.02, 03.05.04, 30.05.08, 15.05.09, 18.06.10, 16.02.12)

Trading, clearing, settlement and delivery shall be in the currency designated by the Bourse and unless otherwise determined shall be as follows:

30-day overnight repo rate futures	CAN Dollars
Overnight Index Swap futures	CAN Dollars
1-month and 3-month Canadian bankers' acceptance futures	CAN Dollars
Government of Canada Bond futures	CAN Dollars

Futures contracts on S&P/TSX Indices	CAN Dollars
Canadian share futures Contract	CAN Dollars
Futures contract on carbon dioxide equivalent (CO_2e) units with physical and cash settlement	CAN Dollars
International share futures contracts	International currency
Futures contracts on Canadian Crude Oil	U.S. Dollars

6804 Futures Contracts Expiries
(24.01.86, 22.04.88, 08.09.89, 16.04.92, 27.07.94, 19.01.95, 11.03.98, 07.09.99, 31.01.01, 14.06.02, 03.05.04, 30.05.08, 15.05.09, 18.06.10, 16.02.12)

Unless otherwise determined by the Bourse, contract expiries shall be as follows:

30-day overnight repo rate futures	Monthly and quarterly contract months
Overnight Index Swap futures	Monthly and quarterly contract months
1-month Canadian bankers' acceptance futures	The first 6 consecutive months
3-month Canadian bankers' acceptance futures	Quarterly months in the March, June, September and December cycle as well as monthly expirations in the January, February, April, May, July, August, October and November cycle
Government of Canada Bond futures	Quarterly months in the March, June, September and December cycle
Futures contracts on S&P/TSX Indices	Quarterly months in the March, June, September and December cycle
Share futures contracts	Quarterly months in the March, June, September and December cycle as well as selected monthly expirations in January, February, April, May, July, August, October and November cycle
Futures contract on carbon dioxide equivalent (CO_2e) units with physical settlement	Daily, monthly, quarterly and annual expiries
Futures contract on carbon dioxide equivalent (CO_2e) units with cash settlement	Daily, monthly, quarterly and annual expiries
Futures contracts on Canadian Crude Oil	Monthly and quarterly expiries

6805 Trading Hours
(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 22.11.96, 02.10.98, 09.03.99, 07.09.99, 19.06.00, 31.01.01, 14.06.02, abr. 06.01.03)

6806 Trading Outside Trading Hours
(08.09.89, 29.07.93, 02.10.98, 09.03.99, 06.01.03, 20.03.09)

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

6807 Minimum Price Fluctuations
(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 29.04.02, 14.06.02, 15.10.02, 03.05.04, 17.11.04, 01.12.06, 30.05.08, 15.05.09, 18.06.10, 16.02.12)

Unless otherwise determined by the Bourse, minimum price fluctuations shall be as follows:

a) 30-day overnight repo rate futures	0.005 per $100 nominal value
b) Overnight Index Swap futures	0.001 per $100 nominal value
c) 1-month and 3-month Canadian Bankers' acceptance futures	i) For the nearest contract month(s), as determined by the Bourse, 0.005 per $100 nominal value. ii) For all contract months excluding the nearest contract month(s) as determined by sub-paragraph i), 0.01 per $100 nominal value.
d) Government of Canada Bond futures Contracts	a minimum of 0.005 per $100 nominal value
e) Futures contract on the S&P/TSX 60 Index	0.01 index point
f) Mini Futures contract on the S&P/TSX Composite Index	1 index point
g) Canadian share futures contract	A minimum of $0.01 CDN per Canadian share
h) International share futures contracts	At a minimum of the corresponding unit of fluctuation used by the market on which the underlying stock is traded
i) Futures contracts on S&P/TSX sectorial indices	0.01 index point
j) Futures contract on carbon dioxide equivalent (CO_2e) units with physical settlement	A minimum of $0.01 CDN per metric ton of carbon dioxide equivalent (CO_2e)
k) Futures contract on carbon dioxide equivalent (CO_2e) units with cash settlement	A minimum of $0.01 CDN per metric ton of carbon dioxide equivalent (CO_2e)

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

6808 Price Limits / Trading halts
(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 14.06.02, 03.05.04, 24.07.06, 30.05.08, 17.04.09, 15.05.09, 18.06.10, 16.02.12)

The Bourse shall establish for each contract a maximum price limit with respect to the previous day's settlement price and there shall be no trading above or below that limit except as provided below. Unless otherwise determined by the Bourse, the daily price limits shall be as follows:

a) 30-day overnight repo rate futures: NIL

b) Overnight Index Swap futures: NIL

c) 1-month and 3-month Canadian bankers' acceptance futures: NIL

d) Government of Canada Bond futures: NIL

e) Futures contracts on the S&P/TSX Indices:

i) Trading halts

Trading halts on the futures contracts on the S&P/TSX Indices shall be coordinated with the trading halt mechanism of the underlying stocks. In accordance with Policy T-3 of the Bourse entitled "Circuit Breaker", a trading halt of the futures contracts shall be triggered only in conjunction with the triggering of circuit breakers set in coordination with the New York Stock Exchange and The Toronto Stock Exchange.

ii) Resumption of Trading

In the event that trading in the securities market resumes after a trading halt, trading in the S&P/TSX Index futures contracts shall resume only after a percentage (as determined by the Bourse from time to time) of the stocks underlying the S&P/TSX Indices have re-opened.

f) Canadian share futures contract

i) Trading halts

Trading halts on Canadian share futures contract shall be coordinated with the trading halt mechanism of the underlying stocks. In accordance with Policy T-3 of the Bourse entitled "Circuit Breaker", a trading halt of the futures contract shall be triggered in conjunction with the triggering of circuit breakers set in coordination with the New York Stock Exchange and The Toronto Stock Exchange.

g) International share futures contract

In the event that a recognized exchange suspends trading in the underlying share of a share futures contract, then the Bourse may determine a course of action in relation to the share futures contract, including, but not limited to, the suspension or halting in the trading of the contract.

h) Futures contract on carbon dioxide equivalent (CO_2e) units with physical and cash settlement

NIL

i) Futures contracts on Canadian Crude Oil

NIL

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

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

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

6812 Last Day of Trading
(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 13.07.98, 07.09.99, 31.01.01, 14.06.02, 03.05.04, 30.05.08, 15.05.09, 18.06.10, 16.02.12)

Unless otherwise determined by the Bourse, the business day on which trading for each contract will terminate shall be as follows:

a) 30-day overnight repo rate futures:

last business day of the contract month.

b) Overnight Index Swap futures:

the day of a Bank of Canada Fixed Announcement Date.

c) 1-month and 3-month Canadian Bankers' Acceptance futures:

i) at 10:00 a.m. (Montréal time) on the second London (Great Britain) bank business day immediately preceding the third Wednesday of the contract month;

ii) if the day as determined by sub-paragraph i) is an exchange or bank holiday in Toronto or Montréal, futures trading shall terminate on the previous bank business day.

d) 5-year and 10-year Government of Canada Bond futures:

on the 7th business day preceding the last business day of the delivery month.

e) Futures contract of the S&P/TSX 60 Index:

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

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

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

g) Canadian Share Futures Contracts:

at 4:00 p.m. (Montréal time) on the third Friday of the contract month or if not a business day, the first preceding business day.

h) International Share Futures Contract:

the last day of trading on International share futures contracts shall coincide with the last day of trading of the corresponding stock index futures contract traded on a recognized exchange for which the underlying stock is a constituant, or such other day as prescribed by the Bourse.

