



CIRCULAR 111-18

June 27, 2018

SELF-CERTIFICATION

**AMENDMENTS TO THE RULES AND PROCEDURES OF BOURSE DE MONTRÉAL INC. TO
EXPAND THE DEFINITION OF APPROVED PERSON**

The Rules and Policies Committee and the Special Committee of Bourse de Montréal Inc. (the “**Bourse**”) have approved amendments to the Rules and Procedures of the Bourse in order to expand the definition of Approved Person and therefore support the modernization of the market access model of the Bourse and the Bourse’s extended trading hour’s project. These amendments were self-certified in accordance with the self-certification process as established in the *Derivatives Act* (CQLR, Chapter I-14.01).

Please note that on January 17, 2018, the Procedures referred to in this circular have been incorporated to the articles 6380 and 6815. We have adapted the amendments accordingly.

The Bourse also take this opportunity to correct some drafting errors in the English version of article 6380.

These amendments, as attached, will become effective on **July 11, 2018**, after market close. Please note that the revised rules will also be available on the Bourse’s website (www.m-x.ca).

The amendments described in the present circular were published for public comment by the Bourse on November 14, 2017 (see [Circular 166-17](#)). Further to the publication of this circular, the Bourse has received comments. A summary of the comments received as well as responses from the Bourse to these comments is attached hereto.

For additional information, please contact Martin Jannelle, Legal Counsel, at 514-787-6578 or by email at martin.jannelle@tmx.com.

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1102 Definitions

(07.09.99, 31.01.01, 08.07.02, 02.09.03, 17.06.05, 30.07.13, 17.07.15, 00.00.00)

Approved Persons ~~means the are related firms and,~~ employees of an approved participants or the employee of an affiliated corporation or subsidiary of an approved participant ~~related firms~~ that has been duly approved by the Bourse in accordance with article 7403. ~~ve received the approval of the Bourse.,~~ and partners in and shareholders, directors and officers of approved participants and approved related firms who carry on activities related to securities or futures contracts.

1103 Affiliated Corporations and subsidiaries
(17.12.81, 02.09.03, 00.00.00)

~~For the purposes of this Rule:~~

For the purpose of the Rules, the expression "affiliated corporations and subsidiaries" means the following situations:

a) a corporation is deemed to be an affiliate of another corporation if one of them is the subsidiary of the other or if both are subsidiaries of the same corporation or if each of them is controlled, directly or indirectly by the same person or group of persons;

b) a corporation shall be deemed to be controlled by another person or by a group of persons if:

i) voting securities of the corporation carrying more than 50% of the votes for the election of directors are held, otherwise than by way of security only, by or for the benefit of the other person or group of persons; and

ii) the votes carried by such securities are entitled, if exercised, to elect a majority of the board of directors of the corporation,

and where the Bourse determines that a person shall, or shall not, be deemed to be controlled by another person, then such determination shall be determinant as to their relationship in the application of this rule;

c) a corporation shall be deemed to be a subsidiary of another corporation if:

i) it is controlled by:

A) that other corporation; or

B) that other corporation and one or more other corporations each of which is controlled by that other corporation; or

C) two or more corporations each of which is controlled by that other corporation; or

ii) it is a subsidiary of a corporation which is itself a subsidiary of that other corporation;

d) a person, other than a corporation, shall be deemed to beneficially own securities held by a corporation controlled by him or by an affiliate of such corporation;

e) a corporation shall be deemed to beneficially own securities held by its affiliates;

3001 Bourse Approval

(16.06.87, 02.10.92, 15.03.05, 30.03.10, 00.00.00)

a) Each approved participant must be approved as such by the Special Committee at the time of admission, and must thereafter comply with the conditions required to remain an approved participant as set forth in the regulations of the Bourse in general. Approved participants may be partnerships (referred to as "partnership approved participants") or corporations (referred to as "corporate approved participants");

b) Anyone seeking and obtaining the Bourse's approval thereby undertakes to be bound by the regulations of the Bourse;

c) The Bourse shall give its approval where in its opinion, the approved participant or approved person, has the necessary competence and integrity. In the case of an approved participant, the Bourse must be satisfied that it has available adequate financial resources.

d) For the purpose of this Rule, the term "approved person" ~~also includes refers to employees of an approved participant who are approved by the Bourse pursuant to article 6366 or to the~~ designated representatives who are duly approved pursuant to article 3501.

