



**Bourse  
de Montréal Inc.**

<input type="checkbox"/>	Trading – Interest Rate Derivatives	<input type="checkbox"/>	Back-office - Options
<input type="checkbox"/>	Trading – Equity and Index Derivatives	<input type="checkbox"/>	Technology
<input checked="" type="checkbox"/>	Back-office – Futures	<input type="checkbox"/>	Regulation
		<input checked="" type="checkbox"/>	MCeX

**CIRCULAR**  
May 27, 2008

**MONTRÉAL CLIMATE EXCHANGE (MCeX)  
FUTURES CONTRACTS ON CARBON DIOXIDE EQUIVALENT (CO<sub>2</sub>e) UNITS**

On May 30, 2008, MCeX will launch a new class of futures contracts on Canada carbon dioxide equivalent (CO<sub>2</sub>e) units with physical settlement (symbol: MCX). One contract represents 100 Canada carbon dioxide equivalent (CO<sub>2</sub>e) units. Each carbon dioxide equivalent (CO<sub>2</sub>e) unit, as defined by the Government of Canada, is an entitlement to emit one metric ton of carbon dioxide equivalent (CO<sub>2</sub>e).

These MCX futures contracts will be listed for trading on the SOLA electronic trading platform of Bourse de Montréal Inc. and will be cleared by the Canadian Derivatives Clearing Corporation (CDCC).

Four quarterly MCX futures contracts will be initially listed for trading in concordance with the first two years of compliance applicable to the emitters regulated by Environment Canada, starting with:

<b>Expiry Months</b>	<b>Symbol</b>
June 2011	MCXM11
September 2011	MCXU11
December 2011	MCXZ11
March 2012	MCXH12

These MCX futures contracts will be priced in Canadian dollars and cents per metric ton and the trading hours will be from 9:30 a.m. to 4:00 p.m. (Montréal time). The access codes for the MCX futures contracts at information vendors will be the following:

<b>Vendor</b>	<b>Access Code</b>
ACTIV Financial Systems, Inc.	<RootSymbol>/<Year><Month Code>.<Exchange Code> Example : MCX/12H.M Example for strategies : MCX/M11-U11.M
Bloomberg	MCCA <comdty>
Reuters Limited (Bridge)	ca@MCX
Reuters Limited	0#MCX:
Thomson Financial	MCX/my (m = code for the month and y = year)

Circular no.: 084-2008

**MARGIN REQUIREMENTS AND POSITION LIMITS**

The margin requirements applicable to futures contracts on Canada carbon dioxide equivalent (CO<sub>2</sub>e) units and the permitted position limits will be as follows:

**Margin Requirements**

<b>FUTURES CONTRACTS</b>	<b>MARGIN MARGE</b>	<b>MARGIN RATE</b>
<b>MCX</b> – Futures contracts on Canada carbon dioxide equivalent (CO <sub>2</sub> e) units	Speculator	<b>\$200</b>
	Hedger	<b>\$150</b>

**Position Limits**

<b>FUTURES CONTRACTS</b>	<b>POSITION LIMITS</b>	
	<b>Speculator</b>	<b>Hedger</b>
<b>MCX</b> - Futures contracts on Canada carbon dioxide equivalent (CO <sub>2</sub> e) units	<b>4,000 ctr.</b>	<b>4,000 ctr.</b>

It is to be noted that article 15938 of the Rules of the Bourse provides the possibility for bona fide hedgers to obtain an exemption from the above-mentioned position limit. The provisions relating to obtaining such an exemption are specified in Policy C-1 of the Bourse.

Also, the reporting threshold at which positions in these futures contracts must be reported to the Bourse is the one specified in article 15939 of the Rules of the Bourse, namely 250 contracts. The determination of whether or not this threshold has been reached must be made by combining all expiries that are listed for trading. The form and the frequency of position reports that must be filed with the Bourse are the same ones as those that are currently in place for other futures contracts that are traded on the Bourse.

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 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 Canada carbon dioxide equivalent (CO<sub>2</sub>e) units – Physical Settlement

<b>Trading Unit</b>	One contract is equivalent to 100 Canada carbon dioxide equivalent (CO <sub>2</sub> e) units. Each carbon dioxide equivalent (CO <sub>2</sub> e) unit, as defined by the Government of Canada, is an entitlement to emit one metric ton of carbon dioxide equivalent (CO <sub>2</sub> e).
<b>Contract Expiries</b>	Quarterly expiries (starting with June 2011)
<b>Price Quotation</b>	Canadian dollars and cents per metric ton
<b>Minimum Price Fluctuation</b>	CA\$ 0.01 per metric ton = CA\$ 1 per contract
<b>Last Trading Day</b>	Trading ceases at 4:00 p.m. (Montréal Time) on the third business day preceding the last business day of the contract expiry.
<b>Contract Type</b>	Physical settlement.
<b>Daily Settlement Price</b>	<p>For each contract expiry, the daily settlement price will be calculated based on the following criteria:</p> <ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ 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.</li> <li>▪ 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.</li> <li>▪ 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, then the closing price will be the best bid or best offer price.</li> </ul> <p>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.</p> <p><i>* VWAP calculation methodology : Sum (Trade Volume * Trade Price) divided by Total Trade Volume (minus EFP, EFR, Substitution and Block Trades) for each contract expiry within the 15- minute period.</i></p>
<b>Physical Settlement</b>	<p>Contracts are physically settled by the transfer of Canada carbon dioxide equivalent (CO<sub>2</sub>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.</p> <p>Eligible Canada carbon dioxide equivalent (CO<sub>2</sub>e) units for physical settlement are:</p> <ol style="list-style-type: none"> <li>i) Regulated emitters' credits, and / or</li> <li>ii) Offset credits.</li> </ol> <p>In the case of a shortage of Canada carbon dioxide equivalent (CO<sub>2</sub>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.</p>
<b>Alternative Delivery Procedure</b>	<p>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.</p>

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**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.

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**Reporting Level**

250 contracts

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**Minimum Margin Requirements**

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

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**Daily Price Limit**

None

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**Trading Hours**

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

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**Clearing Corporation**

Canadian Derivatives Clearing Corporation (CDCC)

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**Ticker Symbol**

MCX