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

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

j) Futures contract on carbon dioxide equivalent (CO_2e) units with cash settlement:

the third business day preceding the last business day of the contract expiry. For contracts with daily expiries, the last day of trading is the first trading day of the contract.

k) Futures contract on carbon dioxide equivalent (CO_2e) units with physical settlement:

the third business day preceding the last business day of the contract expiry. For contracts with daily expiries, the last day of trading is the first trading day of the contract.

l) Futures contracts on Canadian Crude Oil:

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

6813 Daily Settlement Price
(22.04.88, 08.09.89, 14.09.90, 20.03.91, 13.07.98, 07.09.99, 31.01.01, abr. 30.05.08)

6814 Settlement of margins, gains and losses
(22.04.88, 08.09.89, 07.09.99)

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

6815 Exchanges for Physicals (EFP) and Exchanges for Risk Transactions (EFR)
(08.09.89, 17.10.91, 05.01.94, 19.01.95, 01.05.95, 07.09.99, 31.01.01, 03.05.04, 21.04.08,17.04.09)

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

1) Exchanges for physicals (EFP)

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

b) The purchase and sale of the futures contract must be simultaneous with the sale and purchase of a corresponding quantity of the physical or cash component acceptable to the Bourse for the purpose of the EFP transaction.

c) The physical or cash component of the EFP transaction must involve a physical or cash instrument that is related to and that has a reasonable price correlation with the underlying interest of the futures contract being exchanged. The quantity or value covered by the physical or cash component of the EFP transaction must be approximately equivalent to the quantity or value covered by the futures contract.

2) Exchange for Risk Transactions

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

3) General Provision

a) EFP and EFR transactions must at all times be executed in accordance with such other procedures, terms and conditions that the Bourse may prescribe from time to time.

b) The futures contracts that are eligible to EFP or EFR transactions, and the last day and time for executing such transactions shall be determined by the Bourse.

c) The cash components acceptable for the purpose of an EFP transaction and the over the counter derivative instruments acceptable for the purpose of an EFR transaction are those specified in the procedures set by the Bourse.

d) Each party to an EFP or EFR transaction must satisfy the Bourse, upon request, that the transaction is a bona fide EFP or EFR transaction. To this effect, parties to such a transaction must maintain and must provide to the Bourse upon request complete records and documentary evidence relating to such transaction including all records relating to the purchase or sale of securities, physical underlyings, sub-instruments of these physical underlyings, instruments related thereto or over the counter derivative instruments and to any transfer of funds or ownership made in connection with such transaction.

e) It is prohibited for any party to an EFP or an EFR transaction to effect a transaction which is contrary to the requirements and practices prescribed by the rules, policies and procedures of the Bourse or to effect such a transaction for the sole purpose of reporting, registering or recording a price that is not a bona fide price or of making a transaction which is a "wash sale", an accommodation trade or a fictitious sale.

f) An EFP or an EFR transaction may be made at such prices that are mutually agreed upon by the two parties to this transaction. However, the price at which the futures contract leg of the transaction is arranged must be fair and reasonable in light of factors such as, but not limited to, the size of the transaction, the currently traded prices and bid and ask prices in the same contract at the relevant time, the volatility and liquidity of the relevant market as well as the general market conditions.

g) Each EFP or EFR transaction must be reported to the Bourse in accordance with the procedures set by the Bourse. Such report must be in the form prescribed by the Bourse and must contain all the information required on such prescribed form.

h) Each EFP or EFR transaction executed during the usual trading hours of the futures contract to which the transaction applies must be immediately reported to the Bourse. Each EFP or EFR transaction executed after the usual trading hours of the futures contract to which the transaction applies must be reported to the Bourse no later than 10:00 a.m. (Montréal time) on the next trading day following the execution of the transaction.

i) The accounts involved on each side of an EFP or EFR transaction must satisfy at least one of the following conditions:

   i) they have different beneficial ownership;

   ii) they have the same beneficial ownership, but are under separate control;

   iii) the accounts are commonly controlled, but involve separate legal entities which may or may not have the same beneficial ownership.

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

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

6815A Substitution of over-the-counter derivative instruments for futures contracts
(30.05.08)

a) Transactions allowing to substitute an over-the-counter derivative instrument and/or a swap agreement for futures contracts listed and traded on the Bourse are permitted if such transactions are executed in accordance with the requirements of this article and of the procedures established by the Bourse.

b) A substitution of an over-the-counter (OTC) derivative instrument and/or swap agreement for futures contracts consists of two discrete transactions: a risk transaction and a futures contract transaction. At the time such transaction is effected, the parties to the futures contract transaction must be the same parties to the risk transaction and the buyer and the seller of the futures contract must be, respectively, the buyer and the seller of the OTC derivative instrument and/or swap agreement. The risk component of the substitution transaction must involve the interest underlying the futures contracts (or a derivative, by-product or related product of such underlying interest) and must have a reasonable price correlation with the underlying interest of the futures contract involved in the substitution transaction. The quantity or value covered by the risk component of the substitution of over-the-counter derivative instruments for futures contracts must be approximately equivalent to the quantity or value covered by the futures contract transaction.

c) Substitution transactions involving over-the-counter derivative instruments must at all times be executed in accordance with such other procedures, terms and conditions that the Bourse may prescribe from time to time.

d) The futures contracts that are eligible to substitution transactions, and the last day and time for executing such transactions shall be determined by the Bourse.

e) The risk components acceptable for the purpose of a substitution transaction are those specified in the procedures set by the Bourse.

f) Each party to a substitution transaction must satisfy the Bourse, upon request, that the transaction is a bona fide substitution transaction. To this effect, parties to such a transaction must maintain and must provide to the Bourse upon request complete records and documentary evidence relating to such transaction including all records relating to the purchase or sale of securities, physical underlyings, sub-instruments of these physical underlyings, instruments related thereto or over the counter derivative instruments and to any transfer of funds or ownership made in connection with such transaction.

g) It is prohibited for any party to a substitution transaction to effect a transaction which is contrary to the requirements and practices prescribed by the rules, policies and procedures of the Bourse or to effect such a transaction for the sole purpose of reporting, registering or recording a price that is not a bona fide price or of making a transaction which is a "wash sale", an accommodation trade or a fictitious sale.

h) A substitution transaction may be made at such prices that are mutually agreed upon by the two parties to this transaction. However, the price at which the futures contract leg of the transaction is arranged must be fair and reasonable in light of factors such as, but not limited to, the size of the transaction, the currently traded prices and bid and ask prices in the same contract at the relevant time, the volatility and liquidity of the relevant market as well as the general market conditions.

i) Each substitution transaction must be reported to the Bourse in accordance with the procedures set by the Bourse. Such report must be in the form prescribed by the Bourse and must contain all the information required on such prescribed form.

j) Each substitution transaction executed during the usual trading hours of the futures contract to which the transaction applies must be immediately reported to the Bourse. Each substitution transaction executed after the usual trading hours of the futures contract to which the transaction applies must be reported to the Bourse no later than 10:00 a.m. (Montréal time) on the next trading day following the execution of the transaction.

k) The accounts involved on each side of a substitution transaction must satisfy at least one of the following conditions:

i) they have different beneficial ownership;

ii) they have the same beneficial ownership, but are under separate control;

iii) the accounts are commonly controlled, but involve separate legal entities which may or may not have the same beneficial ownership.

