MONTREAL CLIMATE EXCHANGE (MCeX)

NEW PRODUCT : FUTURES CONTRACTS ON CARBON DIOXIDE EQUIVALENT (CO₂e) UNITS

ADDITION OF NEW ARTICLE 6815A TO RULE SIX AND OF NEW ARTICLES TO RULE FIFTEEN (SECTIONS 15931 - 15950 AND 15951 – 15970)

AMENDMENTS TO ARTICLES 6005, 6801 TO 6808 AND 6812 OF RULE SIX AND ABROGATION OF ARTICLE 6813 OF RULE SIX

AMENDMENTS TO ARTICLE 15001 OF RULE FIFTEEN

On April 29, 2008, Bourse de Montréal Inc. (the Bourse) and the Autorité des marchés financiers (AMF) issued a press release to announce the approval by the AMF of the operating rules of the Montréal Climate Exchange (MCeX). The regulations proposed by the Bourse in respect of that market had previously been approved in October 2007 by the Rules and Policies Committee of the Bourse and submitted shortly thereafter to the AMF for review and approval. The Bourse and the AMF also proceeded at that time with the publication of a request for comments. This was followed by a series of consultations between the Bourse and the AMF that led to the approval by the AMF of the various rules and procedures that will apply to the new futures contracts on carbon dioxide equivalent (CO₂e) units that will begin trading on the Bourse on May 30, 2008.

The purpose of this circular is to provide approved participants and all other persons interested by this new market all necessary information regarding the new derivative instruments that will be traded on this market and in respect of the regulations and procedures that will apply to these derivative instruments. All the regulatory amendments and all the changes in the operational procedures that are discussed in this circular will become effective on May 30, 2008.

Derivative instruments of the MCeX market

The derivative instruments that will be traded on the MCeX market will be futures contracts on carbon dioxide equivalent (CO₂e) units. There will be two types of contracts, those with a cash settlement and
having daily, monthly, quarterly or annual expiries and those with a physical settlement, i.e. involving the delivery of carbon dioxide equivalent (CO₂e) units, with annual expiries. The generic specifications sheets of each of these two types of contracts, detailing their characteristics are attached in an appendix to this circular.

The first futures contracts on carbon dioxide equivalent (CO₂e) units that will be listed on the Bourse upon the start of MCeX next May 30, will be contracts with physical delivery whose expiries will concur with the end of the 2010 and 2011 compliance years provided by Environment Canada in its document “Regulatory Framework for Air Emissions” published in April 2007. The specifications sheet for these contracts is attached as an appendix.

For what regards futures contracts on carbon dioxide equivalent (CO₂e) units with cash settlement, these will not be listed for trading on MCeX immediately. The trading of this type of contracts requires relatively well established cash market to which can participate market intermediaries who, although being interested in the carbon market, do not wish a physical delivery but are rather looking for short and medium term investment opportunities. For the time being, such a cash market still does not exist in a significant way in Canada and should be in a position to demonstrate a material growth only when the regulatory framework of the Canadian Government will be well in place.

Amendments to the Rules of the Bourse

The implementation of the climate market requires some amendments to the Rules of the Bourse among which the most important is the addition, to Rule Fifteen, of two new sections regarding futures contracts on carbon dioxide equivalent (CO₂e) units.

The first section (Section 15931 – 15950) contains the regulatory provisions that are specific to the trading and delivery of futures contracts on carbon dioxide equivalent (CO₂e) units with physical settlement.

The second new section (Section 15951 – 15970) contains the regulatory provisions that are specific to the trading and settlement of futures contracts on carbon dioxide equivalent (CO₂e) units with cash settlement.

Articles 6801 to 6812 of Rule Six of the Bourse (Trading Rules), in which are found the main specifications of the various futures contracts that are traded on the Bourse, have been amended by incorporating in each of the concerned articles the specifications of the futures contracts on carbon dioxide equivalent (CO₂e) units with physical settlement and with cash settlement. Also, article 6813, which provided for the determination of the daily settlement price, has been entirely abrogated because article 6390 already provides that the daily settlement price of derivative instruments listed on the Bourse is determined in accordance with the procedures established by the Bourse. Since the Bourse has effectively established such procedures, article 6813 is no longer necessary.

But the most important amendment made to Rule Six is the introduction of a new type of transaction resulting from the addition of article 6815A entitled "Substitution of over-the-counter derivative instruments for futures contracts". Substitution transactions allow two parties respectively holding a long and a short position in an over-the-counter derivative instrument to substitute their respective
position for an exchange-traded futures contract. Thus, the party with a long position in an over-the-counter derivative instrument will take a long position in a futures contract of the Bourse and the party with a short position in an over-the-counter derivative instrument will take a short position in a futures contract of the Bourse. Once these positions taken in futures contracts of the Bourse, the parties will mutually close their position in the over-the-counter derivative instrument. In a general manner, the conditions and procedures that must be complied with by the parties to a substitution transaction are very similar to those that already exist for exchange for physical (EFP) and exchange for risk (EFR) transactions.

Substitution transactions, like exchange for physical and exchange for risk transactions, being transactions that are executed outside the electronic trading system of the Bourse, they are therefore considered as off-exchange transactions and consequently article 6005 of Rule Six has been amended in order to add these transactions to the off-exchange transactions that are permitted by the Bourse.

A copy of all relevant regulatory amendments can be found in an appendix to this circular.

**Operational Procedures**

In addition to changes to its regulations as explained above, the Bourse has also amended some of its operational procedures so that they adequately reflect the listing of the new futures contracts on carbon dioxide equivalent (CO$_2$e) units.

Thus, the operational procedures relating to the determination of the settlement price have been amended by adding a new section in which is detailed the methodology that will be applied to determine the daily settlement price of the futures contracts on carbon dioxide equivalent (CO$_2$e) units.

For their part, the operational procedures relating to cross transactions and pre-arranged transactions have been amended by adding the new futures contract on carbon dioxide equivalent (CO$_2$e) units in the prescribed display time schedule.

Finally, the operational procedures regarding exchange for physical and exchange for risk transactions have been amended so that the new futures contract be eligible to these types of transactions. The procedures have also been amended to include substitution transactions discussed above. It is important to mention that substitution transactions will be permitted only for futures contracts on carbon dioxide equivalent (CO$_2$e) units.

It is also important to mention that until further notice, block trades will not be permitted for futures contracts on carbon dioxide equivalent (CO$_2$e) units. The operational procedures relating to this type of operations have therefore not been amended.

A copy of the updated versions of the operational procedures that have been amended for the purposes of the new futures contracts on carbon dioxide equivalent (CO$_2$e) units is attached as an appendix to this circular.
Position Limits and Margin Requirements

Like all other futures contracts that are listed on the Bourse, futures contracts on carbon dioxide equivalent (CO2e) units will be subjected to specific position limits and margin requirements. The Bourse will publish the relevant information on these matters once it has been determined what will be these limits and requirements.

Comparative Analysis of the Rules

As mentioned at the beginning of this circular, when the Bourse submitted its regulatory amendments proposal to the AMF in October 2007, it also published a request for comments. No comments were received following this publication.

During the period of time between this publication and the date on which the AMF gave its final approval to the Bourse for this proposal, there were extensive discussions and consultations between the AMF staff assigned on that file and the staff of the Bourse. These exchanges resulted in various changes being made to the regulatory amendments initially submitted by the Bourse. In most cases, amendments made are of a housekeeping type. However, some of these changes are more significant. It is the case, for example, of article 6815A regarding substitution transactions and for which the AMF requested that the Bourse to arrange for the regulations regarding this type of transactions to be more explicit on the important conditions that must be complied with when such a transaction is executed. Article 6815A has therefore been subjected to important amendments by the addition of various provisions whose purpose is to better define the conditions that parties to this type of transaction must satisfy.

Considering the relatively significant number of changes that were made on the initial proposal of the Bourse, it has been agreed with the AMF that the Bourse would provide to interested persons an analysis comparing the regulatory amendments originally submitted by the Bourse with the final Rules approved by the AMF and providing an explanation on the changes made when these are significant.

We therefore include this analysis as an appendix to this circular. This analysis is presented as a three columns schedule in which are respectively found, for each article of the Rules, the regulatory text originally proposed, the final text approved by the AMF in which the changes made are identified with revision marks and the explanation of these changes.

For any additional information regarding the content of this circular and the MCEX, please contact Ann McCarthy, Vice-President, Business Development for MCEX at 514 871-3544, Léon Bitton, Vice-President, Research and Development at 514 871-3583 or Richard Bourbonnière, Vice-President, Market Operations, Financial Markets at 514 871-3548.

Joëlle Saint-Arnault
Vice-President, Legal Affairs and Secretary
Futures Contract on carbon dioxide equivalent (CO\(_2\)e) units  
– Cash Settlement - GENERIC SPECIFICATIONS

| Trading Unit | One contract is equivalent to 100 carbon dioxide equivalent (CO\(_2\)e) units. Each carbon dioxide equivalent (CO\(_2\)e) unit, as defined by a governmental or legislative authority in Canada, is an entitlement to emit one metric ton of carbon dioxide equivalent (CO\(_2\)e). |
| Contract Expiries | Daily, monthly, quarterly and annual expiries |
| Price Quotation | Canadian dollars and cents per metric ton |
| Minimum Price Fluctuation | CA$ 0.01 per metric ton = CA$ 1 per contract |
| Last Trading Day / Expiration Day | Trading ceases at 4:00 p.m. (Montréal Time) on 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. |
| Contract Type | Cash Settlement |
| Daily Settlement Price | For each contract expiry, the daily settlement price will be calculated based on the following criteria:  
  - The volume weighted average (VWAP*) of all futures contracts trades executed within the 15-minute period from 3:45 p.m. to 4:00 p.m. (Montréal Time). 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.  
  - If no trades occur within the 15-minute period from 3:45 p.m. to 4:00 p.m. (Montréal Time) and the best bid is above the last trade price or the best offer is below the last trade price, then the closing price will be the best bid or the best offer price.  
  - If no trades occur within the 15-minute period from 3:45 p.m. to 4:00 p.m. (Montréal Time) and the best bid is below the last trade price or the best offer is above the last trade price, then the closing price will be the last trade price.  
  - If no trades occur in the trading session, the closing price is the previous day’s closing price unless the best bid is above the previous day’s closing price or the best offer is below the previous day’s closing price, in which case the closing price will be the best bid or best offer price. |
| Final Settlement Price | Two Alternatives:  
  Method I- Market-On-Close based methodology:  
  The final settlement price is calculated based on the average bid prices for one carbon dioxide equivalent (CO\(_2\)e) unit as quoted to the Bourse on the last trading day at 4:00 p.m. (Montréal Time), excluding the highest and lowest values. To calculate the final settlement price, the Bourse will obtain no less than 6 quotations (excluding the highest and lowest values) on the last trading day at 4:00 p.m. (Montréal Time) from a list of Large Industrial Emitters.  
  Method II- Index based methodology:  
  The contract is cash settled against an index based on the monthly average of the daily spot price of carbon dioxide equivalent (CO\(_2\)e) units. The daily spot prices are calculated based on a VWAP method (“Volume Weighted Average Price”) which consists of a weighted average of the trades on the spot market for a given day in the reference month. |
| Exchange for Physical / Exchange for Risk / Substitution of Over-The-Counter Derivative Instruments for Futures Contracts/ Block Trades | Exchange for Physical (EFP) and Exchange for Risk (EFR) facilities are available in accordance with the Rules of the Bourse. An EFP and an EFR work on the basis that the parties involved in the transaction agree to exchange a physical position or over-the-counter (OTC) position against a position in a futures contract listed on the Bourse.  
A substitution of over-the-counter derivative instruments for futures contracts works on the basis that the parties involved in the transaction agree to substitute an over-the-counter (OTC) derivatives position for a position in a futures contract listed on the Bourse.  
Block trades are permissible in accordance with the Rules of the Bourse. |
| Reporting Level | 250 contracts |
| Minimum Margin Requirements | Information on Minimum Margin Requirements can be obtained from the Bourse as they are subject to periodic changes. |
| Daily Price Limit | None |
| Trading Hours | 9:30 a.m. to 4:00 p.m. (Montréal Time) |
| Clearing Corporation | Canadian Derivatives Clearing Corporation (CDCC) |
| Ticker Symbol | Determined according to the specific carbon market |

2008-05-30
**Futures Contract on carbon dioxide equivalent (CO\(_2\)e) units**

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### Trading Unit

One contract is equivalent to 100 carbon dioxide equivalent (CO\(_2\)e) units. Each carbon dioxide equivalent (CO\(_2\)e) unit, as defined by a governmental or legislative authority in Canada, is an entitlement to emit one metric ton of carbon dioxide equivalent (CO\(_2\)e).

### Contract Expiries

Annual expiries

### Price Quotation

Canadian dollars and cents per metric ton

### Minimum Price Fluctuation

CA$ 0.01 per metric ton = CA$ 1 per contract

### Last Trading Day

Trading ceases at 4:00 p.m. (Montréal Time) on the third business day preceding the last business day of the contract expiry.

### Contract Type

Physical settlement.

### Daily Settlement Price

For each contract expiry, the daily settlement price will be calculated based on the following criteria:

- The volume weighted average (VWAP\(^*\)) of all futures contracts trades executed within the 15-minute period from 3:45 p.m. to 4:00 p.m. (Montréal Time). 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.
- If no trades occur within the 15-minute period from 3:45 p.m. to 4:00 p.m. (Montréal Time) and the best bid is above the last trade price or the best offer is below the last trade price, then the closing price will be the best bid or the best offer price.
- If no trades occur within the 15-minute period from 3:45 p.m. to 4:00 p.m. (Montréal Time) and the best bid is below the last trade price or the best offer is above the last trade price, then the closing price will be the last trade price.
- If no trades occur in the trading session, the closing price is the previous day’s closing price unless the best bid is above the previous day’s closing price or the best offer is below the previous day’s closing price, in which case the closing price will be the best bid or best offer price.

The Bourse reserves the right to take into account other factors in determining daily settlement prices.

\( ^* \) VWAP calculation methodology:

\[
\text{VWAP} = \frac{\sum (\text{Trade Volume} \times \text{Trade Price})}{\text{Total Trade Volume} \text{ (minus EFP, EFR, Substitution and Block Trades)}}
\]

### Physical Settlement

Contracts are physically settled by the transfer of carbon dioxide equivalent (CO\(_2\)e) units at the designated registry via the clearing corporation. A delivery notice shall be submitted before such time set by the clearing corporation on the last trading day. Physical settlement shall be completed on the third business day following the submission of the delivery notice.

