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**CIRCULAR**  
**February 4, 2008**

**REVISED METHOD TO DETERMINE INDIVIDUAL LEG PRICES ON THREE-MONTH CANADIAN BANKERS' ACCEPTANCE (BAX) FUTURES CONTRACTS STRATEGIES**

Bourse de Montréal Inc. (the Bourse) hereby informs all interest rate derivatives market participants of the revised method for setting individual leg prices on the Three-Month Canadian Bankers' Acceptance Futures contracts (BAX) strategies. **This new methodology will be implemented starting on Monday, February 25<sup>th</sup>, 2008.**

Currently, the Montréal Automated System (SAM) uses the previous day's settlement price to establish the front leg of the BAX strategy then adds or subtracts the strategy price to establish the second leg price. This particular manner of pricing individual legs of a strategy is not reflective of real market conditions.

In an effort to establish more efficient individual leg pricing, the Bourse will set individual leg prices according to the following algorithm on a real time basis. The algorithm starts by using the closest months to expiry and then sets the price of the remaining month(s) to match the strategy's price.

1. Set front month at last traded price.
2. If step 1 is not possible, set front month at midpoint between bid and ask price.
3. If step 2 is not possible, derive the leg price from the delta of the other priced leg.
4. If step 3 is not possible, set front month at previous day's settlement price.

For BAX strategies with more than two legs:

- Follow the steps of the above algorithm.
- If all leg prices are set (based on above steps 1 or 2), change last leg price to match the strategy price.
- If more than one leg price is not set, set the closest expiry month at previous day settlement and set the final leg price to match the strategy's price.

**The leg pricing algorithm for strategies in all other products remains unchanged.**

For additional information, please contact Market Operations at 1-888-693-6366 or 514 871-3548.

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

Circular no. : 025-2008