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

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

6816 Ex-Pit Transfers of Existing Futures Contracts
(08.09.89, 07.09.99)

a) Transfers of open futures contracts may be accomplished other than on the Exchange Floor only if there is no change in the beneficial ownership of the futures contracts, the members involved in the transfer are able to produce to the Exchange upon request, all orders, records and memoranda pertaining thereto and the transfer either

i) is made at the request of the beneficial owner of the futures contracts from one member to another; or

ii) is made at the request of a member to another member; or

iii) is made to correct an error in clearing; or

iv) is made to correct an error in the recording of transactions in the members' books.

b) Both members which are parties to an ex-pit transfer pursuant to this article shall complete and submit to the designated Clearing Corporation such information evidencing the terms of the ex-pit transfer as may be prescribed by the Clearing Corporation on the day on which such ex-pit transfer is effected.

6817 Treatment of Long and Short Positions
(07.10.93, 03.01.95, 07.09.99)

a) Unless concurrent long and short futures positions in the same contract month are held on behalf of i) an omnibus account; or ii) in accordance with the provisions of paragraph c) of this rule, a clearing member shall not be permitted to maintain with the Clearing Corporation such positions for i) a single account; or ii) accounts under common control and ownership. It is the duty of the clearing member to ascertain that such positions are permitted to be concurrently long and short.

b) A clearing member shall promptly close out a customer's open long or short position held with the Clearing Corporation if an offsetting purchase or sale is made for such customer's account.

c) A clearing member would be permitted to carry with the Clearing Corporation concurrent long and short positions for separate accounts of a customer, provided that :

i) each person directing trading for one of the separate accounts is unaffiliated with and acts independently from each other person directing trading for a separate account;

ii) each trading decision made for each separate account is determined independently of all trading decisions made for the other separate account or accounts; and

iii) no position held in accordance with the above sub-paragraphs i) and ii) may be offset by transfer, adjustment, or any other bookkeeping procedures, but each position must be offset by usual floor transactions.

d) Although article 6816 allows for ex-pit transfers of futures contracts, a clearing member shall not be permitted to knowingly allow such transfers when, as a result, concurrent long and short positions would be held contrary to this rule. The positions which would create the concurrent long and short situation may not be so transferred, but must remain with the original clearing member, be transferred elsewhere, or liquidated by normal floor transactions.

6818 Average Price Trades
(20.03.00)

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

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

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

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

6819 Extraordinary Circumstances for shares futures contracts
(31.01.01)

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

a) a take-over bid under a circular, or under Rule Twelve;

b) a stock dividend, a share split or a consolidation;

c) any other unforeseen events.

6820 Market Makers - Futures
(16.05.11)

a) In order to enhance the liquidity of the market and facilitate the handling of orders, the Bourse can execute a market making agreement with an Approved Participant or Foreign Approved Participant for one or many futures contracts listed on the Bourse. The market maker shall be required to maintain a two-sided market in the futures contracts designated by the Bourse.

b) Oversight and selection of market makers shall be the responsibility of the Bourse. Factors to be considered for the selection of market makers shall include the following: adequacy of capital, experience with trading of a similar derivative instrument, willingness to promote the Bourse as a market place, operational capacity, support personnel, history of compliance with the Rules of the Bourse and any other factor which the Bourse deems relevant.

c) Each market maker shall comply with the following obligations, including:

i) the market maker is obligated to promptly inform the Bourse of any material change in its financial or operational condition or in its personnel.

ii) A market making agreement can not be transferred without the prior approval of the Bourse.

iii) The market maker must fulfill his obligations towards the Bourse until the term of the market making agreement or until its termination thereof by the Bourse.

d) The Bourse may, at its discretion, terminate a market making agreement:

i) if, upon review, the Bourse determines that the performance of a market maker does not comply with the terms of the market making agreement;

ii) if a market maker incurs a material financial, operational or personnel change which could negatively impact his ability to satisfactorily perform his duties;

iii) if for any reason the market maker no longer complies with the terms of the market making agreement or the rules and procedures of the Bourse, if he advises the Bourse that he intends to cease to comply with the terms of the market making agreement or fails to fulfill his obligations.

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

RULE FIFTEEN
FUTURES CONTRACTS SPECIFICATIONS

Section 15998.1 – 15999.3
OVERNIGHT INDEX SWAP FUTURES

Sub-section 15998.1 – 15998.9
Specific Trading Provisions

15998.1 Contract Months
(16.02.12)

Unless otherwise determined by the Bourse, the contract months for trading in overnight index swap futures contracts shall be as indicated in article 6804 of Rule Six of the Bourse.

15998.2 Trading Unit
(16.02.12)

Unless otherwise determined by the Bourse, the unit of trading for the overnight index swap futures shall be as indicated in article 6801 of Rule Six of the Bourse.

15998.3 Currency
(16.02.12)

Trading, clearing and settlement shall be in Canadian dollars.

15998.4 Price Quotation
(16.02.12)

Unless otherwise determined by the Bourse, bids and offers for the overnight index swap futures shall be as indicated in article 6802 of Rule Six of the Bourse.

15998.5 Minimum Price Fluctuation Unit
(16.02.12)

Unless otherwise determined by the Bourse, the minimum price fluctuation unit shall be as indicated in article 6807 of Rule Six of the Bourse.

15998.6 Daily Price Limit
(16.02.12)

There shall be no daily price limit.

15998.7 Position Limits
(16.02.12)

The maximum number of net long or net short positions in all contract months combined in overnight index swap futures contracts which a person may own or control in accordance with article 14157 shall be as follows:

a) for speculators 5,000 contracts

b) for hedgers the greater of 7,000 contracts or of such a limit to be established and published on a monthly basis by the Bourse based on 20% of the average daily open interest for all overnight index swap futures contracts during the preceding three calendar months

or such other position limits as may be determined by the Bourse.

In establishing position limits, the Bourse may apply specific limits to one or more rather than all approved participants or clients, if deemed necessary.

15998.8 Position Reporting Threshold
(16.02.12)

Approved participants shall report to the Bourse all positions which, when combining all contract expiries, exceed 300 overnight index swap futures contracts, or such other number as may be determined by the Bourse, in such form and in such manner as shall be prescribed by the Bourse.

15998.9 Delivery
(16.02.12)

Delivery shall be by cash settlement through the clearing corporation. The settlement procedures are stipulated in articles 15999.1 to 15999.3.

Sub-section 15999.1 – 15999.3
Final Settlement Procedures

15999.1 Final Settlement Date
(16.02.12)

The final settlement date of a given contract month shall be the first business day following the last day of trading.

15999.2 Cash Settlement Procedures
(16.02.12)

In the case of overnight index swap futures contracts:

a) On the last day of trading, open contracts will be marked to market based on the daily settlement price. A final settlement price will be determined on the Final Settlement Date.

b) The Final Settlement Price as determined below by the Bourse shall be used to settle all open overnight index swap futures:

i) on the Final Settlement Date, the Bourse shall determine the overnight repo reference rate;

ii) Final Settlement Price for the overnight index swap futures shall be 100 minus the overnight repo reference rate;

iii) the overnight repo reference rate:

1) means the compounded daily overnight repo rate over the period of the contract month that begins the day following the last Bank of Canada Fixed Announcement Date to the day of the next Bank of Canada Fixed Announcement Date. For example, on the final settlement day, for the period of the contract month when the overnight repo rate averaged 2%, the overnight index swap futures contract would settle at 98.00. The average of the overnight repo rate will be rounded to the nearest tenth of a basis point. The decimal fraction ending in a five (5) or higher shall be rounded up.