Eligible carbon dioxide equivalent (CO\(_2\)e) units for physical settlement are:

- i) Regulated emitters’ credits, and / or
- ii) Offset credits.

In the case of a shortage of carbon dioxide equivalent (CO\(_2\)e) units or in the event that the designated registry is not in place at the expiration of the contract, the contract will be settled in cash.

### Alternative Delivery Procedure

An alternative delivery procedure is available to buyers and sellers who have been matched by the clearing corporation subsequent to the termination of trading in the expired contract. If buyer and seller agree to complete the physical settlement under terms different from those prescribed in the contract specifications, they may proceed on that basis after submitting a confirmation of agreement to such alternative procedure to the clearing corporation. A copy of this confirmation must also be transmitted to the Regulatory Division of the Bourse.

### Exchange for Physical / Exchange for Risk / Substitution of Over-The-Counter Derivative Instruments for Futures Contracts/ Block Trades

Exchange for Physical (EFP) and Exchange for Risk (EFR) facilities are available in accordance with the Rules of the Bourse. An EFP and an EFR work on the basis that the parties involved in the transaction agree to exchange a physical position or over-the-counter (OTC) position for an on-exchange futures contract position.

A substitution of over-the-counter derivative instruments for futures contracts works on the basis that the parties involved in the transaction agree to substitute an over-the-counter (OTC) derivatives position for an on-exchange futures contract position.

Block trades are permissible in accordance with the Rules of the Bourse.

### Reporting Level

250 contracts

### Minimum Margin Requirements

Information on Minimum Margin Requirements can be obtained from the Bourse as they are subject to periodic changes.

### Daily Price Limit

None

### Trading Hours

9:30 a.m. to 4:00 p.m. (Montréal Time)

### Clearing Corporation

Canadian Derivatives Clearing Corporation (CDCC)

### Ticker Symbol

Determined according to the specific carbon market
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<td><strong>Trading Unit</strong></td>
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<td><strong>Contract Expiries</strong></td>
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<td>Canadian dollars and cents per metric ton</td>
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<td>CAS 0.01 per metric ton = CAS 1 per contract</td>
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<tr>
<td><strong>Last Trading Day</strong></td>
<td>Trading ceases at 4:00 p.m. (Montréal Time) on the third business day preceding the last business day of the contract expiry.</td>
</tr>
<tr>
<td><strong>Contract Type</strong></td>
<td>Physical settlement</td>
</tr>
</tbody>
</table>
| **Daily Settlement Price**                                  | For each contract expiry, the daily settlement price will be calculated based on the following criteria:  
  * The volume weighted average (VWAP*) of all futures contracts trades executed within the 15-minute period from 3:45 p.m. to 4:00 p.m. (Montréal Time). 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.  
  * If no trades occur within the 15-minute period from 3:45 p.m. to 4:00 p.m. (Montréal Time) and the best bid is above the last trade price or the best offer is below the last trade price, then the closing price will be the best bid or the best offer price.  
  * If no trades occur within the 15-minute period from 3:45 p.m. to 4:00 p.m. (Montréal Time) and the best bid is below the last trade price or the best offer is above the last trade price, then the closing price will be the last trade price.  
  * If no trades occur in the trading session, the closing price is the previous day’s closing price unless the best bid is above the previous day’s closing price or the best offer is below the previous day’s closing price, in which case the closing price will be the best bid or best offer price.  

The final settlement price is the daily settlement price of the last day of trading. The Bourse reserves the right to take into account other factors in determining daily settlement prices and the final settlement price.  
* VWAP calculation methodology:  
  \[
  \text{VWAP} = \frac{\text{Sum (Trade Volume} \times \text{Trade Price})}{\text{Total Trade Volume (minus EFP, EFR, Substitution and Block Trades) for each contract expiry within the 15-minute period.}}
  \]
| **Physical Settlement**                                     | Contracts are physically settled by the transfer of Canada carbon dioxide equivalent (CO₂e) units at the designated registry via the clearing corporation. A delivery notice shall be submitted before such time set by the clearing corporation on the last trading day. Physical settlement shall be completed on the third business day following the submission of the delivery notice.  

Eligible Canada carbon dioxide equivalent (CO₂e) units for physical settlement are:  
i) Regulated emitters’ credits, and / or  
ii) Offset credits.  

In the case of a shortage of Canada carbon dioxide equivalent (CO₂e) units or in the event that the designated registry is not in place at the expiration of the contract, the contract will be settled in cash. |
| **Alternative Delivery Procedure**                          | An alternative delivery procedure is available to buyers and sellers who have been matched by the clearing corporation subsequent to the termination of trading in the expired contract. If buyer and seller agree to complete the physical settlement under terms different from those prescribed by the clearing corporation, they may proceed on that basis after submitting a confirmation of agreement to such alternative procedure to the clearing corporation. A copy of this confirmation must also be transmitted to the Regulatory Division of the Bourse. |
| **Exchange for Physical / Exchange for Risk / Substitution of Over-The-Counter Derivative Instruments for Futures Contracts** | Exchange for Physical (EFP) and Exchange for Risk (EFR) facilities are available in accordance with the Rules of the Bourse. An EFP and an EFR work on the basis that the parties involved in the transaction agree to exchange a physical position or over-the-counter (OTC) position for an on-exchange futures contract position.  

A substitution of over-the-counter derivative instruments for futures contracts works on the basis that the parties involved in the transaction agree to substitute an over-the-counter (OTC) derivatives position for an on-exchange futures contract position. |
| **Reporting Level**                                         | 250 contracts                                                                               |
| **Minimum Margin Requirements**                             | Information on Minimum Margin Requirements can be obtained from the Bourse as they are subject to periodic changes. |
| **Daily Price Limit**                                       | None                                                                                       |
| **Trading Hours**                                           | 9:30 a.m. to 4:00 p.m. (Montréal Time)                                                     |
| **Clearing Corporation**                                    | Canadian Derivatives Clearing Corporation (CDCC)                                           |
| **Ticker Symbol**                                           | MCX                                                                                       |
RULE FIFTEEN
FUTURES CONTRACTS SPECIFICATIONS

Section 15001 - 15050
General Provisions

15001 Scope of Rule
(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, 16.11.07, 30.05.08)

This Rule is limited in application to futures trading of the following instruments:

a) the overnight repo rate;
b) 1-month Canadian bankers' acceptance;
c) 3-month Canadian bankers' acceptance;
d) 2-year Government of Canada Bond;
e) 5-year Government of Canada Bond;
f) 10-year Government of Canada Bond;
g) 30-year Government of Canada Bond;
h) the S&P/TSX 60 Stock Index;
i) designated S&P/TSX sectorial stock indices;
j) Canadian and International stocks;
k) Carbon dioxide equivalent (CO₂e) units.

The procedures for dealing with clients, trading, clearing, settlement, delivery and any other matters not specifically covered herein shall be governed by the regulations of the Bourse and the General Regulations of the clearing corporation.
Section 15931 – 15950
FUTURES CONTRACTS ON
CARBON DIOXIDE EQUIVALENT (CO2e) UNITS
WITH PHYSICAL SETTLEMENT

Sub-section 15931 – 15948
Specific Trading and Delivery Provisions

15931 Definitions
(30.05.08)

"Carbon dioxide equivalent (CO2e)" means a unit of measure used to allow the comparison between greenhouse gases that have different global warming potentials.

"Carbon dioxide equivalent (CO2e) unit" means any right, benefit, title or interest recognized by a governmental or legislative authority in Canada, associated partly or in its entirety to a reduction of the emissions of greenhouse gases expressed in carbon dioxide equivalent (CO2e).

15932 Contract Expirations
(30.05.08)

Unless otherwise determined by the Bourse, the contract expiries available for trading in futures contracts on carbon dioxide equivalent (CO2e) units with physical settlement shall be as indicated in article 6804 of Rule Six of the Bourse.

15933 Trading Unit
(30.05.08)

Unless otherwise determined by the Bourse, the unit of trading for futures contracts on carbon dioxide equivalent (CO2e) units with physical settlement shall be as indicated in article 6801 of Rule Six of the Bourse.

15934 Currency
(30.05.08)

Trading, clearing and settlement for futures contracts on carbon dioxide equivalent (CO2e) units with physical settlement shall be in Canadian dollars.

15935 Price Quotation
(30.05.08)

Unless otherwise determined by the Bourse, bids and offers for futures contracts on carbon dioxide equivalent (CO2e) units with physical settlement shall be as indicated in article 6802 of Rule Six of the Bourse.
Minimum Price Fluctuation Unit
(30.05.08)

Unless otherwise determined by the Bourse, the minimum price fluctuation unit for futures contracts on carbon dioxide equivalent (CO₂e) units with physical settlement shall be as indicated in article 6807 of Rule Six of the Bourse.

Daily Price Limit
(30.05.08)

There shall be no daily price limit for futures contracts on carbon dioxide equivalent (CO₂e) units with physical settlement.

Position Limits
(30.05.08)

The maximum net long or net short position in each designated futures contract on carbon dioxide equivalent (CO₂e) units with physical settlement which a person may own or control shall be as follows:

Position limit for all contract expiries combined for each futures contract on carbon dioxide equivalent (CO₂e) units with physical settlement:

The greater of a maximum number of contracts to be determined by the Bourse or of 20% of the average daily open interest for all contract expiries during the preceding three calendar months; or

Such other limit as may be determined by the Bourse.

As provided by Policy C-1 of the Bourse, an approved participant may file with the Bourse an application to obtain, on behalf of a bona fide hedger, an exemption from the position limits established by the Bourse. The application must be filed in the form and within the delays prescribed by the Bourse and must contain all the information required in Section 1.3 of Policy C-1 of the Bourse. If the application is rejected, the approved participant shall reduce the position so that it does not exceed the prescribed limit within the period set by the Bourse. The Bourse can modify any exemption which has been previously granted. A bona fide hedger may also, under certain circumstances, file directly with the Bourse, in the form prescribed, an application to obtain an exemption from the position limits prescribed by the Bourse.

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

Position Reporting Threshold
(30.05.08)

Approved participants shall report to the Bourse all positions which, when combining all contract expiries, exceed 250 futures contracts on carbon dioxide equivalent (CO₂e) units with physical settlement, 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.
Physical settlement of the carbon dioxide equivalent (CO\textsubscript{2}e) units underlying the futures contracts on carbon dioxide equivalent (CO\textsubscript{2}e) units with physical settlement shall be made in the manner prescribed in articles 15942 to 15948 of this Rule and by the clearing corporation.

The last day of trading of futures contracts on carbon dioxide equivalent (CO\textsubscript{2}e) units with physical settlement will be the third business day preceding the last business day of the contract expiry. For contracts with daily expiries, the last day of trading will be the first trading day of the contract.

For futures contracts on carbon dioxide equivalent (CO\textsubscript{2}e) units with physical settlement, the only carbon dioxide equivalent (CO\textsubscript{2}e) units acceptable for physical settlement shall be those specified by the Bourse from time to time.

Before a futures contract on carbon dioxide equivalent (CO\textsubscript{2}e) units with physical settlement is listed for trading, the Bourse shall have the right to exclude from the physical settlement of such futures contract any carbon dioxide equivalent (CO\textsubscript{2}e) unit it deems appropriate to exclude, even if such unit meets all the standards specified by the Bourse.

Approved participants must apply the assignment process used by the clearing corporation to assign physical settlements to each of their accounts.

Only an approved participant holding a short position in a futures contract on carbon dioxide equivalent (CO\textsubscript{2}e) units can initiate the physical settlement process.

All buyers' and sellers' positions still open in futures contracts on carbon dioxide equivalent (CO\textsubscript{2}e) units with physical settlement after trading has ceased in the contract shall be settled by physical settlement.

In the case where a short position is still open in futures contracts on carbon dioxide equivalent (CO\textsubscript{2}e) units with physical settlement after trading has ceased in that futures contract, and where the approved participant has not initiated the physical settlement process, the clearing corporation shall substitute itself for the approved participant in initiating such process.

An alternative delivery procedure is available to buyers and sellers who have been matched by the clearing corporation subsequent to the termination of trading in the expired contract. If buyer and seller agree to complete the physical settlement under terms different from those prescribed by the clearing corporation, they may proceed on that basis after submitting a confirmation of agreement to
such alternative procedure to the clearing corporation. A copy of this confirmation must also be transmitted to the Regulatory Division of the Bourse.

15944 Submission of Physical Settlement Notice  
(30.05.08)

To initiate the physical settlement process of a futures contract on carbon dioxide equivalent (CO₂e) units with physical settlement, an approved participant holding a seller's position must submit a physical settlement notice to the clearing corporation on the last trading day.

15945 Assignment of Physical Settlement Notice  
(30.05.08)

a) The assignment of a physical settlement notice to an approved participant holding a long position shall be done by the clearing corporation in the manner set forth by the clearing corporation.

b) Approved participants holding long positions in futures contracts on carbon dioxide equivalent (CO₂e) units with physical settlement shall receive a physical settlement notice from the clearing corporation on the business day following the submission of physical settlement notices by approved participants holding short positions in such futures contracts.

15946 Physical Settlement Day  
(30.05.08)

Physical settlement in respect of futures contracts on carbon dioxide equivalent (CO₂e) units with physical settlement shall be done on the third business day following the submission of physical settlement notices by the approved participants holding short positions, or on any other day as determined by the clearing corporation.

15947 Physical Settlement Default  
(30.05.08)

A physical settlement default may occur if the seller does not transfer the acceptable carbon dioxide equivalent (CO₂e) units in accordance with the conditions prescribed by the clearing corporation or if the buyer does not accept these units in accordance with these same prescribed conditions. Any default from an approved participant to comply with physical settlement procedures may result in the imposition of disciplinary sanctions, as determined from time to time by the Bourse.