3011 Surveillance and Compliance
(18.02.03, 30.03.10, 27.11.13, [00.00.00](#))

A) Each approved participant at the time of its approval and so long as it remains approved, must establish and maintain a system to supervise the activities of each employee, [approved person](#) and agent of the approved participant, that is reasonably designed to achieve compliance with the Rules and Policies of the Bourse and with any legislation and regulations applicable to securities and derivative instruments activities. Such a supervisory system must provide, at a minimum, the following:

i) the establishment, maintenance and enforcement of written policies and procedures acceptable to the Bourse regarding the conduct of the type of business in which it engages and the supervision of each employee, [approved person](#) and agent of the approved participant that are reasonably designed to achieve compliance with the applicable legislation and regulation;

ii) procedures reasonably designed to ensure that each employee, [approved person](#) and agent of the approved participant understand their responsibilities under the written policies and procedures in subparagraph (i);

iii) procedures to ensure that the written policies and procedures of the approved participant are amended as appropriate within a reasonable time after changes in applicable laws, regulations, rules and policies and that such changes are communicated to all relevant personnel;

iv) sufficient personnel and resources to fully and properly enforce the written policies and procedures in subparagraph I);

v) the designation of supervisory personnel with the necessary qualifications and authority to carry out the supervisory responsibilities assigned to them;

vi) procedures for follow-up and review to ensure that supervisory personnel are properly executing their supervisory functions;

vii) the maintenance of adequate records of supervisory activity, compliance issues identified and the resolution of those issues.

B) Notwithstanding any other provision in the regulations of the Bourse, each approved participant must comply with the Electronic Trading Rules, especially regarding the risk management and supervisory controls, policies and procedures, the authorization to set or adjust these risk management and supervisory controls, policies and procedures, as well as the use of automated order systems.

C) For the purpose of this article, the term “Electronic Trading Rules” refers to Regulation 23-103 respecting Electronic Trading (Chapter V-1.1, r. 7.1) as well as any applicable policy statement or notice.

4401 Service

(11.03.85, 11.03.92, 15.03.05, 02.09.11, 00.00.00)

a) For the purposes of this Rule :

i) any document required to be served on the Bourse must be addressed to the attention of the Vice President, Legal Affairs (Derivatives), and delivered by messenger or by registered mail, in either case, with proof of receipt signed by a representative of the Bourse;

ii) any document required to be served on any person other than the Bourse must be served by delivering it directly to the person, by messenger or by sending it by registered mail addressed to the person to their latest residence or business address shown in the records of the Bourse;

iii) any document required to be served on an approved person who is located outside of Canada may be served on the approved participant or, as the case may be, on a person who is a resident of Québec and appointed as agent for the service of process.

b) If it is not possible to serve a document in accordance with the requirements of paragraph a) ii), the Bourse may use any other manner of service that is likely to bring the document to the attention of the person.

c) An affidavit signed by an employee or representative of the Bourse attesting that the service requirements of subparagraph a) ii) have been complied with is sufficient proof of service.

4405 Approved Person
(02.09.11, 00.00.00)

For the purpose of this Rule, the term “approved person” also includes:

- ~~a) the refers to employees of an approved participant who are approved by the Bourse pursuant to article 6366, or to~~ designated representatives who are duly approved pursuant to article 3501; and
- ~~a)b) _____-partners and shareholders, directors and officers of approved participants and related firms.~~

6366 Access to Electronic Trading

(25.09.00, 24.09.01, 19.03.02, 03.11.04, 01.03.14, 01.12.17, 00.00.00)

A) Only approved participants of the Bourse, through their respective clearing approved participants, will have access to the electronic trading for derivatives instruments traded on the Bourse and this, at the following conditions:

a) certify to the Bourse that only their ~~approved persons~~~~designated personnel approved by the Bourse and~~ who has received the required training has yes access to the said system;

~~b) certify to the Bourse that only the designated personnel approved by a recognized exchange or association as described in article 7452 6) b) ii) of the Rules of the Bourse and who has received the required training has access to the said system;~~

~~b~~e) put in place an internal security procedure for access to the electronic trading system; and

~~c~~d) obtain the prior approval of the Bourse.