   Weekend and holiday rates are considered to be the rate applicable on the previous business day. For example, Friday's rate is used for Saturday and Sunday rates.

2) In view of the rapidly changing structure of the Canadian money markets, the Bourse reserves the right to change the above selection process in the determination of the overnight repo reference rate.

15999.3 Failure to Perform
(16.02.12)

Any failure on the part of an approved participant in accordance with the aforementioned settlement procedures shall result in the imposition of such penalties as may be determined from time to time by the Bourse.

PROCEDURES APPLICABLE TO THE EXECUTION OF CROSS TRANSACTIONS AND THE EXECUTION OF PREARRANGED TRANSACTIONS

In accordance with the provisions of article 6380 of the Rules of Bourse de Montréal Inc. (the Bourse) regarding the execution of cross transactions and prearranged transactions, the following are the eligible products, the prescribed exposure time delays between the input of two orders and the minimum quantity thresholds.

ELIGIBLE PRODUCTS	PRESCRIBED TIME DELAY	MINIMUM QUANTITY THRESHOLD
Three-Month Canadian Bankers' Acceptance Futures Contracts (BAX):		
1st four quarterly months – not including serial months	5 seconds	No threshold
Remaining expiry months and strategies	15 seconds	No threshold
Thirty-Day Overnight "Repo" Rate Futures Contracts (ONX):		
Front month	5 seconds	No threshold
Remaining expiry months and strategies	15 seconds	No threshold
Overnight Index Swap (OIS):		
Front month	5 seconds	No threshold
Remaining expiry months and strategies	15 seconds	No threshold
Government of Canada Bond Futures Contracts:		
All expiry months and strategies	5 seconds	No threshold
Futures Contracts on S&P/TSX Indices:		
All expiry months	0 second	≥ 100 contracts
All expiry months and strategies	5 seconds	< 100 contracts
Futures Contracts on Canada Carbon Dioxide Equivalent (CO_2e) Units:		
All expiry months and strategies	5 seconds	No threshold
Futures Contracts on Canadian Crude Oil:		
All expiry months and strategies	5 seconds	No threshold
Options on Three-Month Canadian Bankers' Acceptance Futures Contracts:		
All expiry months and strategies	0 second	≥ 250 contracts
All expiry months and strategies	5 seconds	< 250 contracts
Options on Ten-Year Government of Canada Bond Futures Contracts (OGB):		
All expiry months and strategies	0 second	≥ 250 contracts
All expiry months and strategies	5 seconds	< 250 contracts
Equity and Currency Options:		

All expiry months	0 second	≥ 100 contracts
All expiry months	5 seconds	< 100 contracts

Index Options:

All expiry months	0 second	≥ 50 contracts
All expiry months	5 seconds	< 50 contracts

Chronological priority of orders must be respected with regards to the posting of the originating order first, when executing a cross or prearranged transaction.

The market participant must ensure that all existing orders in the central order book, regardless of the type of orders, which are at limit prices better than or equal to the cross or prearranged transaction price are executed before completing such transaction.

EQUITY OPTIONS, INDEX OPTIONS AND CURRENCY OPTIONS CONTRACTS

Cross transactions and prearranged transactions can only be executed in accordance with one of the following procedures:

Procedure with a prescribed time delay for a quantity smaller than the eligible quantity threshold

A market participant wishing to execute a cross or a prearranged transaction must enter the order into the trading system for the total intended transaction quantity. The participant must then respect a delay equal to the prescribed time delay before executing an offsetting transaction on the residual quantity.

The **residual quantity** is the portion of the original quantity remaining after orders entered in the book with limit prices better than or equal to the intended transaction price have been filled. If no orders have been executed, the residual quantity is equal to the original intended transaction quantity.

Procedure without a prescribed time delay for a quantity equal to or greater than the eligible quantity threshold

If a market participant has a cross or prearranged order between the bid and ask:

- the participant can use a specific system function to enter a zero-second cross; or
- the participant can enter one side of the order and immediately trade against it if he wishes that the trade be executed directly on the market (with the possibility of execution risk).

Note: The bundling of orders to meet the admissible minimum quantity threshold is not permitted.

Transactions with a 50% guaranteed minimum

If a market participant wishes to execute a cross or a prearranged transaction on an option strategy, he must contact a market official and provide details of the intended transaction: total quantity, price, side(s) of the transaction on which the approved participant is required to give priority.

Market makers will be permitted to participate on the transaction up to a total maximum of 50% of the quantity of the intended transaction.

The market participant will be permitted to execute the transaction for the remaining quantity (a minimum of 50% plus any quantity not taken of the 50% that had been offered to the market makers.)

MISCELLANEOUS

Eligible products, their respective minimum quantity thresholds and time delays will be modified from time to time in order to take into account the evolution of the trading environment and operational practices of the Bourse. A circular will be issued by the Bourse every time a modification or revision is made to either one of these criteria.

PROCEDURES FOR THE EXECUTION OF BLOCK TRADES

a) Once a block trade has been arranged, in accordance with the predetermined minimum quantity threshold level as determined and published by the Bourse, details of the block trade must be reported to the Bourse by contacting a market official of the Bourse's Market Monitoring Department at 1-888-693-6366 or at 514 871-7871 within the period of time prescribed by the Bourse.

b) Approved participants for both the seller and buyer must complete and submit the Block Trade Reporting Form (Attachment 1) or such other notification as prescribed by the Bourse to a market official of the Bourse's Market Monitoring Department for validation.

c) A market official will check the validity of the block trade details submitted by the approved participant(s).

d) Confirmation by a market official of a block trade transaction will not preclude the Bourse from initiating disciplinary procedures in the event that the transaction is subsequently found to have been made other than in compliance with the rules.

e) Once the block trade has been validated, the following information with respect to the block trade will be disseminated by the Bourse:

   i) date and time of transaction;
   ii) security(ies) or derivative instrument(s) and contract month(s);
   iii) price of each contract month(s) and strike price(s) (as applicable); and
   iv) volume of each contract month.

f) Upon request by the Bourse the approved participant who arranges a block trade must provide satisfactory evidence that the block trade has been arranged in accordance with the Rules of the Bourse. Failure to provide satisfactory evidence of compliance with these Rules may result in the initiation of disciplinary action.

In accordance with article 6380 of the Rules of Bourse de Montréal Inc. (the "Bourse"), the following are the eligible securities and derivative instruments, the relevant prescribed time delays and the minimum quantity thresholds for the execution of block trades.

ELIGIBLE SECURITIES AND DERIVATIVE INSTRUMENTS	PRESCRIBED TIME DELAY	MINIMUM QUANTITY THRESHOLD
	(As soon as practicable and in any event within the following time delay)	
30-Day Overnight Repo Rate Futures Contracts (ONX)	15 minutes	1,000 contracts
Overnight Index Swap Futures Contracts (OIS)	15 minutes	200 contracts
Ten-Year Government of Canada Bond Futures Contracts (CGB)	15 minutes	1,500 contracts
Two-Year Government of Canada Bond Futures Contracts (CGZ)	15 minutes	500 contracts
30-Year Government of Canada Bond Futures Contracts (LGB)	15 minutes	500 contracts
Five-Year Government of Canada Bond Futures Contracts (CGF)	15 minutes	500 contracts
Options on Three-Month Canadian Bankers Acceptance Futures Contracts	15 minutes	2,000 contracts
Canadian Crude Oil Futures Contracts	15 minutes	100 contracts

ATTACHMENT 1

Block Trade Reporting Form

Approved participants must complete all sections of this form legibly and accurately.