15948 Force Majeure  
(30.05.08)

In the eventuality that a physical settlement operation cannot be completed because of a “force majeure”, such as a strike, a fire, an accident, a government action, an act of God or any other emergency situation, the holder of a long position or a short position in futures contracts on carbon dioxide equivalent (CO₂e) units with physical settlement shall immediately notify the Bourse and the clearing corporation. In the eventuality that the Bourse and the clearing corporation find that an immediate action is necessary, a special meeting of the Board of Directors of the Bourse shall be called on the matter and any decision rendered in such circumstances shall be binding on all parties holding long or short positions in futures contracts on carbon dioxide equivalent (CO₂e) units with physical settlement. If the Board of Directors of the Bourse deems that an emergency situation is in progress, the Board of Directors of the
Bourse shall take all necessary actions in the circumstances, and the decision of the Board of Directors of the Bourse shall be binding on all parties holding long or short positions in futures contracts on carbon dioxide equivalent (CO₂e) units with physical settlement.

In the specific situation where the trading system related to the carbon dioxide equivalent (CO₂e) unit is no longer scheduled to proceed, is not implemented by any governmental or legislative authority in Canada or is to be discontinued by any governmental or legislative authority in Canada, the Board of Directors of the clearing corporation shall decide on the cash settlement of the futures contracts on carbon dioxide equivalent (CO₂e) units at a price that reflects a minimum quality standard established by recognized standards organizations to be determined from time to time by the Bourse.
Section 15951 – 15970
FUTURES CONTRACTS ON
CARBON DIOXIDE (CO₂e) EQUIVALENT UNITS
WITH CASH SETTLEMENT

Sub-section 15951 – 15962
Specific Trading Provisions

15951 Definitions
(30.05.08)

"Carbon dioxide equivalent (CO₂e)" means a unit of measure used to allow the comparison between greenhouse gases that have different global warming potentials.

"Carbon dioxide equivalent (CO₂e) unit" means any right, benefit, title or interest recognized by a governmental or legislative authority in Canada, associated partly or in its entirety to a reduction of the emissions of greenhouse gases expressed in carbon dioxide equivalent (CO₂e).

“Final settlement price” means the price at which a cash-settled futures contract is settled at maturity, pursuant to a calculation procedure specified by the Bourse.

15952 Contract Expirations
(30.05.08)

Unless otherwise determined by the Bourse, the contract expiries available for trading in futures contracts on carbon dioxide equivalent (CO₂e) units with cash settlement shall be as indicated in article 6804 of Rule Six of the Bourse.

15953 Trading Unit
(30.05.08)

Unless otherwise determined by the Bourse, the unit of trading for futures contracts on carbon dioxide equivalent (CO₂e) units with cash settlement shall be as indicated in article 6801 of Rule Six of the Bourse.

15954 Currency
(30.05.08)

Trading, clearing and settlement for futures contracts on carbon dioxide equivalent (CO₂e) units with cash settlement shall be in Canadian dollars.

15955 Price Quotation
(30.05.08)

Unless otherwise determined by the Bourse, bids and offers for futures contracts on carbon dioxide equivalent (CO₂e) units with cash settlement shall be as indicated in article 6802 of Rule Six of the Bourse.
Minimum Price Fluctuation Unit
(30.05.08)

Unless otherwise determined by the Bourse, the minimum price fluctuation unit for futures contracts on carbon dioxide equivalent (CO₂e) units with cash settlement shall be as indicated in article 6807 of Rule Six of the Bourse.

Daily Price Limit
(30.05.08)

There shall be no daily price limit for futures contracts on carbon dioxide equivalent (CO₂e) units with cash settlement.

Position Limits
(30.05.08)

The maximum net long or net short position in each designated futures contract on carbon dioxide equivalent (CO₂e) units with cash settlement which a person may own or control shall be as follows:

Position limit for all contract expiries combined for each futures contract on carbon dioxide equivalent (CO₂e) units with cash settlement:

The greater of a maximum number of contracts to be determined by the Bourse or of 20% of the average daily open interest for all contract expiries during the preceding three calendar months; or

Such other limit as may be determined by the Bourse.

As provided by Policy C-1 of the Bourse, an approved participant may file with the Bourse an application to obtain, on behalf of a bona fide hedger, an exemption from the position limits established by the Bourse. The application must be filed in the form and within the delays prescribed by the Bourse and must contain all the information required in Section 1.3 of Policy C-1 of the Bourse. If the application is rejected, the approved participant shall reduce the position so that it does not exceed the prescribed limit within the period set by the Bourse. The Bourse can modify any exemption which has been previously granted. A bona fide hedger may also, under certain circumstances, file directly with the Bourse, in the form prescribed, an application to obtain an exemption from the position limits prescribed by the Bourse.

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

Position Reporting Threshold
(30.05.08)

Approved participants shall report to the Bourse all positions which, when combining all contract expiries, exceed 250 futures contracts on carbon dioxide equivalent (CO₂e) units with cash settlement, 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.
15960  Cash Settlement
(30.05.08)

Cash settlement of futures contracts on carbon dioxide equivalent (CO$_2$e) units with cash settlement shall be through the clearing corporation. The final settlement procedures are those stipulated in articles 15963 to 15970.

15961  Last Day of Trading
(30.05.08)

The last day of trading of futures contracts on carbon dioxide equivalent (CO$_2$e) units with cash settlement will be 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.

15962  Force Majeure
(30.05.08)

In the eventuality that the final cash settlement procedures cannot be completed because of a “force majeure”, such as a strike, a fire, an accident, a government action, an act of God or any other emergency situation, the holder of a long position or a short position in futures contracts on carbon dioxide equivalent (CO$_2$e) units with cash settlement shall immediately notify the Bourse and the clearing corporation. In the eventuality that the Bourse and the clearing corporation find that an immediate action is necessary, a special meeting of the Board of Directors of the Bourse shall be called on the matter and any decision rendered in such circumstances shall be binding on all parties holding long or short positions in futures contracts on carbon dioxide equivalent (CO$_2$e) units with cash settlement. If the Board of Directors of the Bourse decides that an emergency situation is in progress, the Board of Directors of the Bourse shall take all necessary actions in the circumstances, and the decision of the Board of Directors of the Bourse shall be binding on all parties holding long or short positions in futures contracts on carbon dioxide equivalent (CO$_2$e) units with cash settlement.

In the specific situation where the trading system related to the carbon dioxide equivalent (CO$_2$e) unit is no longer scheduled to proceed, is not implemented by any governmental or legislative authority in Canada or is to be discontinued by any governmental or legislative authority in Canada, the Board of Directors of the clearing corporation shall decide on the cash settlement of the futures contracts on carbon dioxide equivalent (CO$_2$e) units at a price that reflects a minimum quality standard established by recognized standards organizations to be determined from time to time by the Bourse.
Sub-section 15963 - 15970
Final Settlement Procedures

15963 Final Cash Settlement Date
(30.05.08)

The final cash settlement date of a given futures contract on carbon dioxide equivalent (CO₂e) units with cash settlement shall be the first business day following the last day of trading of the expired contract.

15964 Cash Settlement Procedures
(30.05.08)

In the case of futures contracts on carbon dioxide equivalent (CO₂e) units with cash settlement:

a) On the last day of trading, open futures contracts on carbon dioxide equivalent (CO₂e) units will be marked to market based on the final settlement price.

b) On the final settlement date, the final settlement price, as determined by the Bourse, shall be used to settle all open positions in futures contracts on carbon dioxide equivalent (CO₂e) units with cash settlement.

15965 Failure to Settle
(30.05.08)

Any failure on the part of an approved participant to comply with the aforementioned cash settlement rules may result in the imposition of such disciplinary sanctions as may be deemed appropriate in the circumstances by the Bourse.
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)

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

c) 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.

d) i) in the case of the 2-year Government of Canada Bond futures:
   CAN$100,000 nominal value of a notional Government of Canada Bond bearing a coupon of 6%.

   ii) in the case of the December 2006 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 4%.

e) 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%.

f) 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%.

g) 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 4%.
h) in the case of the futures contract on the S&P/TSX 60 Stock Index:

CAN $200 times the S&P/TSX 60 Stock Index level.

i) in the case of the futures contract on designated S&P/TSX sectorial stock 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.

j) 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.

k) in the case of the futures contract on carbon dioxide equivalent (CO\textsubscript{2}e) units with physical settlement:

100 carbon dioxide equivalent (CO\textsubscript{2}e) units. Each unit is an entitlement to emit one metric ton of carbon dioxide equivalent (CO\textsubscript{2}e).

l) in the case of the futures contract on carbon dioxide equivalent (CO\textsubscript{2}e) units with cash settlement:

100 carbon dioxide equivalent (CO\textsubscript{2}e) units. Each unit is an entitlement to emit one metric ton of carbon dioxide equivalent (CO\textsubscript{2}e).

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)

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:

<table>
<thead>
<tr>
<th>Futures Type</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government of Canada Bond futures</td>
<td>Per CAN$100 nominal value</td>
</tr>
<tr>
<td>30-day overnight repo rate futures</td>
<td>In terms of an index of 100 minus the monthly average overnight repo rate</td>
</tr>
<tr>
<td></td>
<td>in percentage point on an annual basis for a 365-day year</td>
</tr>
<tr>
<td>1-month Canadian bankers' acceptance futures</td>
<td>In terms of an index of 100 minus the yield in percentage point on an</td>
</tr>
<tr>
<td></td>
<td>annual basis for a 365-day year on 1-month Canadian bankers' acceptances</td>
</tr>
</tbody>
</table>
3-month Canadian bankers' acceptance futures

Futures contract on the S&P/TSX 60 Stock Index

Canadian share Futures Contract

International Share Futures Contract

Futures contract on carbon dioxide equivalent (CO$_2$e) units with physical and cash settlement

6803 Currency

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

1-month and 3-month Canadian bankers' acceptance futures

Government of Canada Bond futures

Futures contract on the S&P/TSX 60 Stock Index

Canadian share futures Contract

Futures contract on carbon dioxide equivalent (CO$_2$e) units with physical and cash settlement

International share futures contracts
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)

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

- **30-day overnight repo rate 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 contract on the S&P/TSX 60 Stock Index and futures contracts on S&P/TSX sectorial stock 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$_2$e) units with physical settlement**
  - Daily, monthly, quarterly and annual expiries

- **Futures contract on carbon dioxide equivalent (CO$_2$e) units with cash settlement**
  - Daily, monthly, quarterly and annual expiries

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)

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) **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.
c) Government of Canada Bond futures Contracts
   a minimum of 0.005 per $100 nominal value

d) Futures contract on the S&P/TSX 60 Stock Index
   0.01 index point equivalent to CDN $2 per contract

e) Canadian share futures contract
   A minimum of $0.01 CDN per Canadian share

f) International share futures contracts
   At a minimum of the corresponding unit of fluctuation used by the market on which the underlying stock is traded

g) Futures contracts on S&P/TSX sectorial stock indices
   0.01 index point

h) Futures contract on carbon dioxide equivalent (CO₂e) units with physical settlement
   A minimum of $0.01 CDN per metric ton of carbon dioxide equivalent (CO₂e)

i) Futures contract on carbon dioxide equivalent (CO₂e) units with cash settlement
   A minimum of $0.01 CDN per metric ton of carbon dioxide equivalent (CO₂e)

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)

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

c) Government of Canada Bond futures:

   Trading is prohibited during any day at a price higher or lower by more than 3 points, than:

   i) the settlement price for such futures contract on the previous business day; or

   ii) the average of the opening range or the first trade, during the first day of trading in a futures contract; or
iii) the price established by the Bourse in an inactive contract.

d) Futures contract on the S&P/TSX 60 Stock Index and futures contract on S&P/TSX sectorial stock indices:

i) Trading halts

Trading halts on the futures contract on the S&P/TSX Stock 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 contract 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.

e) 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.

f) 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.

g) Futures contract on carbon dioxide equivalent (CO$_2$e) units with physical and cash settlement

NIL

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)

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) 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.

c) 5-year and 10-year Government of Canada Bond futures:
on the 7th business day preceding the last business day of the delivery month.

d) Futures contract of the S&P/TSX 60 Stock Index:
the exchange traded day preceding the final settlement day as defined in article 15721 of the Rules.

e) 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.

f) 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 constituent, or such other day as prescribed by the Bourse.

g) Futures Contracts on S&P/TSX sectorial stock indices:
the exchange traded day preceding the final settlement day as defined in article 15771 of the Rules.

h) Futures contract on carbon dioxide equivalent (CO$_2$e) 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.

i) Futures contract on carbon dioxide equivalent (CO$_2$e) 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.
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.
The only transactions in any securities or derivative instruments listed on the Bourse which an approved participant may make off the Bourse are the following:

a) a transaction made to adjust an execution error on a client's order;

b) a transaction made as a result of the exercise of an option or of a delivery pursuant to a futures contract;

c) an Exchange for Physicals (EFP) transaction or an Exchange for Risk (EFR) transaction pursuant to article 6815 or a Substitution of over-the-counter derivative instruments for futures contracts pursuant to article 6815A;

d) an off-exchange transfer of securities or derivative instruments pursuant to article 6816;

e) a block trade in a security or derivative instrument designated by the Bourse and executed according to the provisions of article 6380.
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

2.1 FUTURES CONTRACT AND OPTIONS ON FUTURES CONTRACT 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.
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.

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 average price of trades on that contract month (trades for a minimum of 100 contracts); if no such average price is available, it will then use the last 30 minute average price of trades on that contract month (trades for a minimum of 100 contracts) and if no such average price is yet available, then the least variation between the bid or offer price 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, 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 and strategy combination traded average or, if no average price can be determined in this manner, the least variation between the bid and offer for booked orders.

4.2 S&P CANADA 60 INDEX FUTURES CONTRACTS (SXF)

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.

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 Trade**

  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.

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

Market officials will register in the “daily settlement price record” the criteria considered for determining the settlement price.
4.3 TEN-YEAR GOVERNMENT OF CANADA BOND FUTURES CONTRACTS (CGB)

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 Trade

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 contracts 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.

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

4.4 **THIRTY-YEAR GOVERNMENT OF CANADA BOND FUTURES CONTRACTS (LGB)**

4.4.1 **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 Trade**

  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.

4.4.2 **FIRST ANCILLARY PROCEDURE**

When two contracts 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.
4.4.3 **SECOND ANCILLARY PROCEDURE**

In the absence of the items required to apply the main procedure in 4.4.1 and the ancillary procedure in 4.4.2, 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.

4.4.4 **THIRD ANCILLARY PROCEDURE**

In the absence of the items required to apply the main procedure in 4.4.1 and the ancillary procedures in 4.4.2 and 4.4.3, 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.