Each approved participant is entirely and exclusively responsible for any unauthorized access to the said system.

~~The approved participant must give notice to the Bourse of the termination of employment of its designated personnel approved by the Bourse and this, within a delay of ten (10) business days from the date of termination of employment.~~

B) Approved participants can authorize clients to transmit electronically orders to the Bourse through the systems of the approved participant, using the approved participant's identifier. In order to do so, the following conditions must be complied with:

1. Definitions

a) For the purposes of this article, a client is defined:

i) as a person, other than those registered as an investment dealer with a securities regulatory authority or approved as a foreign approved participant by the Bourse, having entered into a written agreement with an approved participant which permits to transmit electronically orders to the Bourse through the systems of an approved participant, using the approved participant's identifier;

ii) as an investment dealer registered with a securities regulatory authority, or a foreign approved participant of the Bourse, having entered into a written agreement with an approved participant which permits the investment dealer or foreign approved participant to transmit electronically

orders to the Bourse, through the systems of the approved participant, using the approved participant's identifier.

b) For the purpose of this article, the terms "Electronic Trading Rules" refer to Regulation 23-103 respecting Electronic Trading (CQLR c. V-1.1, r. 7.1), as well as any applicable policy statement or notice.

c) For the purpose of this article, the terms "Bourse and regulatory requirements" refer to the rules, policies and operational procedures of the Bourse, or to any condition imposed by the Bourse for the purpose of the electronic access provided to a client by an approved participant, as well as to applicable securities or derivatives legislation.

2. Conditions

2.1 An approved participant must:

a) establish, maintain and apply standards that are reasonably designed to manage, in accordance with prudent business practices, the approved participant's risks associated with providing an electronic access to a client, pursuant to paragraph B), including those set out in the Electronic Trading Rules and, as the case may be, those associated with marker maker assignments granted to the client;

b) assess and document that a client meets the standards established by the approved participant, under subparagraph a).

2.2 The standards thus established by an approved participant, under subsection 2.1, shall include that a client must not have an electronic access to the Bourse, pursuant to paragraph B), unless:

a) it has sufficient resources to meet any financial obligations that may result from the use of such electronic access by that client;

b) it has reasonable arrangements in place to ensure that all individuals using such electronic access, on behalf of the client, have reasonable knowledge of and proficiency in the use of the order entry system that facilitates such electronic access;

c) it has reasonable knowledge of and the ability to comply with all applicable Bourse and regulatory requirements;

d) it has reasonable arrangements in place to monitor the entry of orders through such electronic access.

2.3 An approved participant must assess, confirm and document, at least annually, that a client continues to meet the standards established by the approved participant pursuant to subsection 2.1.

2.4 An approved participant must not allow any order to be transmitted to the Bourse, pursuant to paragraph B), unless:

a) the approved participant is maintaining and applying the standards it has established under subsections 2.1, 2.2 and 2.3;

b) the approved participant is satisfied that the client meets the standards established by the approved participant under subsections 2.1, 2.2 and 2.3;

c) the approved participant is satisfied that the client is in compliance with the written agreement entered into with the approved participant, under subsection 2.5;

d) the order is subject to all applicable requirements pursuant to the Electronic Trading Rules, including those pertaining to the risk management and supervisory controls, policies and procedures of the approved participant.

2.5 An approved participant must not provide to a client an electronic access to the Bourse, pursuant to paragraph B), unless the client has entered into a written agreement with the approved participant, which provides that:

a) the client's trading activity shall comply with all applicable Bourse and regulatory requirements;

b) the client's trading activity shall comply with the product limits and credit or other financial limits specified by the approved participant;

c) the client shall take all reasonable steps to prevent unauthorized access to the technology that facilitates such electronic access;

d) the client shall not permit any person to use such electronic access provided by the approved participant, other than those authorized by a client as defined in subparagraph 1 a) (ii) or, in the case of a client as defined in subparagraph 1) a) (i), other than those authorized and named by the client under the provision of the agreement referred to in subparagraph h);

e) the client shall fully cooperate with the approved participant in connection with any investigation or proceeding by the Bourse with respect to trading conducted pursuant to such electronic access, including, upon request by the approved participant, providing access to the Bourse to information that is necessary for the purposes of the investigation or proceeding;