This form is to be completed and faxed to Market Monitoring at 514 871-3592.

A market official can be reached at 1-888-693-6366 or at 514 871-7871.

TIME AND DATE OF TRADE:	
EXECUTING PARTICIPANT NAME AND TRADING ID (BUY):	
CLEARING FIRM NAME AND ID (BUY):	
EXECUTING PARTICIPANT NAME AND TRADING ID (SELL):	
CLEARING FIRM NAME AND ID (SELL):	
CONTACT PHONE NUMBER:	
CONTACT FAX NUMBER OR E-MAIL ADDRESS:	

Derivative Instruments	Future Contract/ Call/ Put	Contract Month	Option Strike Price (if applicable)	Number of Contracts	Price	Strategy Type* (if applicable)

For Montréal Exchange Staff Only:

Time and Date of receipt:

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Montréal Exchange authorized signature:

____

The details on this form are accepted by the Montréal Exchange strictly on the understanding that the Montréal Exchange accepts no responsibility nor liability for the accuracy or completeness of the details as provided by the approved participant.
* Each leg of a strategy trade should be listed separately.

DAILY SETTLEMENT PRICE PROCEDURES FOR FUTURES CONTRACTS AND OPTIONS ON FUTURES CONTRACTS

1. RULE

Article 6390 of the Rules of Bourse de Montréal Inc. (the Bourse) stipulates that:

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

2. SUMMARY

FUTURES CONTRACTS AND OPTIONS ON FUTURES CONTRACTS DAILY SETTLEMENT PRICES

- These markets use an average price during the last minutes of trading to establish a single settlement price. These calculations are executed manually by market officials or, as the case may be, by an automated algorithm using pre-established guidelines for each product.
- The prices at which block trades, Exchange for Physical (EFP), Exchange for Risk (EFR) or Substitution transactions are arranged shall not be used to establish the open, high, low or daily settlement price.

3. OBJECTIVES

The objectives of establishing daily settlement prices are:

- Ensure a fair and orderly market close and pricing for approved participants so that they can properly mark-to-market their positions for margin calculations and back office processing, including the clearing and settlement of their transactions ;
- Ensure that the Canadian Derivatives Clearing Corporation (CDCC) and all market participants are informed of the settlement prices.

4. DESCRIPTION

4.1 THREE-MONTH CANADIAN BANKERS' ACCEPTANCE FUTURES CONTRACTS (BAX)

The daily settlement price procedure for the Three-Month Canadian Bankers’ Acceptance Futures contract (BAX) is executed by a fully automated pricing algorithm which utilizes the parameters described in sections 4.1.1, 4.1.2 and 4.1.3 to ensure accuracy in the process.

DEFINITIONS:

"Regular orders": Orders routed by approved participants to the Montréal Exchange trading system.

"Implied orders": Orders generated by the implied pricing algorithm (using regular orders) and registered in the order book by the trading engine.

4.1.1 IDENTIFICATION OF THE FRONT QUARTERLY CONTRACT MONTH

The automated daily settlement pricing algorithm identifies the front quarterly contract month from the first two quarterly contract months. The front quarterly contract month is the one, among the first two quarterly contract months, that has the largest open interest and the required market information. In the absence of both these criteria together, then the front quarterly contract month shall be determined by market officials based on available market information.

4.1.2 ALGORITHM UTILIZED FOR THE DETERMINATION OF THE DAILY SETTLEMENT PRICE OF THE FRONT QUARTERLY CONTRACT MONTH

Once the front quarterly contract month has been identified, the automated daily settlement price algorithm will determine the settlement price of the front quarterly contract month according to the following priorities: first, it will use the last three minute weighted average price of cumulated trades amounting to at least 50 contracts on that contract month; if no such average price is available, it will then use the last 30 minute weighted average price of cumulated trades amounting to at least 50 contracts on that contract month. Trades resulting from both regular and implied orders will be used in the process. If no such average price is yet available, then the least variation between the bid or offer price that is not as a result of implied orders and the previous day settlement price will be used.

Once the daily settlement price for the front quarterly contract month has been established, it will be verified against the booked orders and if there is a better outright bid or offer that is not as a result of implied orders, the latter will take precedence over the daily settlement price calculated as described in the paragraph above.

4.1.3 PROCEDURE FOR THE DETERMINATION OF THE DAILY SETTLEMENT PRICE OF THE REMAINING BAX CONTRACT MONTHS

Upon completion of the aforementioned steps, the automated daily pricing algorithm will then establish the settlement prices for all other BAX contract months sequentially. The daily settlement prices of all other BAX contract months will be based first on the last three minute outright market (resulting from regular and implied orders) and strategy combination traded weighted average or, if no weighted average price can be determined in this manner, the least variation between the bid or offer for booked orders.

4.1.4 ANCILLARY PROCEDURE

In the absence of any required items to apply the aforementioned procedure, market officials will establish the settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.

In this situation, market officials will keep a record of the criteria used to establish the settlement price.

4.2 FUTURES CONTRACTS ON S&P/TSX INDICES

The settlement price shall be the weighted average of all trades during the closing range. The closing range is defined as the last minute of the trading session for all contract months. In the case of mini futures contracts on S&P/TSX indices, the settlement price shall be the same as the standard futures contracts on S&P/TSX indices when such standard futures contracts exist.

4.2.1 MAIN PROCEDURE

- **Booked orders**

  If there is an unfilled order with a higher bid or lower offer in an outright month, this bid or offer will override the settlement price obtained from the weighted average. The order must have been posted for 20 seconds or longer prior to the close and its size must be for a total of 10 contracts or more.

- **Last trades**

  If there are no trades in the last minute of trading, then the last trade will be taken into account while still respecting posted bids and offers in the market.

4.2.2 FIRST ANCILLARY PROCEDURE

When two contract months and the spread are trading (quarterly calendar roll), the ancillary procedure of this section will apply.

- The front month must be settled first (the establishment of the front month is based on the month with the greatest open interest).
- The spread between the two contract months must be settled next by taking into account the last minute average trading price and by examining the trades executed during the previous 10 minutes.
- The settlement price for the back month or far month is obtained by the difference between the front month settlement price and the value of the spread.

4.2.3 SECOND ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.2.1 and the ancillary procedure in 4.2.2, the following ancillary procedure will apply.

Market officials will post a settlement price that will reflect the same differential that was applied on the previous day settlement. The settlement price will be adjusted accordingly to respect that contract's previous settlement price.

4.2.4 THIRD ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.2.1 and the ancillary procedures in 4.2.2 and in 4.2.3, the following ancillary procedure will apply.

In this situation, market officials will establish the settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.

In this situation, market officials will keep a record of the criteria used to establish the settlement price.

4.3 GOVERNMENT OF CANADA BOND FUTURES CONTRACTS

4.3.1 MAIN PROCEDURE

The settlement price shall be the weighted average of all trades during the closing range. The closing range is defined as the last minute of the trading session for all contract months.

- **Booked orders**

  If there is an unfilled order with a higher bid or lower offer in an outright month, this bid or offer will override the settlement price obtained from the weighted average. This order must have been posted for 20 seconds or longer prior to the close and its size must be for 10 contracts or more.