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

4.5 **OPTIONS ON THREE – MONTH CANADIAN BANKERS’ ACCEPTANCE FUTURES CONTRACTS (OBX)**

4.5.1 **MAIN PROCEDURE**

4.5.1.1 *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.

4.5.1.2 *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 4.5.2). 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.
4.5.2 ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.5.1, 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:**

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

**Interest rate:**

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

**Volatility:**

- 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 spread market, 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.

### 4.6 30-DAY OVERNIGHT REPO RATE FUTURES CONTRACTS (ONX)

#### 4.6.1 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.

**4.6.1.1 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.

**4.6.1.2 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.

4.6.1.3 Remaining Balances of Booked Orders Partially Executed at the close

In the case of a booked order as stipulated in paragraph 4.6.1.2 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.

4.6.1.4 Strips and Spreads

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

4.6.2 FIRST ANCILLARY PROCEDURE

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

4.6.2.1 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.

4.6.2.2 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 4.6.2.1. 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.

4.6.3 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.
4.6.3.1 **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.

4.6.3.2 **Conflicts between spreads**

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

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 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.

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

4.7 **TWO-YEAR GOVERNMENT OF CANADA BOND FUTURES CONTRACT (CGZ)**

4.7.1 **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 contracts 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 30 seconds or longer prior to the close and its size must be for 20 contracts or more.

- **Remaining Balances of Booked Orders**

  In the case of a booked order as stipulated in the above paragraph which would only be partially executed during the closing period and if no other trade has occurred during the closing period, the remaining unexecuted balance of this order will be considered to establish the closing price.

  In the absence of an average price during the closing range, the reference period will be extended to the last 10 minutes of the trading session.
4.7.2 **FIRST ANCILLARY PROCEDURE**

When two contracts 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 contracts months must be settled next by taking into account the last three minutes average trading price and by examining the trades executed during the previous 10 minutes.

- **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 30 seconds or longer prior to the close and its size must be for 20 contracts or more.

- **Remaining Balances of Booked Orders**

In the case of a booked order as stipulated in the above paragraph which would only be partially executed during the closing period and if no other trade has occurred during the closing period, the remaining unexecuted balance of this order will be considered to establish the closing price.

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

4.7.3 **SECOND ANCILLARY PROCEDURE**

In the absence of any trade during the last 10 minutes of the trading session, the following ancillary procedure will apply.

The settlement price for the front month will be the median of the market posted at the closing of the market. Bids and offers have to have been posted for 30 seconds or longer prior to the close and the size of each such bids and offers must be for 20 contracts or more.

The value of the spread will be either the settlement price of the previous trading day or the weighted average of all trades during the closing range as defined above in the first ancillary procedure.

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

4.7.4 **THIRD ANCILLARY PROCEDURE**

In the absence of the elements required to apply the previous procedures, 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 occur near the end of the regular trading session and which is not compatible with a given settlement price.

Usually, the settlement price for the back month is always adjusted depending on the settlement prices obtained for the front month and the spread.

4.8 FUTURES CONTRACT ON CARBON DIOXIDE EQUIVALENT (CO₂e) UNITS

4.8.1 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 Trade**

  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.

4.8.2 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.

4.8.3 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.
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.

4.8.4 **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 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.
PROCEDURES APPLICABLE TO THE EXECUTION OF CROSS TRANSACTIONS AND THE EXECUTION OF PREARRANGED TRANSACTIONS

In accordance with article 6380 of the Rules of Bourse de Montréal Inc. (the Bourse), the following are the eligible products, 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.

<table>
<thead>
<tr>
<th>ELIGIBLE PRODUCTS</th>
<th>PRESCRIBED TIME DELAY</th>
<th>MINIMUM QUANTITY THRESHOLD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three-month Canadian Bankers’ Acceptance Futures Contracts (BAX):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st four quarterly months – not including serial months</td>
<td>5 seconds</td>
<td>1 contract</td>
</tr>
<tr>
<td>Remaining expiry months and strategies</td>
<td>15 seconds</td>
<td>1 contract</td>
</tr>
<tr>
<td>Thirty-day Overnight “Repo” Rate Futures Contracts (ONX):</td>
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<td></td>
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<tr>
<td>Front month</td>
<td>5 seconds</td>
<td>1 contract</td>
</tr>
<tr>
<td>Remaining expiry months and strategies</td>
<td>15 seconds</td>
<td>1 contract</td>
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<tr>
<td>Government of Canada Bond Futures Contracts:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All expiry months and strategies</td>
<td>5 seconds</td>
<td>1 contract</td>
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<tr>
<td>S&amp;P Canada 60 Index Futures Contracts (SXF):</td>
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<tr>
<td>All expiry months</td>
<td>0 second</td>
<td>100 contracts</td>
</tr>
<tr>
<td>All expiry months and strategies</td>
<td>5 seconds</td>
<td>1 contract</td>
</tr>
<tr>
<td>Carbon Dioxide Equivalent (CO\textsubscript{2}e) Units Futures Contracts:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All expiry months and strategies</td>
<td>5 seconds</td>
<td>1 contract</td>
</tr>
<tr>
<td>Options on Three-month Canadian Bankers’ Acceptance Futures Contracts (OBX):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All expiry months and strategies</td>
<td>0 second</td>
<td>250 contracts</td>
</tr>
<tr>
<td>All expiry months and strategies</td>
<td>5 seconds</td>
<td>1 contract</td>
</tr>
</tbody>
</table>

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

(1) Equity Options, Index Options and Currency Options Contracts

Equity options, index options and currency options are products for which market makers are assigned. In order to encourage the market making activities, cross transactions and prearranged transactions can only be executed in accordance with one of the following procedures:

Procedure for transactions with a 50% guaranteed minimum (residual quantity equal or greater than the minimum quantity threshold):

The 50% execution guarantee applies only if the residual quantity (described below) is equal to or greater than the minimum quantity threshold.

The approved participant must contact a market official at 1-888-693-6366 or at (514) 871-7871 and provide details of the intended transaction: total quantity which must be equal to or greater than the minimum quantity threshold, price, side(s) of the transaction on which the approved participant is required to give priority.

The approved participant must ensure that all existing disclosed orders on SAM, regardless of type of orders, which are at limit prices better than or equal to the intended transaction price are executed before completing such transaction. The market official will ensure, in collaboration with the approved participant, that this requirement is met;

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.

If the residual quantity is less than the minimum quantity threshold, the approved participant must follow the procedure applicable to transactions with no minimum guaranteed volume, described further below.
If the residual quantity of the intended transaction is equal to or greater than the minimum quantity threshold, a market official will contact the market makers and inform them of the residual quantity covered by the transaction and the limit price. The market official will expose to the market makers active on the class the side of the transaction on which the approved participant is required to give priority.

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

The approved participant will be permitted to execute the transaction for the remaining quantity (a minimum of 50% of the residual quantity, plus any quantity not taken of the 50% of the original intended transaction quantity that had been shown to the market makers and to the market).

Procedure for transactions with no guaranteed minimum volume (residual quantity smaller than the minimum quantity threshold):

Approved participants wishing to make a cross transaction or a prearranged transaction must issue a Request For Quote (RFQ) for the total intended transaction quantity and must then respect a delay that is not less than the prescribed time delay applicable to the specific product before entering the orders into the trading system.

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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.

Bundling of orders to meet the minimum quantity threshold is not permitted.

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1In the case where the total quantity requested by the market makers is equal to or less than the 50% of the quantity of the original intended transaction shown to them, each order will be executed entirely. If the total market makers' interest exceeds the quantity shown to them, each will receive the lesser of the following quantities: (a) an equal portion for each of them or (b) the quantity they requested. A market maker cannot increase the quantity allocated to him by proposing a price better than the intended transaction price. The quantity allocated to a market maker will not be based on previous executions relating to existing orders in the book at prices equal to or better than the intended transaction price.
PROCEDURE FOR THE EXECUTION AND REPORTING OF EXCHANGE FOR PHYSICAL (EFP), EXCHANGE FOR RISK (EFR) AND SUBSTITUTION OF OTC DERIVATIVE INSTRUMENTS FOR FUTURES CONTRACTS TRANSACTIONS

The purpose of the following procedure is to explain as fully as possible: a) the requirements of article 6815 of the Rules of Bourse de Montréal Inc. (the Bourse) relating to the execution of transactions involving the exchange of futures contracts for a corresponding cash position (Exchange for Physical (EFP)) and of transactions involving the exchange of futures contracts for a corresponding over-the-counter derivative instrument (Exchange for Risk (EFR)); and b) of article 6815A of the Rules of the Bourse relating to the execution of transactions involving the substitution of an over-the-counter derivative instrument for futures contracts. Approved participants must ensure that all of their employees who are involved in the execution of this type of transactions are fully aware of this procedure. Any violation of the requirements set forth in articles 6815 and 6815A of the Rules of the Bourse and in this procedure could result in disciplinary action being taken by the Bourse.

**Exchanges for Physicals (EFP)**

An EFP is a transaction whereby two parties enter into an agreement in which one party purchases a cash market position and simultaneously sells a corresponding futures contract position and the other party sells the cash market position and simultaneously purchases the corresponding futures contract position.

The Bourse currently permits EFP transactions on the following futures contracts: Thirty-Year Government of Canada Bond futures contract (LGB), Ten-Year Government of Canada Bond futures contract (CGB), Two-Year Government of Canada Bond futures contract (CGZ), S&P Canada 60 Index futures contract (SXF), sectorial index futures contracts (SXA, SXB, SXH and SXY) and futures contracts on carbon dioxide equivalent (CO2e) units.

**Exchange for Risk (EFR)**

An EFR is a transaction whereby two parties enter into an agreement in which one party purchases an over-the-counter derivative instrument and simultaneously sells a corresponding futures contract and the other party sells the over-the-counter derivative instrument and simultaneously purchases the corresponding futures contract.

The Bourse currently permits EFR transactions on the following futures contracts: Government of Canada Bond futures contracts (LGB, CGB and CGZ), short-term interest rate futures contracts (BAX and ONX), stock index futures contracts (SXF, SXA, SXB, SXH and SXY) and futures contracts on carbon dioxide equivalent (CO2e) units.

**Substitution of an OTC derivative instrument for futures contracts (Substitution)**

A Substitution is a transaction whereby two parties enter into an agreement to substitute an over-the-counter derivatives position for a corresponding futures contract position. The party who is the buyer of the over-the-counter derivative instrument substitutes this position and buys the corresponding futures contract.

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contract and the other party who is the seller of the over-the-counter derivative instrument substitutes this position and sells the corresponding futures contract.

The Bourse currently permits Substitution transactions on futures contracts on carbon dioxide equivalent (CO₂e) units.

**Pricing the Cash component of an EFP or the Risk component of an EFR or of a Substitution**

The cash component of an EFP or the risk component of an EFR or of a Substitution is priced at such level that is mutually agreed upon by the two parties to the transaction.

The futures contract leg of an EFP, an EFR or a Substitution must be priced at a fair and reasonable level in light of factors such as, but not limited to, the size of such an EFP, EFR or Substitution 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 and the general market conditions prevailing at the time the EFP, EFR or Substitution transaction is executed.

The cash component of an EFP or the risk component of an EFR or of a Substitution transaction must be the futures contract underlying interest, a by-product of this underlying interest or a similar product that is reasonably correlated to the futures contract being exchanged. Approved participants who are parties to an EFP, EFR or Substitution transaction may be required to demonstrate that the cash market component of such an EFP or the risk component of such an EFR or Substitution and the futures contract position are sufficiently correlated to make the transaction acceptable to the Bourse.

Also, the number of futures contracts exchanged must be approximately equivalent to the quantity or value of the cash market position being exchanged in an EFP transaction or of the risk component being exchanged in the case of an EFR or substituted in the case of a Substitution. Approved participants that are parties to an EFP, EFR or Substitution transaction may be required to demonstrate such equivalency.

**Acceptable EFP, EFR and Substitution Transactions**

In order to have an EFP, EFR or Substitution transaction accepted by the Bourse, the transaction must satisfy the following conditions:

- There must be separate but integrally related futures contracts and cash (in the case of an EFP) or risk component (in the case of an EFR or Substitution) transactions.

- The exchange or substitution transaction must be done between two separate accounts that must satisfy at least one of the following criteria:
  - accounts have different beneficial ownership;
  - accounts have the same beneficial ownership but are under separate control; or
  - accounts are under a common control but involve separate legal entities which may or may not have the same beneficial ownership.

If the parties to an EFP, EFR or Substitution transaction involve the same legal entity, same beneficial owner or separate legal entities under common control, the approved participant (or the parties themselves) must be able to demonstrate that the EFP, EFR or Substitution transaction is a legitimate arm’s length transaction.
• The cash market instrument leg of the EFP or the risk component leg of an EFR transaction must provide for a transfer of ownership of the cash market instrument of an EFP or of the over-the-counter derivative instrument of the EFR to the buyer of this instrument and the delivery of this instrument must take place within a reasonable period of time (in accordance with cash market or over-the-counter practice).

• The relation between the prices of the futures contract and of the cash instrument leg of the EFP or the risk component leg of the EFR or Substitution transaction and the relevant prices in either market must be established.

• If he does not have actual possession of the cash instrument, in the case of an EFP transaction, or of the over-the-counter derivative instrument, in the case of an EFR transaction, before the execution of the transaction, the seller of this cash instrument or over-the-counter derivative instrument must be able to demonstrate his ability to satisfy his delivery obligation.

Acceptable Cash Components for the purpose of an EFP Transaction

In order to have an EFP transaction accepted by the Bourse, the cash component of the transaction must satisfy the following conditions:

• For interest rate futures contracts (LGB, CGB and CGZ): all maturities of Government of Canada fixed income bonds that are reasonably correlated to the futures contract being exchanged. Approved participants involved in an EFP transaction may be required to demonstrate that the related cash bond position and the futures contract position are reasonably correlated.

• For stock index futures contracts (SXF and sectorial indexes): stock baskets must be reasonably correlated to the underlying index with a correlation coefficient ($R^2$) of 0.90 or more. Furthermore, these stock baskets must represent a weight of at least 50% of the underlying index or must include at least 50% of the securities of the underlying index. The notional value of the basket must be fairly equal to the value of the futures contract component of the exchange transaction. Exchange Traded Funds (iShares™) are also acceptable, provided they mirror the index futures contract against which the EFP transaction is made.

