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CIRCULAR
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CONSULTATION ON PROPOSED CHANGES TO PROCEDURES APPLICABLE TO THE EXECUTION OF CROSS TRANSACTIONS AND THE EXECUTION OF PREARRANGED TRANSACTIONS

The Montréal Exchange is in the process of reviewing its market model. We would like to inform you of changes that are being considered to the procedures applicable to the execution of cross and prearranged transactions in the options market. Your input is important to our decision making process and the result of this consultation will contribute directly to the way our options market model evolves in the near future.

Proposed Changes

Eligible products	Actual Prescribed Time Delay	Actual Minimum Quantity Threshold	New Prescribed Time Delay	New Minimum Quantity Threshold
Equity Options	30 seconds	100 contracts	15 seconds	500 contracts
S&P Canada 60 Index Options	15 seconds	50 contracts	15 seconds	50 contracts

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

1. Procedure for transactions with no guaranteed minimum volume: quantity smaller than the eligible quantity threshold (< 500 contracts)

Under the current procedures, a market participant wishing to make a cross or a prearranged transaction must issue a Request For Quote (RFQ) for the total intended transaction quantity and respect a delay equal to the prescribed time delay applicable to the specific product before he can enter the orders into the trading system.

The Exchange is considering the following change:

A market participant wishing to make a cross or a prearranged transaction must enter the order into the trading system for the total intended transaction quantity. The participant must

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then respect a delay equal to the prescribed time delay (15 seconds) before executing an offsetting transaction on the residual quantity.

2. Procedure for transactions with a 100% guaranteed minimum volume: quantity equal to or greater than the eligible quantity threshold (≥ 500 contracts)

Under the current procedures, a market participant wishing to make a cross or a prearranged transaction must contact a market official with the details of the intended transaction. Market makers are permitted to participate in the transaction up to a total of 50% of the residual quantity and the market participant is guaranteed 50% of the residual quantity plus any quantity not taken of the 50% of the residual that had been shown to the market makers.

The Exchange is considering the following change:

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

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

b. If the intended cross price is on or outside the option's current best bid or ask, the market participant is responsible for filling all existing orders in the central order book which are at limit prices better than or equal to the cross price before completing such transaction.

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

There will be no changes to procedures applicable to the execution of options strategies.

Please send your comments by e-mail to Gladys Karam - Director, Options Market at gkaram@m-x.ca before July 15, 2007.

Thank you for your time and consideration.

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