- **Last trades**

  If there are no trades in the last minute of trading, then the last trade will be taken into account while still respecting posted bids and offers in the market.

4.3.2 FIRST ANCILLARY PROCEDURE

When two contract months and the spread are trading (quarterly calendar roll), the following ancillary procedure will apply.

- The front month must be settled first (the establishment of the front month is based on the month with the greatest open interest).

- The spread between the two contract months must be settled next by taking into account the last minute average trading price and by examining the trades executed during the previous 10 minutes.

- The settlement price for the back month or far month is obtained by the difference between the front month settlement price and the value of the spread.

4.3.3 SECOND ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.3.1 and the ancillary procedure in 4.3.2, the following ancillary procedure will apply.

Market officials will post a settlement price that will reflect the same differential that was applied on the previous business day. The settlement price will be adjusted accordingly to respect that contract's previous settlement price.

4.3.4 THIRD ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.3.1 and the ancillary procedures in 4.3.2 and 4.3.3, the following ancillary procedure will apply.

In this situation, market officials will establish the settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.

In this situation, market officials will keep a record of the criteria used to establish the settlement price.

4.4 OPTIONS ON THREE-MONTH CANADIAN BANKERS' ACCEPTANCE FUTURES CONTRACTS

4.4.1 MAIN PROCEDURE

4.4.1.1 Weighted average

The settlement price shall be the weighted average of the prices traded in the closing range (last minute of trading). If there is at the close, a higher bid or lower offer than the settlement price so obtained, that bid or offer shall be the settlement price.

4.4.1.2 Last trades

If no trade occurs during the closing range, the market officials will consider transactions executed during the last 30 minutes of trading. Also, to be considered, the bids and offers shall be for a minimum of 25 contracts and shall have been posted at least one minute before the close to be considered.

If no trade occurs in the closing range (or in the last 30 minutes of trading), the settlement price shall be the theoretical price calculated by the Bourse (as described in section 4.4.2). If there is at the close a higher bid or lower offer than the settlement price so obtained, that bid or offer shall be the settlement price.

4.4.2 ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.4.1, the following ancillary procedure will apply.

The settlement price shall be determined by inserting the following parameters into a standard option pricing model (Black & Scholes):

Price of the underlying:

- o The Bourse will capture the settlement price of the underlying BAX futures contract. This will be the price of the underlying.

Interest rate:

- o The interest rate used will be the rate implied by the settlement price of the BAX futures contract nearest to expiration.

Volatility:

- o The Bourse will use the implied volatility (per contract month, for puts and calls) obtained from the acting Market Maker. The same volatility will be applied for both calls and puts.

The strike price of the options' series and the time to expiration are the other parameters that will be inserted into the model.

In determining the closing price, the Bourse shall take into account the information provided by the posted strategy, for example; if the SEP 9200 straddle is 98 bid, the total of the closing prices of these two series should not be inferior to 98.

4.5 30-DAY OVERNIGHT REPO RATE FUTURES CONTRACTS (ONX)

4.5.1 MAIN PROCEDURE

The settlement price shall be the weighted average of all trades during the closing range. The closing range is defined as the last three minutes of the trading session for all contract months.

4.5.1.1 Weighted average of closing range trades

The weighted average will be derived from trades that occurred in the outright months during the closing range. The total volume traded in each outright month must be for 25 or more contracts.

4.5.1.2 Booked orders

If there is an unfilled order with a higher bid price or lower offer price in a month, this bid or offer will override the settlement price obtained from the weighted average. This order must have been posted for 15 seconds or longer prior to the close and its size must be for a total of 25 or more contracts in each of the months.

4.5.1.3 Remaining balances of booked orders partially executed at the close

In the case of a booked order as stipulated in paragraph 4.5.1.2 above, which would be only partially executed, the trades during the closing period as well as the remaining balance of booked orders will be considered to establish the settlement price.

Example 1: If there is a booked order for 25 ONX contracts at 97.92 and 15 of those contracts are executed, the 10 remaining contracts, if they are still present on the market at the same price, will be considered to establish the required minimum of 25 contracts.

Example 2: If there is a trade of 15 ONX contracts during the closing period at 97.92 and there is a booked order bid for 10 ONX contracts at 97.91 (respecting the required time limit), the bid will be considered in addition to the trades in the closing period to establish a settlement price.

4.5.1.4 Strips and spreads

All trades and unfilled booked orders for strips and spreads related to any expiry months will be ignored.

4.5.2 FIRST ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.5.1, the following ancillary procedure will apply.

4.5.2.1 Weighted average of trades on strategies

The settlement price shall be the weighted average of the trades on the strategies traded during the last five minutes provided the volume for the strategy taken into account was of 25 or more contracts.

4.5.2.2 Booked orders

If there is an unfilled order with a higher bid or lower offer, this bid or offer will override the settlement obtained from the weighted average described in 4.5.2.1. It has to have been posted for three minutes or longer prior to the close and the size must be for 25 or more contracts.

4.5.3 SECOND ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.5.1 and the ancillary procedure in 4.5.2, the following ancillary procedure will apply.

4.5.3.1 Differential with the previous contract month's settlement price

The settlement price will be defined by a price that reflects an appropriate differential with the settlement price of the previous contract month always starting with the contract month closest to expiry.

4.5.3.2 Conflicts between spreads

If two spreads are in conflict, the calendar spread closest to expiry will have priority.

4.5.4 THIRD ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.5.1 and the ancillary procedures in 4.5.2 and 4.5.3, the following ancillary procedure will apply.

In this situation, market officials will establish the settlement price based on the available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.

In this situation, market officials will keep a record of the criteria used to establish the settlement price.

4.6 FUTURES CONTRACTS ON CARBON DIOXIDE EQUIVALENT (CO_2e) UNITS

4.6.1 MAIN PROCEDURE

The settlement price shall be the weighted average of all traded prices during the closing range. The closing range is defined as the last fifteen minutes of the trading session for all contract expiries.

- **Booked orders**

  If there is an unfilled order with a higher bid or lower offer in a particular contract expiry, this bid or offer will override the settlement price obtained from the weighted average. This order must have been posted for 20 seconds or longer prior to the close and its size must be for 10 contracts or more.

- **Last trades**

  If there are no trades in the last fifteen minutes of trading, then the last trade will be taken into account while still respecting posted bids and offers in the market.

4.6.2 FIRST ANCILLARY PROCEDURE

When two contracts expiries and the spread are trading (calendar roll), the following ancillary procedure will apply.

- The contract having the earliest expiry must be settled first.

- The spread between the two contracts must be settled next by taking into account the last fifteen minutes average trading price and by examining the trades executed during the previous 30 minutes.

- The settlement price for the far-dated contracts corresponds to the difference between the settlement price of the contract having the earliest expiry and the value of the spread.

4.6.3 SECOND ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.6.1 and the ancillary procedure in 4.6.2, the following ancillary procedure will apply.

Market officials will post a settlement price that will reflect the same differential that was applied on the previous trading day. The settlement price will be adjusted accordingly to respect that contract's previous settlement price.

4.6.4 THIRD ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.6.1 and the ancillary procedures in 4.6.2 and 4.6.3, the following ancillary procedure will apply.

In this situation, market officials will establish the settlement price based on available market information. They may also disregard any event (a trade, a bid or an offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.