• For futures contracts on carbon dioxide equivalent (CO$_2$e) units: The eligible Canadian CO2e units are Regulated Emitters’ credits, and / or offset credits

Permissible Over-the-Counter Derivative Instruments for the purpose of an EFR Transaction

A list of permissible over-the-counter derivative instruments for the purpose of effecting an EFR transaction is included in Appendix I.

Permissible Over-the-Counter Derivative Instruments for the purpose of a Substitution Transaction

• For futures contracts on carbon dioxide equivalent (CO$_2$e) units: Over-the-counter derivative instruments on carbon dioxide equivalent units that are reasonably correlated (with a correlation coefficient ($R^2$) of 0.80 or more) to the futures contract being substituted.

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Approved participants involved in a Substitution transaction may be required to demonstrate
that the related over-the-counter derivative instrument and the futures contract position are
reasonably correlated.

As a guideline, the time period used to calculate the correlation coefficient must be based on daily price
data for a period of at least six (6) months or, if weekly price data are used, for a period of at least one (1)
year

**Reporting an EFP, EFR or Substitution transaction to the Bourse**

EFP, EFR and Substitution transactions must be reported to the Bourse’s Market Monitoring Department
for approval and subsequent input into the Montréal Automated System (SAM). Approved participants
for both the seller and buyer must complete and submit to the Market Monitoring Department the EFP /
EFR / Substitution reporting form prescribed by the Bourse. This form is available on the website of the
Bourse at [http://www.m-x.ca/efp_formulaire_en.php](http://www.m-x.ca/efp_formulaire_en.php). If the EFP, EFR or Substitution transaction is
executed before the closing of the trading session of the futures contract involved in the transaction, the
EFP / EFR / Substitution reporting form must be submitted immediately upon the execution of the
transaction. If the EFP, EFR or Substitution transaction is made after the closing of the trading session,
the EFP / EFR / Substitution reporting form must be submitted no later than 10:00 a.m. (Montréal time)
on the next trading day.

If the EFP / EFR / Substitution reporting form is not accurately filled out with all the relevant information
required by the Market Monitoring Department of the Bourse, the transaction will not be approved
neither recorded in SAM and the approved participant will have to resubmit a new EFP / EFR /
Substitution reporting form correctly completed.

Once correctly completed EFP / EFR / Substitution reporting forms have been received, the Market
Monitoring Department will validate the transaction. The Bourse has the discretion to refuse an EFP,
EFR or Substitution transaction if it deems that it is not in compliance with the requirements, as the case
may be, of articles 6815 or 6815A of the Rules of the Bourse or of this procedure. In case of refusal, the
Market Monitoring Department will ensure that the approved participant(s) involved in the EFP, EFR or
Substitution transaction are promptly informed of such refusal and of the reasons for it.

Once an EFP, an EFR or Substitution transaction has been validated and has been entered into SAM by
the Market Monitoring Department, the following information with respect to this transaction will be
disseminated by the Bourse on its website at [http://www.m-x.ca/dailycrosses_en.php](http://www.m-x.ca/dailycrosses_en.php).

- Date and time of transaction
- product description (code);
- Contract month(s);
- Volume of the transaction; and
- Transaction price

Trade validation and market dissemination by the Bourse of an EFP, EFR or Substitution transaction will
not preclude the Bourse from initiating any investigation and, as the case may be, disciplinary procedures
in the event that the transaction is subsequently found to have been made other than in accordance with
the requirements of articles 6815 and 6815A of the Rules of the Bourse or of this procedure.

2008.05.30
Audit Trail Requirements for EFP, EFR and Substitution Transactions

Approved participants who enter into an EFP, EFR or Substitution transaction must maintain all documents relevant to the futures contracts and corresponding cash market or over-the-counter derivative instruments transactions and must be able to promptly provide copies of such documents to the Regulatory Division of the Bourse upon request. Documents that may be requested include, but are not limited to, the following:

- Futures contracts order tickets;
- Futures contracts account statements;
- Documentation customarily generated in accordance with the cash market, over-the-counter or other relevant market practices such as cash account statements, trade confirmation statements, ISDA® Master Agreements or other documents of title;
- Third party documentation to support proof of payment or allowing to verify that the ownership title of the related cash market position or, as the case may be, of the related over-the-counter derivative instrument position was transferred from the seller to the buyer. This may include, but is not limited to canceled checks, bank statements; cash account statements and cash instruments clearing corporation documents (e.g.: CDS Depository and Clearing Services Inc.).

All futures contracts order tickets must clearly indicate the time of execution of the EFP, EFR or Substitution transactions.
APPENDIX 1
Exchange for Risk: List of permissible OTC derivative instruments

<table>
<thead>
<tr>
<th></th>
<th>Bond Futures Contracts</th>
<th>Short-Term Interest Rate Futures Contracts</th>
<th>Stock Index Futures/Single Stock Futures</th>
<th>Commodities Futures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vanilla Interest Rate Swaps</td>
<td>✓</td>
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<tr>
<td>Equity and Index Swaps</td>
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<td></td>
<td></td>
<td>✓</td>
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<tr>
<td>Commodities Swaps or Forwards</td>
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<td></td>
<td>✓</td>
</tr>
<tr>
<td>Forward Rate Agreements - FRAs</td>
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<tr>
<td>OTC Options and Options Strategies</td>
<td>✓</td>
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<td>✓</td>
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</tbody>
</table>

The following outlines the characteristics of OTC derivative instruments that would be acceptable for EFR transaction purposes.

**Swaps:**

- **Interest rate**
  - standard plain vanilla OTC swap;
  - written under the terms of an ISDA® Master Agreement;
  - providing for regular fixed rate payments against regular floating rate payments;
  - All swap payments must be denominated in the currency of a G7 member country;
  - The OTC interest rate swap must be reasonably correlated with an $R^2 = 0.90$ or greater so that the futures contract is a suitable instrument for hedging the OTC derivative instrument transactions. As a guideline, the time period used to calculate the correlation must be based on daily price data for a period of at least six (6) months or, if weekly price data are used, for a period of at least one (1) year.

- **Equities and Indices**
  - standard plain vanilla OTC swap;
  - written under the terms of an ISDA® Master Agreement;
  - providing for regular fixed rate payments or regular floating rate payments against the positive or negative performance of a basket of securities or a stock index;
  - All swap payments must be denominated in the currency of a G7 member country;
  - The OTC equity or index swap must be reasonably correlated with an $R^2 = 0.90$ or greater so that the futures contract is a suitable instrument for hedging the OTC derivative instrument transaction. As a guideline, the time period used to calculate the correlation must be based on daily price data for a period of at least six (6) months or, if weekly price data are used, for a period of at least one (1) year.
Swaps or forwards on Commodities:
- written under the terms of an ISDA® Master Agreement;
- The OTC commodities swap or forward must be reasonably correlated with an $R^2 = 0.80$ or greater so that the futures contract is a suitable instrument for hedging the OTC derivative instrument transaction. As a guideline, the time period used to calculate the correlation must be based on daily price data for a period of at least six (6) months or, if weekly price data are used, for a period of at least one (1) year.

Forward Rate Agreements (FRAs):
- conventional FRA;
- written under the terms of an ISDA® Master Agreement;
- predetermined interest rate;
- agreed start/end date;
- have a defined interest (repo) rate.

OTC Options and OTC Option strategies:
- Any individual or combination of OTC equity or stock index option positions can form the risk transaction component of an EFR transaction against any of the Bourse’s stock index or single stock futures contracts.
- Any individual or combination of OTC bond, interest rate swap or FRA options (e.g. caps, floors, collars) can form the risk component of an EFR transaction against any of the Bourse’s interest rate futures contracts.

Bonds used in an EFR transaction must have the following characteristics:
- fixed coupon rate;
- bullet maturity issue (a coupon paying bond with no repayment of principal until maturity);
- no embedded optionality or early redemption features;
- an ISIN code;
- fixed principal amount;
- denominated in the currency of a G7 member country.

Stock Baskets used in an EFR transaction must have the following characteristics:
- be reasonably correlated to the index underlying the futures contract with an $R^2 = 0.90$ or greater and the time period used to calculate the correlation must be based on daily price data for a period of at least six (6) months or, if weekly price data is used, for a period of at least one (1) year;
- represent at least 50% of the weight of the index underlying the futures contract or include at least 50% of the stocks comprised in the index underlying the futures contract;

2008.05.30
- have a notional value equivalent to the value of the futures contract component of the EFR transaction;

- exchange traded funds (ETFs) are acceptable provided that they mirror stock index products traded on the Bourse.
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<td><strong>RULE SIX - TRADING</strong></td>
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<tr>
<td>6005 – Off-Exchange Transactions</td>
<td>The only transactions in any securities or derivative instruments listed on the Bourse which an approved participant may make off the Bourse are the following: (...) c) an Exchange for Physicals (EFP) transaction pursuant to article 6815, an Exchange for Risk (EFR) transaction pursuant to article 6815A or a Substitution of Over-The-Counter Derivative Instruments for Futures pursuant to article 6815B;</td>
<td>The only transactions in any securities or derivative instruments listed on the Bourse which an approved participant may make off the Bourse are the following: (...) c) an Exchange for Physicals (EFP) transaction pursuant to article 6815, or an Exchange for Risk (EFR) transaction pursuant to article 6815A or a Substitution of Over-The-Counter Derivative Instruments for Futures Contracts pursuant to article 6815AB;</td>
<td>Housekeeping changes only</td>
</tr>
<tr>
<td>6801 – Standard Trading Unit</td>
<td>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: (...) j) in the case of the futures contract on carbon dioxide equivalent with physical settlement: 100 carbon dioxide equivalent permits/credits. Each permit or credit is an entitlement to emit one metric ton of carbon dioxide equivalent. k) in the case of the futures contract on carbon dioxide equivalent with cash settlement: 100 carbon dioxide equivalent</td>
<td>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: (...) k) in the case of the futures contract on carbon dioxide equivalent ((\text{CO}_2\text{e})) with physical settlement: 100 carbon dioxide equivalent ((\text{CO}_2\text{e})) permits/credits. Each permit or credit is an entitlement to emit one metric ton of carbon dioxide equivalent ((\text{CO}_2\text{e})). l) in the case of the futures contract on carbon dioxide equivalent ((\text{CO}_2\text{e})) with cash settlement: 100 carbon dioxide equivalent ((\text{CO}_2\text{e}))</td>
<td>Housekeeping changes only</td>
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### Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units – Rules Initially Published for Comments by the Bourse on October 5, 2007 and Final Rules Approved by the Autorité des Marchés Financiers on April 29, 2008 – Comparison and Analysis

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<tr>
<td>6802 - Price</td>
<td>permits/credits. Each permit or credit is an entitlement to emit one metric ton of carbon dioxide equivalent.</td>
<td>permits/credits. Each permit or credit is an entitlement to emit one metric ton of carbon dioxide equivalent (CO₂e).</td>
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<tr>
<td>6803 - Currency</td>
<td>Trading, clearing, settlement and delivery shall be in the currency designated by the Bourse and until otherwise determined shall be as follows: (…) Carbon dioxide equivalent futures contracts with physical and cash settlement CAN Dollars</td>
<td>Trading, clearing, settlement and delivery shall be in the currency designated by the Bourse and unless otherwise determined shall be as follows: (…) Carbon dioxide equivalent (CO₂e) futures contracts with physical and cash settlement CAN Dollars</td>
<td>Housekeeping changes only</td>
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<tr>
<td>6804 – Futures Contracts Expiries</td>
<td>Unless otherwise determined by the Bourse, the contract months shall be as follows: (…) Carbon dioxide equivalent futures contract with physical settlement Daily, monthly, quarterly and annual expiries</td>
<td>Unless otherwise determined by the Bourse, the contract months shall be as follows: (…) Carbon dioxide equivalent (CO₂e) futures contract with physical settlement Daily, monthly, quarterly and annual expiries</td>
<td>Housekeeping changes only</td>
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<td>6807 – Minimum Price Fluctuations</td>
<td>Unless otherwise determined by the Bourse, minimum price fluctuations shall be as follows: (…) h) Futures contract on carbon dioxide equivalent with physical settlement A minimum of $0.01 CDN per metric ton of carbon dioxide equivalent</td>
<td>Unless otherwise determined by the Bourse, minimum price fluctuations shall be as follows: (…) h) Futures contract on carbon dioxide equivalent (CO\textsubscript{2e}) with physical settlement A minimum of $0.01 CDN per metric ton of carbon dioxide equivalent (CO\textsubscript{2e})</td>
<td>Housekeeping changes only</td>
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<td>i) Futures contract on carbon dioxide equivalent with cash settlement A minimum of $0.01 CDN per metric ton of carbon dioxide equivalent</td>
<td>i) Futures contract on carbon dioxide equivalent (CO\textsubscript{2e}) with cash settlement A minimum of $0.01 CDN per metric ton of carbon dioxide equivalent (CO\textsubscript{2e})</td>
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<td>6808 – Price Limits / Trading Halts</td>
<td>The Bourse shall establish for each contract a maximum price limit with respect to the previous days settlement price and there shall be no trading above or below that limit except as provided below. Until otherwise determined by the Bourse, the daily price limits shall be as follows: (…) g) Futures contract on carbon dioxide equivalent with physical and cash settlement NIL</td>
<td>The Bourse shall establish for each contract a maximum price limit with respect to the previous days 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: (…) g) Futures contract on carbon dioxide equivalent (CO\textsubscript{2e}) with physical and cash settlement NIL</td>
<td>Housekeeping changes only</td>
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<tr>
<td>6812 – Last Day of Trading</td>
<td>Unless otherwise determined by the Bourse, the business day on which trading for each contract will terminate shall be as follows: (…) h) Futures contract on carbon dioxide equivalent with cash settlement: the third business day preceding the last business day of the contract month or, if not a business day, the first preceding</td>
<td>Unless otherwise determined by the Bourse, the business day on which trading for each contract will terminate shall be as follows: (…) h) Futures contract on carbon dioxide equivalent (CO\textsubscript{2e}) with cash settlement: the third business day preceding the last business day of the contract expiry month For contracts with daily expiries, the last</td>
<td>The characteristics of the futures contracts on carbon dioxide equivalent (CO\textsubscript{2e}) with cash settlement and with physical settlement provide that these contracts can have not only monthly</td>
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<td>business day.</td>
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<td>i)</td>
<td>Futures contract on carbon dioxide equivalent with physical settlement:</td>
<td>i) Futures contract on carbon dioxide equivalent (CO₂e) with physical settlement:</td>
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<td>the third business day preceding the last business day of the contract month or, if not a business day, the first preceding business day.</td>
<td>the third business day preceding the last business day of the contract expiry month. For contracts with daily expiries, the last day of trading is the first trading day of the contract or, if not a business day, the first preceding business day.</td>
<td>expiries, but also daily, quarterly and annual expiries. The original text of article 6812, as initially drafted, was referring only to monthly expiries. It was therefore necessary to redraft it so that it addresses all possible expiries. Thus, for contracts with monthly, quarterly and annual expiries, the last trading day will be the third business day preceding the last business day of the month, the quarter or the year. In the case of contracts with daily expiries, the last and the first trading days are the same.</td>
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</table>
### Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units – Rules Initially Published for Comments by the Bourse on October 5, 2007 and Final Rules Approved by the Autorité des Marchés Financiers on April 29, 2008 – Comparison and Analysis