f) the client shall immediately inform the approved participant, if it fails or expects not to meet the standards set by the approved participant;

g) when trading for the accounts of another person, under subsection 2.11, the client shall ensure that the orders of the other person are transmitted through the systems of the client and shall be subject to reasonable risk management and supervisory controls, policies and procedures established and maintained by the client;

h) a client, as defined under subparagraph 1 a) (i), shall immediately provide to the approved participant, in writing, the names of all personnel acting on the client's behalf that it has authorized to enter an order, using the electronic access to the Bourse pursuant to paragraph B), as well as any changes thereof;

i) the approved participant shall have the authority, without prior notice, to reject any order, to vary or correct any order to comply with Bourse and regulatory requirements, to cancel any order entered on the Bourse and to discontinue accepting orders from the client.

2.6 An approved participant must not allow a client to have, or continue to have, an electronic access to the Bourse pursuant to paragraph B), unless it is satisfied that the client has reasonable knowledge of the applicable Bourse and regulatory requirements, and of the standards established by the approved participant under subsections 2.1, 2.2 and 2.3.

2.7 An approved participant must ensure that a client receives any relevant amendments to the applicable Bourse and regulatory requirements, or changes or updates to the standards established by the approved participant under subsections 2.1, 2.2 and 2.3.

2.8 Upon providing to a client an electronic access to the Bourse, pursuant to paragraph B), an approved participant must ensure the client is assigned a client identifier in the form and manner required by the Bourse.

2.9 An approved participant must ensure that an order entered by a client, using such an electronic access to the Bourse, includes the appropriate client identifier.

2.10 An approved participant must promptly inform the Bourse if a person ceases to be a client pursuant to paragraph B).

2.11 An approved participant must not provide an electronic access to the Bourse, pursuant to paragraph B), to a client as defined in subparagraph 1 a) i) that is trading for the account of another person, unless the client is:

a) registered or exempted from registration as an adviser under securities legislation; or

b) a person that

i) carries on business in a foreign jurisdiction;

ii) under the laws of the foreign jurisdiction, may trade for the account of another person, using such an electronic access; and

iii) is regulated in the foreign jurisdiction by a signatory to the International Organization of Securities Commissions' Multilateral Memorandum of Understanding.

2.12 If a client referred to in section 2.11 is using such an electronic access to the Bourse to trade for the account of another person, it must ensure that the orders of the other person are initially transmitted through the systems of the client.

2.13 An approved participant must ensure that when a client is trading for the account of another person, using an electronic access to the Bourse pursuant to paragraph B), the orders of the other person are subject to reasonable risk management and supervisory controls, policies and procedures established and maintained by the client.

3. Responsibility

An approved participant who provides an electronic access to the Bourse, pursuant to paragraph B), remains responsible for compliance with all applicable Bourse and regulatory requirements with respect to the entry and execution of orders from its clients.

4. Miscellaneous

4.1 An approved participant must immediately report to the Bourse, in writing, that it has terminated the electronic access of a client pursuant to paragraph B).

4.2 An approved participant must immediately report to the Bourse, in writing, if it is aware of or has reason to believe that a client has, or may have, breached a material provision of any standard established by the approved participant, or of the written agreement between the approved participant and the client, pursuant to section 2.

**7403 Application for Approval as an Approved Person
(01.04.93, 13.09.05, 22.03.10, 00.00.00)**

Any person employed by an approved participant or an affiliated corporation or subsidiary of an approved participant ~~who of the Bourse and~~ wishing to have access to the electronic trading system of the Bourse in order to act as an approved person in accordance with the Rules must submit an application for approval to obtain the prior approval of the Bourse beforehand. Such an application for approval shall not limit the rights of approved participants to give access to the electronic trading system of the Bourse in accordance with article 6366 b).

The application for approval as an ~~A~~ approved ~~P~~ person must be submitted in the form prescribed by the Bourse and must be signed by both the applicant ~~and~~ the approved participant and, where applicable, the affiliated corporation or subsidiary of the approved participant that employs the applicant. by whom the applicant is employed.