Market officials will register in the "daily settlement price record" the criteria considered for determining the settlement price.

4.7 FUTURES CONTRACTS ON CANADIAN CRUDE OIL

The daily settlement price procedure for Futures contracts on Canadian Crude Oil is executed by a fully automated pricing algorithm which utilizes the parameters described in sections 4.7.1, 4.7.2 and 4.7.3 to ensure accuracy in the process.

DEFINITIONS:

"Regular orders": Orders routed by approved participants to the Bourse's trading system.

"Implied orders": Orders generated by the implied pricing algorithm (using regular orders) and registered in the order book by the trading engine.

4.7.1 IDENTIFICATION OF THE FRONT CONTRACT MONTH

The automated daily settlement pricing algorithm identifies the front contract month from the first two contract months. The front contract month is the one, among the first two contract months, that has the largest open interest and the required market information. In the absence of both these combined criteria, the front contract month shall be determined by market officials based on available market information.

4.7.2 ALGORITHM UTILIZED FOR THE DETERMINATION OF THE DAILY SETTLEMENT PRICE OF THE FRONT CONTRACT MONTH

4.7.2.1 Main Procedure

A. Once the front contract month has been identified, the automated daily settlement price algorithm will determine the settlement price of the front contract month according to the following priorities:

1) first, it will use a weighted average price of cumulated trades executed during the last five minutes of the regular trading session and amounting to at least 10 contracts on that contract month;

2) if no such average price is available, it will then use the weighted average price of cumulated trades executed during the last 30 minutes of the regular trading session and amounting to at least 10 contracts on that contract month.

B. Trades resulting from both regular and implied orders will be used in the process.

C. If no such average price is yet available, the bid price or offer price, that is not the result of implied orders and representing the smallest variation compared to the previous day settlement price will be used.

Once the daily settlement price for the front contract month has been established, it will be verified against the booked orders and if there is a better outright bid or offer that is not resulting from implied orders, the latter will take precedence over the daily settlement price calculated as described in paragraphs 4.7.2.1 A), B) and C) above.

4.7.3 PROCEDURE FOR THE DETERMINATION OF THE DAILY SETTLEMENT PRICE OF THE REMAINING CONTRACT MONTHS

Upon completion of the aforementioned steps, the automated daily pricing algorithm will then establish the settlement prices for all other contract months sequentially. The daily settlement prices of all other contract months will be established as follows:

A. first it will use the weighted average price of transactions (resulting from regular and implied orders) and strategies executed during the last five minutes of the regular trading session; or,

B. if no weighted average price can be determined in this manner, then the same variation from the previous day's settlement price as calculated for the preceding contract expiry will be applied while respecting the posted market;

4.7.4 ANCILLARY PROCEDURE

A. In the absence of the required items to apply the aforementioned procedure, market officials will establish the daily settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.

B. In this situation, market officials will keep a record of the criteria used to establish the settlement price.

4.8 OVERNIGHT INDEX SWAP FUTURES CONTRACTS (OIS)

4.8.1 MAIN PROCEDURE

The settlement price shall be the weighted average of all trades during the closing range. The closing range is defined as the last three minutes of the trading session for all contract months.

4.8.1.1 Weighted average of closing range trades

The weighted average will be derived from trades that occurred in the outright months during the closing range. The total volume traded in each outright month must be for 25 or more contracts.

4.8.1.2 Booked orders

If there is an unfilled order with a higher bid price or lower offer price in a month, this bid or offer will override the settlement price obtained from the weighted average. This order must have been posted for 15 seconds or longer prior to the close and its size must be for a total of 25 or more contracts in each of the months.

4.8.1.3 Remaining balances of booked orders partially executed at the close

In the case of a booked order as stipulated in paragraph 4.8.1.2 above, which would be only partially executed, the trades during the closing period as well as the remaining balance of booked orders will be considered to establish the settlement price.

Example 1: If there is a booked order for 25 OIS contracts at 97.92 and 15 of those contracts are executed, the 10 remaining contracts, if they are still present on the market at the same price, will be considered to establish the required minimum of 25 contracts.

Example 2: If there is a trade of 15 OIS contracts during the closing period at 97.92 and there is a booked order bid for 10 OIS contracts at 97.91 (respecting the required time limit), the bid will be considered in addition to the trades in the closing period to establish a settlement price.

4.8.1.4 Strips and spreads

All trades and unfilled booked orders for strips and spreads related to any expiry months will be ignored.

4.8.2 FIRST ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.8.1, the following ancillary procedure will apply.

4.8.2.1 Weighted average of trades on strategies

The settlement price shall be the weighted average of the trades on the strategies traded during the last five minutes provided the volume for the strategy taken into account was of 25 or more contracts.

4.8.2.2 Booked orders

If there is an unfilled order with a higher bid or lower offer, this bid or offer will override the settlement obtained from the weighted average described in 4.8.2.1. It has to have been posted for three minutes or longer prior to the close and the size must be for 25 or more contracts.

4.8.3 SECOND ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.8.1 and the ancillary procedure in 4.8.2, the following ancillary procedure will apply.

4.8.3.1 Differential with the previous contract month's settlement price

The settlement price will be defined by a price that reflects an appropriate differential with the settlement price of the previous contract month always starting with the contract month closest to expiry.

4.8.3.2 Conflicts between spreads

If two spreads are in conflict, the calendar spread closest to expiry will have priority.

4.8.4 THIRD ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.8.1 and the ancillary procedures in 4.8.2 and 4.8.3, the following ancillary procedure will apply.

In this situation, market officials will establish the settlement price based on the available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.

In this situation, market officials will keep a record of the criteria used to establish the settlement price.

PROCEDURES FOR THE CANCELLATION OF TRADES

1. APPLICABLE RULES

The procedures herein are consistent with and refer to the following Rule Six articles of the Bourse:

6303 - Validation, Alteration or Cancellation of a Trade
6381 - Cancellation of Trades
6383 - Acceptable Market Price
6384 - Decision by the Market Supervisor of the Bourse
6385 - Delays of Decision and Notifications

2. SUMMARY OF THE RELATED RULES

In order to maintain a fair and equitable market, trades may be cancelled by a vice-president or a senior vice-president of the Bourse if such transactions are detrimental to the normal operation or quality of the market or in any other circumstance deemed appropriate considering market conditions at the time of the trade or if the parties involved in the trade agree to the cancellation.

3. OBJECTIVE

The objective of the procedures described herein is:

- To ensure that all transactions are executed at a price coherent with prevailing market conditions (integrity) and to ensure that input errors can be corrected.

4. PROCEDURES' LIMITATION

The present procedures have a limited application in the case of trading sessions during which the underlying exchange-traded products are not open for trading.

In the event of erroneous trades during such trading sessions, the Market Operations department of the Bourse will not establish a No Cancel Range. As a result, such trades will not be adjusted by the Market Operations department of the Bourse and will stand at the traded price level unless both parties consent to cancel the erroneous trade. In such case the trade will be cancelled by the Market Operations department of the Bourse.

During trading sessions where the underlying exchange-traded instruments are not open for trading, a trading range (based on previous day's settlement price) will be established by the Bourse. Trading will be allowed only within that range for that given session (orders outside of that trading range will not be accepted by the system). Should either the high or the low of that range be reached, trading will be allowed at that limit level only until the market re-aligns itself back within the trading range.