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<tr>
<td>6813 – Daily Settlement Price</td>
<td>For all futures contracts except futures contracts on carbon dioxide equivalent with physical and cash settlement, the daily settlement price shall be determined as follows:</td>
<td>For all futures contracts except futures contracts on carbon dioxide equivalent with physical and cash settlement, the daily settlement price shall be determined as follows:</td>
<td>The amendments proposed to article 6813 have been withdrawn and article 6813 as it existed previously has been entirely abrogated.</td>
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<td></td>
<td>a) The settlement price shall be the weighted average of the prices traded in each outright contract month during the closing range. The closing range is defined as the last minute of the regular trading session for the first four (4) quarterly expiry months, and the last two (2) minutes of the regular trading session for the other expiry months. 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.</td>
<td>a) The settlement price shall be the weighted average of the prices traded in each outright contract month during the closing range. The closing range is defined as the last minute of the regular trading session for the first four (4) quarterly expiry months, and the last two (2) minutes of the regular trading session for the other expiry months. 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.</td>
<td>The reason for withdrawing the proposed amendments and for the abrogation of the rest of the article is that article 6390 of the Rules of the Bourse already provides that the daily settlement price of each derivative instrument is determined in accordance with the procedures established by the Bourse.</td>
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<td>b) If no trade occurs in the closing range, the settlement price shall be a price which reflects an appropriate differential to the settlement price of the previous contract month. In determining the appropriate differential, [Floor Officials][Bourse] shall take into account the information provided by the spread market and the strip market. In the absence of such markets, the settlement price shall be set at a level which reflects the same differential to the settlement price of the previous contract month that existed on the previous day. If there is a higher bid or lower offer than the settlement price so obtained in existence at the close, that bid or offer shall be the settlement price.</td>
<td>b) If no trade occurs in the closing range, the settlement price shall be a price which reflects an appropriate differential to the settlement price of the previous contract month. In determining the appropriate differential, [Floor Officials][Bourse] shall take into account the information provided by the spread market and the strip market. In the absence of such markets, the settlement price shall be set at a level which reflects the same differential to the settlement price of the previous contract month that existed on the previous day. If there is a higher bid or lower offer than the settlement price so obtained in existence at the close, that bid or offer shall be the settlement price.</td>
<td>Consequently, the terms regarding the calculation of the daily settlement price for the futures contracts on carbon dioxide equivalent (CO₂e) units will be set only in Section 4.8 of the “Daily Settlement Price Procedures for Futures Contracts and Options on Futures Contracts”</td>
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<tr>
<td>c)</td>
<td>If such settlement price is not consistent with trades in other months during the day or with market information, Floor Officials, with the advice of the Pit Committee of the Bourse may establish a settlement price at a level consistent with such other trades or market information and shall prepare a written record setting forth the basis for any modification of such settlement price.</td>
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<tr>
<td>For futures contracts on carbon dioxide equivalent with physical and cash settlement, the daily settlement price shall be determined as follows:</td>
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<td>For futures contracts on carbon dioxide equivalent with physical and cash settlement, the daily settlement price shall be determined as follows:</td>
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<tr>
<td>a)</td>
<td>The daily settlement price shall be the weighted average of the prices traded in each outright contract month during the closing range. The closing range is defined as the last 15 minutes of the regular trading session. 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.</td>
<td>a)</td>
<td>The daily settlement price shall be the weighted average of the prices traded in each outright contract month during the closing range. The closing range is defined as the last 15 minutes of the regular trading session. 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.</td>
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<td>b)</td>
<td>If no trade occurs during the closing range and there is a higher bid or lower offer than the last traded price, then that best bid or best offer shall be the daily settlement price.</td>
<td>b)</td>
<td>If no trade occurs during the closing range and there is a higher bid or lower offer than the last traded price, then that bid or offer shall be the daily settlement price.</td>
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<td>c)</td>
<td>If no trade occurs during the closing range and there is a lower bid or higher offer than the last traded price, then the midpoint of the best bid and best offer shall be the daily settlement price.</td>
<td>c)</td>
<td>If no trade occurs during the closing range and there is a lower bid or higher offer than the last traded price, then the midpoint of the best bid and best offer shall be the daily settlement price.</td>
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<tr>
<td>d)</td>
<td>If no trades have occurred during the regular trading session, the daily settlement price shall be the previous day’s daily settlement price unless the best bid is above the previous day’s daily settlement price or the best offer is below the previous day’s daily settlement price, then the daily settlement price will be the higher bid or lower offer.</td>
<td>d) If no trades have occurred during the regular trading session, the daily settlement price shall be the previous day’s daily settlement price unless the best bid is above the previous day’s daily settlement price or the best offer is below the previous day’s daily settlement price, then the daily settlement price will be the higher bid or lower offer.</td>
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<td>e)</td>
<td>If such settlement price is not consistent with trades in other contract expiries during the day or with market information, the Bourse may establish a settlement price at a level consistent with such other trades or market information and shall prepare a written record setting forth the basis for any modification of such settlement price.</td>
<td>e) If such settlement price is not consistent with trades in other contract expiries during the day or with market information, the Bourse may establish a settlement price at a level consistent with such other trades or market information and shall prepare a written record setting forth the basis for any modification of such settlement price.</td>
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Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units – Rules Initially Published for Comments by the Bourse on October 5, 2007 and Final Rules Approved by the Autorité des Marchés Financiers on April 29, 2008 – Comparison and Analysis

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<td>6815A - Substitution of Over-the-Counter derivative Instruments for Futures Contracts</td>
<td>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 any derivative product, by-product or related product) or 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 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.</td>
<td>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.</td>
<td>The addition of this provision allows to clarify the fact that substitution transactions must be executed not only in compliance with the Rule itself, but also with the procedures established by the Bourse.</td>
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<td>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 any derivative product, by-product or related product of such underlying interest) or an OTC derivative instrument and/or swap agreement that is related to and must have that has a reasonable price correlation with the underlying interest of the futures contract involved in the substitution transaction being exchanged. 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.</td>
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<td></td>
<td>transaction.</td>
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<td>Substitution transactions are in many respects similar to Exchange for physical (EFP) transaction and Exchange for Risk (EFR) transactions.</td>
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<tr>
<td>c)</td>
<td>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.</td>
<td></td>
<td>Article 6815 of the Rules of the Bourse, which covers EFP and EFR transactions include some provisions whose purpose is to ensure a clear and precise framework of the conditions that must be satisfied so that these transactions can be considered as being acceptable to the Bourse.</td>
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<tr>
<td>d)</td>
<td>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.</td>
<td></td>
<td>Given the similarities existing between substitution transactions and EFP and EFR transactions, it has been concluded that it would be appropriate to include in the Rule on substitution transactions provisions similar to those that are found in the Rule on EFP and EFR transactions, more particularly regarding</td>
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</tbody>
</table>
| e)      | The risk components acceptable for the purpose of a substitution transaction are those specified in the procedures set by the Bourse. |                         | - The obligation to comply with the procedures, terms and conditions established 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. |                         | - The obligation of the parties to the transaction to keep records and a complete documentation of these transactions;  
|         | g) It is prohibited for any party to a substitution transaction to effect a transaction which is contrary to the |                         | - The prohibition to use this type of transactions for manipulative purposes or other purposes that are in violation of the Rules, Policies and procedures of the Bourse;  
|         | proposal. |                         | - The obligation to execute these transactions at a price that is “fair and reasonable”;  
|         |               |                         | - The obligation to report these transactions to the Bourse and this in the form and within the delays prescribed by the Bourse; and  
|         |               |                         | - The obligation that the transaction be  


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<td>h)</td>
<td>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.</td>
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<tr>
<td>i)</td>
<td>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.</td>
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<tr>
<td>j)</td>
<td>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.</td>
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<tr>
<td>k)</td>
<td>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).</td>
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The Bourse therefore added paragraphs c) to l) to the regulatory wording that had originally been proposed.
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<td>time) on the next trading day following the execution of the transaction.</td>
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<td>k)</td>
<td>The accounts involved on each side of a substitution transaction must satisfy at least one of the following conditions:</td>
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<td>i)</td>
<td>they have different beneficial ownership;</td>
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<td>ii)</td>
<td>they have the same beneficial ownership, but are under separate control;</td>
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<td>iii)</td>
<td>the accounts are commonly controlled, but involve separate legal entities which may or may not have the same beneficial ownership.</td>
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<td></td>
<td>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.</td>
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<td>l)</td>
<td>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.</td>
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### Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units – Rules Initially Published for Comments by the Bourse on October 5, 2007 and Final Rules Approved by the Autorité des Marchés Financiers on April 29, 2008 – Comparison and Analysis

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<tr>
<td>Article 15001 – Scope of Rule</td>
<td>This Rule is limited in application to futures trading of the following financial instruments: (…) j) Carbon dioxide equivalent units.</td>
<td>This Rule is limited in application to futures trading of the following financial instruments: (…) j) Carbon dioxide equivalent (CO₂e) units.</td>
<td>Housekeeping changes only</td>
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### RULE FIFTEEN – FUTURES CONTRACTS SPECIFICATIONS

| Article 15931 – Definitions | "Carbon dioxide equivalent (CO₂e)" means a unit of measure used to allow the addition of or the comparison between gases that have different warming potentials. "Carbon dioxide equivalent unit" means any right, benefit, title or interest recognized by a governmental or legislative authority in Canada, associated partly or in its entirety to a reduction of the emissions of GHG expressed in carbon dioxide equivalent. | "Carbon dioxide equivalent (CO₂e)" means a unit of measure used to allow the addition of or the comparison between greenhouse gases that have different warming potentials. "Carbon dioxide equivalent (CO₂e) unit" means any right, benefit, title or interest recognized by a governmental or legislative authority in Canada, associated partly or in its entirety to a reduction of the emissions of greenhouse gases expressed in carbon dioxide equivalent (CO₂e). | Housekeeping changes only |
| Article 15932 – Contract Expiration | Unless otherwise determined by the Bourse, the contract expiries available for trading in futures contracts on carbon dioxide equivalent units with physical settlement shall be as indicated in article 6804 of Rule Six of the Bourse. | Unless otherwise determined by the Bourse, the contract expiries available for trading in futures contracts on carbon dioxide equivalent (CO₂e) units with physical settlement shall be as indicated in article 6804 of Rule Six of the Bourse. | Housekeeping changes only |
| Article 15933 – Trading Unit | Unless otherwise determined by the Bourse, the unit of trading for futures contracts on carbon dioxide equivalent units with physical settlement shall be as indicated in article 6801 of Rule Six of the Bourse. | Unless otherwise determined by the Bourse, the unit of trading for futures contracts on carbon dioxide equivalent (CO₂e) units with physical settlement shall be as indicated in article 6801 of Rule Six of the Bourse. | Housekeeping changes only |
| Article 15934 – Currency | Trading, clearing and settlement for futures contracts on carbon dioxide equivalent units with physical settlement shall be in Canadian dollars. | Trading, clearing and settlement for futures contracts on carbon dioxide equivalent (CO₂e) units with physical settlement shall be in Canadian dollars. | Housekeeping changes only |

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<td>Article 15935 – Price Quotation</td>
<td>Unless otherwise determined by the Bourse, bids and offers for futures contracts on carbon dioxide equivalent units with physical settlement shall be as indicated in article 6802 of Rule Six of the Bourse.</td>
<td>Unless otherwise determined by the Bourse, bids and offers for futures contracts on carbon dioxide equivalent (CO₂e) units with physical settlement shall be as indicated in article 6802 of Rule Six of the Bourse.</td>
<td>Housekeeping changes only</td>
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<td>Article 15936 – Minimum Price Fluctuation Unit</td>
<td>Unless otherwise determined by the Bourse, the minimum price fluctuation unit for futures contracts on carbon dioxide equivalent units with physical settlement shall be as indicated in article 6807 of Rule Six of the Bourse.</td>
<td>Unless otherwise determined by the Bourse, the minimum price fluctuation unit for futures contracts on carbon dioxide equivalent (CO₂e) units with physical settlement shall be as indicated in article 6807 of Rule Six of the Bourse.</td>
<td>Housekeeping changes only</td>
</tr>
<tr>
<td>Article 15937 – Daily Price Limit</td>
<td>There shall be no daily price limit for futures contracts on carbon dioxide equivalent units with physical settlement.</td>
<td>There shall be no daily price limit for futures contracts on carbon dioxide equivalent (CO₂e) units with physical settlement.</td>
<td>Housekeeping changes only</td>
</tr>
<tr>
<td>Article 15938 – Position Limits</td>
<td>The maximum net long or net short position in each designated futures contract on carbon dioxide equivalent units with physical settlement which a person may own or control shall be as follows: Position limit for all contract expiries combined for each futures contract on carbon dioxide equivalent units with physical settlement: The greater of a maximum number of contracts to be determined by the Bourse, or of 20% of the average daily open interest for all contract expiries during the preceding three calendar months.</td>
<td>The maximum net long or net short position in each designated futures contract on carbon dioxide equivalent (CO₂e) units with physical settlement: Position limit for all contract expiries combined for each futures contract on carbon dioxide equivalent (CO₂e) units with physical settlement: The greater of a maximum number of contracts to be determined by the Bourse, or of 20% of the average daily open interest for all contract expiries during the preceding three calendar months; or Such other limit as may be determined by the Bourse. As provided by Policy C-1 of the Bourse, an approved participant may file with the</td>
<td>Housekeeping changes only</td>
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Since the open interest in the first weeks of trading will likely be relatively limited, the application of the previous provision may cause some application difficulties particularly for what regards the calculation of the 20% limit.
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<td>Bourse an application to obtain, on behalf of a bona fide hedger, an exemption from the position limits established by the Bourse. The application must be filed in the form and within the delays prescribed by the Bourse and must contain all the information required in Section 1.3 of Policy C-1 of the Bourse. If the application is rejected, the approved participant shall reduce the position so that it does not exceed the prescribed limit within the period set by the Bourse. The Bourse can modify any exemption which has been previously granted. A bona fide hedger may also, under certain circumstances, file directly with the Bourse, in the form prescribed, an application to obtain an exemption from the position limits prescribed by the Bourse.</td>
<td>Consequently, in order to allow the Bourse to benefit from a maximum flexibility for what regards the determination of position limits, it has been deemed appropriate to add a provision allowing the Bourse to set any other position limit. Furthermore, in order to clarify the fact that it is possible to obtain, subject to certain conditions, an exemption from the established position limits, a reference to Policy C-1 of the Bourse, which sets the requirements that must be satisfied and the information that must be provided when an exemption from the position limits is requested to the Bourse, has been added. The added wording also allows to specify the obligation to reduce the position to the permitted limit if the exemption is refused by the Bourse.</td>
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<tr>
<td>Article 15939 – Position Reporting Threshold</td>
<td>Approved participants shall report to the Bourse all positions, as mentioned in article 15938, in any contract expiry, which exceed 250 futures contracts on carbon dioxide equivalent units with physical settlement, 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.</td>
<td>Approved participants shall report to the Bourse all positions, as mentioned in article 15938, which, when combining all in any contract expiry, which exceed 250 futures contracts on carbon dioxide equivalent (CO₂e) units with physical settlement, 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.</td>
<td>Housekeeping changes only</td>
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<td>Article 15940 – Physical Settlement</td>
<td>Physical settlement of the futures contracts on carbon dioxide equivalent units underlying units of carbon dioxide equivalent shall be made in the manner prescribed in articles 15942 to 15948 of this Rule or by the clearing corporation.</td>
<td>Physical settlement of the futures contracts on carbon dioxide equivalent units underlying units of carbon dioxide equivalent (CO₂e) units with physical settlement shall be made in the manner prescribed in articles 15942 to 15948 of this Rule or by the clearing corporation.</td>
<td>Housekeeping changes only</td>
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<td>Article 15941 – Last Day of Trading</td>
<td>The last day of trading of futures contracts on carbon dioxide equivalent units with physical settlement will be the third business day preceding the last business day of the contract month or, if not a business day, the first preceding business day.</td>
<td>The last day of trading of futures contracts on carbon dioxide equivalent (CO\textsubscript{2}e) units with physical settlement will be the third business day preceding the last business day of the contract expiry month. For contracts with daily expiries, the last trading day will be the first trading day of the contract or, if not a business day, the first preceding business day.</td>
<td>The characteristics of the futures contracts on carbon dioxide equivalent (CO\textsubscript{2}e) units with physical settlement provide that these contracts may not only have monthly expiries, but also daily, quarterly and annual expiries. The original wording of article 15941 as initially proposed was referring only to monthly expiries, it was therefore necessary to rearrange it so that all possible expiries be covered. Thus, for contracts having monthly, quarterly and annual expiries, the last trading day will be the third business day preceding the last business day of the month, quarter or year. In the case of contracts with daily expiries, the first and last day of trading will be the same ones.</td>
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<tr>
<td>Article 15942 – Physical Settlement Standards</td>
<td>a) For futures contracts on carbon dioxide equivalent units with physical settlement, the only carbon dioxide equivalent units acceptable for physical settlement shall be those specified by the Bourse from time to time.</td>
<td>a) For futures contracts on carbon dioxide equivalent (CO\textsubscript{2}e) units with physical settlement, the only carbon dioxide equivalent (CO\textsubscript{2}e) units acceptable for physical settlement shall be those specified by the Bourse from time to time.</td>
<td>Housekeeping changes only</td>
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<td>b) Before a futures contract on carbon dioxide equivalent units with physical settlement is listed for trading, the Bourse shall have the right to exclude from the physical settlement of such futures contract any carbon dioxide equivalent unit it deems appropriate to exclude, even if such unit meets all the standards specified by the Bourse.</td>
<td>b) Before a futures contract on carbon dioxide equivalent (CO\textsubscript{2}e) units with physical settlement is listed for trading, the Bourse shall have the right to exclude from the physical settlement of such futures contract any carbon dioxide equivalent (CO\textsubscript{2}e) unit it deems appropriate to exclude, even if such unit meets all the standards specified by the Bourse.</td>
<td>Housekeeping changes only</td>
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### Article 15943 – Physical Settlement Procedure

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<td>a)</td>
<td>Approved participants must apply the assignment process used by the clearing corporation to assign physical settlements to each of their accounts. In order that the physical settlement procedure of the clearing corporation not be impaired, approved participants shall keep throughout the physical settlement period, an up-to-date list of the purchase and sale dates of all open positions for that contract month.</td>
<td>Approved participants must apply the assignment process used by the clearing corporation to assign physical settlements to each of their accounts. In order that the physical settlement procedure of the clearing corporation not be impaired, approved participants shall keep throughout the physical settlement period, an up-to-date list of the purchase and sale dates of all open positions for that contract month.</td>
<td>When this article was first drafted, it was expected that the allocation of assignment notices for physical settlements by the clearing corporation (CDCC) would be made on a “first in, first out” basis. However, CDCC decided later on that the allocation would rather be made on a random basis. The use of the “first in, first out” method requires from approved participants that they maintain an updated list of the purchase and sale dates of all open positions, because in that case the oldest positions are the first ones that are chosen in the allocation process. Because of the fact that CDCC has chosen to allocate deliveries on a random basis rather than on “first in, first out”, it is no longer necessary to maintain such a chronological list since positions to be delivered will be chosen on a random basis.</td>
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<td>b)</td>
<td>Only an approved participant holding a short position in a futures contract on carbon dioxide equivalent units can initiate the physical settlement process.</td>
<td>Only an approved participant holding a short position in a futures contract on carbon dioxide equivalent (CO₂e) units can initiate the physical settlement process.</td>
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<td>c)</td>
<td>All buyers' and sellers' positions still open in futures contracts on carbon dioxide equivalent units with physical settlement after trading has ceased in the contract shall be settled by physical settlement.</td>
<td>All buyers' and sellers' positions still open in futures contracts on carbon dioxide equivalent (CO₂e) units with physical settlement after trading has ceased in the contract shall be settled by physical settlement.</td>
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<tr>
<td>d)</td>
<td>In the case where a short position is still open in futures contracts on carbon dioxide equivalent units with physical settlement after trading has ceased in that futures contract, and where the approved participant has not initiated the physical settlement process, the clearing corporation shall substitute itself for the approved participant in initiating such process.</td>
<td>In the case where a short position is still open in futures contracts on carbon dioxide equivalent (CO₂e) units with physical settlement after trading has ceased in that futures contract, and where the approved participant has not initiated the physical settlement process, the clearing corporation shall substitute itself for the approved participant in initiating such process.</td>
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Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units – Rules Initially Published for Comments by the Bourse on October 5, 2007 and Final Rules Approved by the Autorité des Marchés Financiers on April 29, 2008 – Comparison and Analysis

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<td>e)</td>
<td>An alternate physical settlement procedure is available to buyers and sellers who have been matched by the clearing corporation subsequent to the termination of trading in the expired contract. If buyer and seller agree to consummate the physical settlement under terms different from those prescribed in the contract specifications, they may proceed on that basis after submitting a notice of their intention to the clearing corporation.</td>
<td>e) An alternative delivery physical settlement procedure is available to buyers and sellers who have been matched by the clearing corporation subsequent to the termination of trading in the expired contract. If buyer and seller agree to consummate the physical settlement under terms different from those prescribed by the clearing corporation in the contract specifications, they may proceed on that basis after submitting a confirmation notice of agreement to such alternative procedure to the clearing corporation. A copy of this confirmation must also be transmitted to the Regulatory Division of the Bourse.</td>
<td>The alternative delivery procedure (ADP) will allow making a physical settlement at conditions that differ from those prescribed by the clearing corporation and not by the contract specifications. A correction has therefore been made to that effect. Furthermore, the decision by approved participants to use an ADP must not be the subject of only a simple notice of intent. Pursuant to the rules and procedures of the clearing corporation, there must be a confirmation from both parties to the clearing corporation regarding the existence and the terms of an ADP agreement. In addition, the clearing corporation must for its part agree to such an ADP agreement. The wording of paragraph e) of article 15943 has therefore been amended consequently in order to adequately reflect the fact that there must be a confirmation and not a simple notice. Finally, since the Regulatory Division of the Bourse will have the responsibility to verify ADP agreements that may occur between approved participants, a provision has been added to the wording of the article in order to require that a copy of the ADP agreements be transmitted to the Division.</td>
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<td>Article 15944 – Submission of Physical Settlement Notice</td>
<td>To initiate the physical settlement process of a futures contract on carbon dioxide equivalent units with physical settlement, an approved participant holding a seller's position must submit a physical settlement notice to the clearing corporation on the last trading day.</td>
<td>To initiate the physical settlement process of a futures contract on carbon dioxide equivalent (CO₂e) units with physical settlement, an approved participant holding a seller's position must submit a physical settlement notice to the clearing corporation on the last trading day.</td>
<td>Housekeeping changes only</td>
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### Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units – Rules Initially Published for Comments by the Bourse on October 5, 2007 and Final Rules Approved by the Autorité des Marchés Financiers on April 29, 2008 – Comparison and Analysis

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<td><strong>Article 15945 – Assignment of Physical Settlement Notice</strong></td>
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<td>Housekeeping changes only</td>
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<tr>
<td>a) The assignment of a physical settlement notice to an approved participant holding a long position shall be done by the clearing corporation in the manner set forth by the clearing corporation.</td>
<td>a) The assignment of a physical settlement notice to an approved participant holding a long position shall be done by the clearing corporation in the manner set forth by the clearing corporation.</td>
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<tr>
<td>b) Approved participants holding assigned long positions in carbon dioxide equivalent futures contracts with physical settlement shall receive a physical settlement notice from the clearing corporation on the business day following the submission of physical settlement notices by approved participants holding short positions in such futures contracts.</td>
<td>b) Approved participants holding assigned long positions in carbon dioxide equivalent (CO₂e) futures contracts with physical settlement shall receive a physical settlement notice from the clearing corporation on the business day following the submission of physical settlement notices by approved participants holding short positions in such futures contracts.</td>
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<td><strong>Article 15946 - Physical Settlement Day</strong></td>
<td>Physical settlement in respect of futures contracts on carbon dioxide equivalent units with physical settlement shall be done on the third business day following the submission of physical settlement notices by the approved participants holding short positions, or on any other day as determined by the clearing corporation.</td>
<td>Physical settlement in respect of futures contracts on carbon dioxide equivalent (CO₂e) units with physical settlement shall be done on the third business day following the submission of physical settlement notices by the approved participants holding short positions, or on any other day as determined by the clearing corporation.</td>
<td>Housekeeping changes only</td>
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<td><strong>Article 15947 – Physical Settlement Execution Default</strong></td>
<td>An execution default may occur if the seller does not transfer the acceptable units within the prescribed delays or if the buyer does not accept the acceptable units within the prescribed delays. All execution defaults from approved participants in respect to physical settlement procedures shall carry the imposition of a penalty, as determined from time to time by the Bourse.</td>
<td>An execution default may occur if the seller does not transfer the acceptable carbon dioxide equivalent (CO₂e) units in accordance with the conditions prescribed delays by the clearing corporation or if the buyer does not accept these acceptable units in accordance with these same prescribed conditions delays. Any execution defaults from an approved participant to comply within respect to physical settlement procedures may result in the imposition of disciplinary sanctions, penalty, as determined from time to time by the Bourse.</td>
<td>The amendments to this article are mostly housekeeping changes made in order to clarify the wording and the scope of the article. Thus, since this article is applicable in a context of physical settlement of contracts, it is more appropriate to refer to “settlement default” rather than to « execution default ». Also, it is more appropriate to refer to “prescribed conditions” rather than “prescribed delays”, the physical settlement of a futures contract being not only subject to delays having to be complied with, but also to other conditions</td>
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The amendments to this article are mostly housekeeping changes made in order to clarify the wording and the scope of the article. Thus, since this article is applicable in a context of physical settlement of contracts, it is more appropriate to refer to “settlement default” rather than to « execution default ». Also, it is more appropriate to refer to “prescribed conditions” rather than “prescribed delays”, the physical settlement of a futures contract being not only subject to delays having to be complied with, but also to other conditions.
Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units – Rules Initially Published for Comments by the Bourse on October 5, 2007 and Final Rules Approved by the Autorité des Marchés Financiers on April 29, 2008 – Comparison and Analysis

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<td>such as the quantity, the quality and the value of the deliverable good, the delivery location, etc. Furthermore, it is the clearing corporation that determines what these conditions are and a precision to that effect has therefore been added. Finally, the last phrase has been amended by replacing the term “penalty” by “disciplinary sanctions” and by limiting its scope by a specification that the default to comply with the settlement procedures may result in the imposition of sanctions. The previous wording could have led to believe that there had to be sanctions regardless of the nature and causes of the default. Using the word “may” allows the Bourse to have more flexibility to evaluate each case based on its particular circumstances.</td>
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<td>15948 – Force majeure</td>
<td>In the eventuality that a physical settlement operation cannot be completed because of a strike, a fire, an accident, a government action, an act of God or any other emergency situation, the holder of a long position or a short position in futures contracts on carbon dioxide equivalent units with physical settlement shall immediately notify the Bourse and the clearing corporation. In the eventuality that the Bourse or the clearing corporation finds that an immediate action is necessary, a special meeting of the Board of Directors of the Bourse shall be called on the matter and any decision rendered in such circumstances shall be binding on all parties holding long or short positions in futures contracts on carbon dioxide equivalent (CO₂e) units with physical settlement. If the Board of Directors of the Bourse decides that an emergency situation is in progress, the</td>
<td>In the eventuality that a physical settlement operation cannot be completed because of a “force majeure”, such as a strike, a fire, an accident, a government action, an act of God or any other emergency situation, the holder of a long position or a short position in futures contracts on carbon dioxide equivalent (CO₂e) units with physical settlement shall immediately notify the Bourse and the clearing corporation. In the eventuality that the Bourse or the clearing corporation finds that an immediate action is necessary, a special meeting of the Board of Directors of the Bourse shall be called on the matter and any decision rendered in such circumstances shall be binding on all parties holding long or short positions in futures contracts on carbon dioxide equivalent (CO₂e) units with physical settlement. If the Board of Directors of the Bourse</td>
<td>Housekeeping changes only</td>
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<td>decides that</td>
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**Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units – Rules Initially Published for Comments by the Bourse on October 5, 2007 and Final Rules Approved by the Autorité des Marchés Financiers on April 29, 2008 – Comparison and Analysis**