5. DESCRIPTION

5.1 DETECTION AND DELAYS

Market participants have the responsibility to identify without delay erroneous trades. As soon as an erroneous transaction resulting from an entry error is identified, the approved participant must advise a Market Supervisor of the Bourse by calling the Market Operations Department of the Bourse at 514 871-7871 or 1-888-693-6366. A Market Supervisor will then contact the counterparties to the trade in order to reach an agreement within the 15 minutes that follow the execution of the transaction as prescribed by article 6381 of the Rules of the Bourse.

5.2 IMPLIED STRATEGY ORDERS

"Regular orders": Orders routed by approved participants to the Montréal Exchange trading system.

"Implied orders": Orders generated by the implied pricing algorithm (using regular orders) and registered in the order book by the trading engine.

"Strategy": An instrument composed of two or more legs, including spreads

A strategy trade resulting from an implied strategy order is in reality constituted from each of the individual legs regular outright orders. For the purpose of this procedure, an erroneous trade occurring on an implied strategy order will be treated as if the strategy trade was executed using regular posted orders of each individual leg separately.

As a result, the prescribed increment utilized to establish the No Cancel Range to adjust an erroneous strategy trade resulting from an implied strategy order will be at least the increment on one of the individual legs and at the most, the sum of each individual legs' increments.

5.3 VALIDATION – NO CANCEL RANGE

In order to maintain market integrity, when a transaction outside the No Cancel Range is identified by Market Supervisors, the parties involved will be contacted within a reasonable delay by the Market Operations Department of the Bourse in order to adjust the trade price within the No Cancel Range.

When any potential erroneous trade is brought to the attention of a Market Supervisor by a market participant, the Market Supervisor will determine whether the trade price is in the No Cancel Range for the particular derivative instrument.

The No Cancel Range is defined as the price interval within which a trade cannot be cancelled. To establish the No Cancel Range, Market Supervisors:

- Determine, in accordance with article 6383 of the Rules, what was the acceptable market price for the derivative instrument was before the trade occurred. In making that determination, the Market Supervisor will consider all relevant information, including the last trade price, a better bid or offer, a more recent price for a related derivative instrument (for example a different expiry month) and the prices of similar derivative instruments trading on other markets;

- Apply (add and deduct) the following increments to the acceptable market price:

DERIVATIVE INSTRUMENT	INCREMENT
Three-Month Canadian Banker's Acceptance Futures – BAX (all quarterly and serial months)	5 basis points
Three-Month Canadian Banker's Acceptance Futures – BAX Strategies: - Regular strategy orders - Implied strategy orders	 5 basis points Sum of the strategy's individual legs' increments.
Options on Three-Month Canadian Banker's Acceptance Futures	5 basis points
Government of Canada Bond Futures	40 basis points
Options on Government of Canada Bond Futures	40 basis points
Futures Contracts on S&P/TSX Indices	1% of the acceptable market price of these futures contracts
30-Day Overnight Repo Rate Futures	5 basis points
Overnight Index Swap Futures	5 basis points
Overnight Index Swap Futures – OIS Strategies: - Regular strategy orders - Implied strategy orders	 5 basis points Sum of the strategy's individual legs' increments.
Equity, Currency, ETF and Index Options Price ranges: $0.00 to $5.00 $5.01 to $10.00 $10.01 to $20.00 $20.00 up	 $0.10 $0.25 $0.50 $0.75
Equity, Currency, ETF and Index Options Strategies: - Regular strategy orders - Implied strategy orders	 Sum of the strategy's individual legs' increments
Sponsored Options Price ranges: $0.001 to $0.99 $1.00 up	 $0.25 $0.50
Single Stock Futures	$2.00
Futures Contracts on Canadian Crude Oil	5% of the acceptable market price of these futures contracts.

5.4 TRADE PRICE INSIDE THE NO CANCEL RANGE

If the Market Supervisor determines that the price of the reported erroneous trade was inside the No Cancel Range, then the trade will be maintained and no further action will be taken unless the counterparty to the erroneous trade has agreed to cancel it.

Erroneous transactions, for which there has been consent between the parties to cancel, may be cancelled within the trading session (early, regular or extended) during which they have occurred.

5.5 TRADE PRICE OUTSIDE THE NO CANCEL RANGE

If the Market Supervisor determines that the price of the erroneous trade is outside the No Cancel Range, then all parties involved in the transaction will be contacted and advised of the situation.

The transaction will be cancelled if all parties involved are in agreement.

The transaction will not be cancelled if one of the parties involved refuses. The residual trades (the ones not cancelled) will be readjusted to the limit of the No Cancel Range. In such a case, if the transaction involved a linked implied order, the initiator of the original error trade will take responsibility for the outcome. The error initiator may therefore have to take ownership of market positions for the directly resulting trades in the other linked contracts.

The Market Operations Department of the Bourse will adjust erroneous transactions in the best possible way. The main objective when adjusting erroneous trades is to minimize the impact for all market participants involved in the erroneous transaction and more particularly those who had a regular order in the order book.

5.6 OTHER SITUATIONS JUSTIFYING THE CANCELLATION OF TRANSACTIONS

The Market Operations Department of the Bourse will review all circumstances surrounding a transaction to determine whether the trade occurred in accordance with the rules of the Bourse. The factors that will be considered include, among other things, the market conditions immediately before and after the trade was executed; the volatility of the market; the prices of related instruments in other markets and the fact that one or many parties to the transaction consider that it was executed at a valid price.

In the case of a system failure, it is possible that the Bourse's automated trading system will freeze with orders queuing and waiting to be processed. Once the problem is resolved, the market will be placed into a pre-opening phase during which trading in each derivative instrument will be halted in order to modify the opening time parameters. This pre-opening phase will allow market participants to modify orders and will ensure that the system failure does not impact the integrity of the market. Nevertheless, when the system is not frozen, pending orders could be executed before the Bourse can halt the derivative instruments. In such circumstances, Market Supervisors could have to cancel trades resulting from such executions.

5.7 MULTIPLE MARKET MAKER TRANSACTIONS ON EQUITYAND INDEX OPTIONS

A Market Supervisor may also cancel transactions under the following conditions:

1. Multiple consecutive transactions can be cancelled if they consist of four (4) or more transactions against one market maker provided that:

    - all transactions were executed within a one (1) second interval;

    - the opposite side of the transactions consists of one or several market makers.

2. The market maker involved in the four (or more) transactions contacted a Market Supervisor at 514 871-7877 or 1-866-576-8836 within one (1) minute of the execution time of the multiple consecutive transactions, to request their cancellation.

5.8 DECISION

A decision to cancel or to refuse to cancel will be rendered by a Market Supervisor within 30 minutes following the cancellation request.

If the decision is to cancel the trade, the Market Supervisor will remove the trade from the records. Furthermore, if “stop” orders were triggered and therefore executed as a result of the cancelled trade, then these “stop” trades will also be cancelled and the “stop” orders will have to be re-instated in the order book by the initiators of such orders. Trade cancellation messages will be disseminated.

When a transaction is cancelled, if it originated from a regular order posted in the order book, the original price/time priority (FIFO) will not be maintained if the initiator of the original order wishes to re-instate his order after the cancellation. This cancelled order shall therefore be re-entered in the trading system by the initiator of the original order. This new order entry time will be the official entry time of the re-instated order.

If the Market Supervisor’s decision is to not cancel the trade, the parties to the transaction can not themselves decide to cancel it by making a position transfer through the Canadian Derivatives Clearing Corporation.