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<td>Board of Directors of the Bourse shall take all necessary actions in the circumstances, and the decision of the Board of Directors of the Bourse shall be binding on all parties holding long or short positions in futures contracts on carbon dioxide equivalent units with physical settlement.</td>
<td>an emergency situation is in progress, the Board of Directors of the Bourse shall take all necessary actions in the circumstances, and the decision of the Board of Directors of the Bourse shall be binding on all parties holding long or short positions in futures contracts on carbon dioxide equivalent (CO₂e) units with physical settlement.</td>
<td>Since the physical settlement of the contracts is under the competence of the clearing corporation, it is the Board of Directors of the clearing corporation that must have the responsibility to determine how the settlement will be completed. A precision has been added in order to specify that the organizations that set the quality standards are « standards » organizations.</td>
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<td>In the specific situation where the emission trading system related to the carbon dioxide equivalent unit is no longer scheduled to proceed, is not implemented by any governmental or legislative authority in Canada or is to be discontinued by any governmental or legislative authority in Canada, the Board of Directors of the Bourse shall decide on the cash settlement of the futures contract on carbon dioxide equivalent units at a price that reflects a minimum quality standard established by recognized organizations to be determined from time to time by the Bourse.</td>
<td>In the specific situation where the emission trading system related to the carbon dioxide equivalent (CO₂e) unit is no longer scheduled to proceed, is not implemented by any governmental or legislative authority in Canada or is to be discontinued by any governmental or legislative authority in Canada, the Board of Directors of the clearing corporation shall decide on the cash settlement of the futures contract on carbon dioxide equivalent (CO₂e) units at a price that reflects a minimum quality standard established by recognized standards organizations to be determined from time to time by the Bourse.</td>
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**Section 15951 – 15970**

**FUTURES CONTRACTS ON CARBON DIOXIDE EQUIVALENT (CO₂e) UNITS WITH CASH SETTLEMENT**

| 15951 - Definitions | "Carbon dioxide equivalent (CO₂e)" means a unit of measure used to allow the addition of or the comparison between gases that have different global warming potentials. | "Carbon dioxide equivalent (CO₂e)" means a unit of measure used to allow the addition of or the comparison between greenhouse gases that have different global warming potentials. | While in the case of the futures contract with physical settlement the final settlement price corresponds to the last traded price, the final settlement price of the futures contract with cash settlement is determined pursuant to a procedure established by the Bourse. In order to adequately clarify this, it has been deemed |
| "Carbon dioxide equivalent unit" means any right, benefit, title or interest recognized by a governmental or legislative authority in Canada, associated partly or in its entirety to a reduction of the emissions of GHG expressed in carbon dioxide equivalent. | "Carbon dioxide equivalent (CO₂e) unit" means any right, benefit, title or interest recognized by a governmental or legislative authority in Canada, associated partly or in its entirety to a reduction of the emissions of greenhouse gases expressed in carbon dioxide equivalent (CO₂e). | |

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<td>Article 15951 – Contract Expirations</td>
<td>Unless otherwise determined by the Bourse, the contract expiries available for trading in futures contracts on carbon dioxide equivalent units with cash settlement shall be as indicated in article 6804 of Rule Six of the Bourse.</td>
<td>Unless otherwise determined by the Bourse, the contract expiries available for trading in futures contracts on carbon dioxide equivalent (CO₂e) units with cash settlement shall be as indicated in article 6804 of Rule Six of the Bourse.</td>
<td>Useful to add to the definitions of article 15951 a definition of the term “final settlement price” which refers explicitly to the procedure established by the Bourse to determine this price.</td>
</tr>
<tr>
<td>Article 15952 – Trading Unit</td>
<td>Trading, clearing and settlement for futures contracts on carbon dioxide equivalent units with cash settlement shall be in Canadian dollars.</td>
<td>Trading, clearing and settlement for futures contracts on carbon dioxide equivalent (CO₂e) units with cash settlement shall be in Canadian dollars.</td>
<td>Housekeeping changes only</td>
</tr>
<tr>
<td>Article 15953 – Price Quotation</td>
<td>Unless otherwise determined by the Bourse, bids and offers for futures contracts on carbon dioxide equivalent units with cash settlement shall be as indicated in article 6802 of Rule Six of the Bourse.</td>
<td>Unless otherwise determined by the Bourse, bids and offers for futures contracts on carbon dioxide equivalent (CO₂e) units with cash settlement shall be as indicated in article 6802 of Rule Six of the Bourse.</td>
<td>Housekeeping changes only</td>
</tr>
<tr>
<td>Article 15954 – Minimum Price Fluctuation Unit</td>
<td>There shall be no daily price limit for futures contracts on carbon dioxide equivalent units with cash settlement.</td>
<td>There shall be no daily price limit for futures contracts on carbon dioxide equivalent (CO₂e) units with cash settlement.</td>
<td>Housekeeping changes only</td>
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### Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units – Rules Initially Published for Comments by the Bourse on October 5, 2007 and Final Rules Approved by the Autorité des Marchés Financiers on April 29, 2008 – Comparison and Analysis

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<td>Article 15958 – Position Limits</td>
<td>The maximum net long or net short position in each designated futures contract on carbon dioxide equivalent units with cash settlement which a person may own or control shall be as follows: Position limit for all contract expiries combined for each futures contract on carbon dioxide equivalent units with cash settlement: The greater of a maximum number of contracts to be determined by the Bourse, or of 20% of the average daily open interest for all contract expiries during the preceding three calendar months.</td>
<td>The maximum net long or net short position in each designated futures contract on carbon dioxide equivalent units with cash settlement which a person may own or control shall be as follows: Position limit for all contract expiries combined for each futures contract on carbon dioxide equivalent units with cash settlement: The greater of a maximum number of contracts to be determined by the Bourse, or of 20% of the average daily open interest for all contract expiries during the preceding three calendar months, or Such other limit as may be determined by the Bourse.</td>
<td>Since the open interest in the first weeks of trading will most likely be limited, the application of the previous provision may present some difficulties particularly for what regards the calculation of the 20% limit. Consequently, in order to allow the Bourse as much flexibility as possible for the determination of position limits, it has been deemed appropriate to add a provision allowing the Bourse to establish any other position limit deemed appropriate. Furthermore, in order to clarify the fact that it is possible to obtain, subject to certain conditions, an exemption from the position limits established by the Bourse, a reference to Policy C-1 of the Bourse, which sets the requirements to be complied with and the information to be provided when an application for a position limit exemption is made to the Bourse, has been added. The added wording also permits to specify the obligation to reduce the position to the permitted limit if the exemption is refused by the Bourse.</td>
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<td>Article 15959 – Position Reporting Threshold</td>
<td>In establishing position limits, the Bourse may apply specific limits to one or more rather than all approved participants or clients, if deemed necessary.</td>
<td>In establishing position limits, the Bourse may, if deemed necessary, apply specific limits to one or more rather than all approved participants or clients, if deemed necessary.</td>
<td>Housekeeping changes only</td>
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<td>Article 15958, which, when combining all in any one contract expiry, which exceed 250 futures contracts on carbon dioxide equivalent (CO₂e) units with cash settlement, 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.</td>
<td>Approved participants shall report to the Bourse all positions, as mentioned in article 15958, in any one contract expiry, which exceed 250 futures contracts on carbon dioxide equivalent (CO₂e) units with cash settlement, 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.</td>
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<td>Article 15960 – Cash Settlement</td>
<td>Cash settlement of futures contracts on carbon dioxide equivalent units with cash settlement shall be through the clearing corporation. The final settlement procedures are those stipulated in articles 15963 to 15970.</td>
<td>Cash settlement of futures contracts on carbon dioxide equivalent (CO₂e) units with cash settlement shall be through the clearing corporation. The final settlement procedures are those stipulated in articles 15963 to 15970.</td>
<td>Housekeeping changes only</td>
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<td>Article 15961 – Last Day of Trading</td>
<td>The characteristics of the futures contracts on carbon dioxide equivalent (CO₂e) units with cash settlement provide that these contracts may have not only monthly expiries, but also daily, quarterly and annual expiries. The original wording of article 15961 as originally proposed was referring only to monthly expiries and it was therefore necessary to modify it so that it would cover all possible expiries. Thus, for contracts having monthly, quarterly and annual expiries, the last trading day will be the third business day preceding the last business day of the month, quarter or year while in the case of contracts with daily expiries the first and the last trading days will be the same.</td>
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The last day of trading of futures contracts on carbon dioxide equivalent units with cash settlement will be the third business day preceding the last business day of the contract month or, if not a business day, the first preceding business day. The last day of trading of futures contracts on carbon dioxide equivalent (CO₂e) units with cash settlement will be the third business day preceding the last business day of the contract expiry month or, if not a business day, the first preceding business day. For contracts with daily expiries, the last day of trading is the first trading day of the contract.
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<td>Article 15962 – Force majeure</td>
<td>In the eventuality that the final cash settlement procedures cannot be completed because of a strike, a fire, an accident, a government action, an act of God or any other emergency situation, the holder of a long position or a short position in futures contracts on carbon dioxide equivalent units with cash settlement shall immediately notify the Bourse and the clearing corporation.</td>
<td>In the eventuality that the final cash settlement procedures cannot be completed because of a “force majeure”, such as a strike, a fire, an accident, a government action, an act of God or any other emergency situation, the holder of a long position or a short position in futures contracts on carbon dioxide equivalent (CO2e) units with cash settlement shall immediately notify the Bourse and the clearing corporation.</td>
<td>Housekeeping changes only</td>
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In the specific situation where the emission trading system related to the carbon dioxide equivalent unit is no longer scheduled to proceed, is not implemented by any governmental or legislative authority in Canada or is to be discontinued by any governmental or legislative authority in Canada, the Board of Directors of the Bourse shall decide on the cash settlement of the futures contracts on carbon dioxide equivalent units at a price that reflects a minimum.

In the specific situation where the emission trading system related to the carbon dioxide equivalent (CO2e) unit is no longer scheduled to proceed, is not implemented by any governmental or legislative authority in Canada or is to be discontinued by any governmental or legislative authority in Canada, the Board of Directors of the clearing corporation shall decide on the cash settlement of the futures contracts on carbon dioxide equivalent (CO2e) units at a price that reflects a minimum.
### Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units – Rules Initially Published for Comments by the Bourse on October 5, 2007 and Final Rules Approved by the Autorité des Marchés Financiers on April 29, 2008 – Comparison and Analysis

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<td>Article 15963 – Final Cash Settlement Date</td>
<td>The final cash settlement date of a given futures contract on carbon dioxide equivalent units with cash settlement upon expiry shall be the last business day of the contract month, provided it be a business day. If not, the final settlement date shall be the first preceding business day.</td>
<td>The final cash settlement date of a given futures contract on carbon dioxide equivalent units with cash settlement upon expiry shall be the first business day following the last day of trading of the expired contract month, provided it be a business day. If not, the final settlement date shall be the first preceding business day.</td>
<td>The characteristics of the futures contracts on carbon dioxide equivalent (CO₂e) units with cash settlement provide that these contracts may have not only monthly expiries, but also daily, quarterly and annual expiries. The original text of article 15963 as initially proposed was referring only to monthly expiries and its wording was incorrect in such a way that it could cause application problems. The text has therefore been reworded in order to cover all possible expiries. Furthermore, the final settlement date has been redefined as being the first business day following the last trading day. This means that for contracts with monthly, quarterly and annual expiries for which the last trading day is the third business day preceding the last business day of the expiry (see article 15961), the final settlement date will be the second business day preceding the last business day of the expiry. For daily expiries contracts, the final settlement date will be the business day following the expiry of the contract.</td>
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<td>Article 15964 – Cash Settlement Procedures</td>
<td>In the case of futures contracts on carbon dioxide equivalent units with cash settlement: a) On the last day of trading, open futures contracts on carbon dioxide equivalent units will be marked to market based on the daily settlement price.</td>
<td>In the case of futures contracts on carbon dioxide equivalent units with cash settlement: a) On the last day of trading, open futures contracts on carbon dioxide equivalent units will be marked to market.</td>
<td>Before the last day of trading of a futures contract, it is effectively true that the settlement of open positions is based on the daily settlement price. However, on the last trading day, the valuation of open positions is based on a final settlement price which is determined by applying a specific procedure established by the</td>
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## Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units – Rules Initially Published for Comments by the Bourse on October 5, 2007 and Final Rules Approved by the Autorité des Marchés Financiers on April 29, 2008 – Comparison and Analysis

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<td>b)</td>
<td>the daily settlement price. A final settlement price will be determined on the final settlement date.</td>
<td>based on the final daily settlement price. A final settlement price will be determined on the final settlement date.</td>
<td>Bourse. Since article 15964 is in respect of the final settlement of the futures contract with cash settlement following the termination of trading for this contract and not the daily settlement of open positions, the text of paragraph a) has been reworded so that it refers to the final settlement price and not to the daily settlement price. Finally, the last phrase of paragraph a) has been deleted because it was repeated again in paragraph b).</td>
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<td>Article 15965 – Failure to Settle</td>
<td>Any failure on the part of an approved participant to comply with the aforementioned cash settlement procedures shall result in the imposition of such penalties as may be deemed appropriate in the circumstances by the Bourse.</td>
<td>Any failure on the part of an approved participant to comply with the aforementioned cash settlement rules procedures may result in the imposition of such disciplinary sanctions as may be deemed appropriate in the circumstances by the Bourse.</td>
<td>The text of this article has been corrected by replacing the word “penalties” by “disciplinary sanctions” and by softening its scope by specifying that the failure to comply with the settlement procedures may result in disciplinary sanctions. The previous text could lead to believe that there had to be sanctions regardless of the nature and causes of the failure. The use of the verb “may” will allow the Bourse to have more flexibility to evaluate each case on its specific circumstances</td>
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