**7407 General Restrictions applicable to Approved Persons
(01.04.93, 13.09.05, 22.03.10, 00.00.00)**

~~Subject to the~~ Unless prior written approval/consent of the Bourse to the contrary ~~from the Bourse~~, an approved person ~~approved by the Bourse~~ may only transact business for the account of the approved participant for whom the approved person is acting in accordance with article 7403, by whom this person is employed and for the accounts of the approved participant's clients.

~~In all cases, the~~ All transactions made by an approved person must be made on behalf of the approved participant by whom the person is employed, and such approved participant is responsible for all acts and omissions of such approved person. Any act or omission of an approved person which would constitute an infraction of any rule, policy or procedure of the Bourse shall be deemed to be an infraction by the approved participant who was employing this approved person at the time such act or omission occurred.

7408 Joint Accounts

(13.09.05, 22.03.10, 00.00.00)

No approved participant must permit the opening of a joint account in which an approved person ~~employed by such approved participant~~ has an interest of any kind, whether direct or indirect.

7409 Dealings with Other Firms by Approved Persons
(01.04.93, 13.09.05, 22.03.10, 00.00.00)

No approved person ~~approved by the Bourse~~ must maintain, in his own name or any other name, an account in securities, options or futures contracts over which he has, directly or indirectly, trading authority or control with any approved participant other than the approved participant ~~by which he is employed~~, without the written consent of the approved participant ~~his employer~~ as required by article 7454.

7414 Transfers of Approved Persons
(01.04.93, 13.09.05, 22.03.10, 00.00.00)

No approved participant or affiliated corporation or subsidiary of an approved participant must employ an approved -person ~~approved by the Bourse~~ formerly employed by any other approved participant until the Bourse has given its prior approval to such employment. Any application for such consent must be submitted in the form prescribed by the Bourse and must be signed by both the approved person and the approved participant ~~as well as, as the case may be, proposing to employ him by the affiliated corporation or subsidiary of an approved participant proposing to employ him.~~

The Bourse will not approve an application for such consent if it is established that the approved participant ~~by which the approved person was previously employed~~ has not transmitted to the Bourse the notice of termination of employment required pursuant to article 7413.

If the period of time between the date of the approved person termination of employment with ~~the approved participant by which this approved person was employed~~ and the date on which this approved person employment with another approved participant or an affiliated corporation or subsidiary of another approved participant started is ninety (90) days or more, the Bourse will not approve the application for consent filed pursuant to this article and an application for approval pursuant to article 7403 of this Rule shall be submitted to the Bourse.

**7415 Suspension or Revocation of Approval of a Person Approved by the Bourse
(01.04.93, 13.09.05, 22.03.10, 00.00.00)**

If an approved person ~~approved by the Bourse~~ no longer meets the required qualifications or any other condition or requirement that may be prescribed by the Bourse, the Bourse may suspend or revoke its approval.

In the event of a suspension or revocation ~~by the Bourse~~ of the approval of an approved person pursuant to this article or pursuant to article 4105 of the Rules of the Bourse, unless otherwise ordered by the Vice president of the Regulatory Division~~Special Committee~~, the approved participant, the affiliated corporation or subsidiary of the approved participant employing this person must immediately discontinue such employment as an approved person ~~approved by the Bourse~~ and thereafter this person must not be employed in the same capacity by any approved participant, any affiliated corporation or subsidiary of an approved participant without the permission of the Vice president of the Regulatory Division~~Special Committee~~. Any such permission may be revoked at any time by the Vice president of the Regulatory Division~~Special Committee~~.

The approval by the Bourse of any person shall be automatically revoked when this person, following the termination of this person employment with an approved ~~participant~~person, an affiliated corporation or subsidiary of an approved participant, does not reintegrate an employment requiring such an approval with an other approved participant, an affiliated corporation or subsidiary of the other approved participant within a delay of ninety (90) days following the date on which this person employment was terminated.

7416 Approved Participant's Responsibility
(01.04.93, 13.09.05, 22.03.100, 00.00.00)

Each approved participant must ensure that all its employees, approved persons and designated representatives who are duly approved pursuant to article 3501 ~~approved by the Bourse or by any other regulatory or self-regulatory organization~~ ~~employed by it~~ comply with the provisions of all Rules and Policies of the Bourse.

6380 Transactions Required on Bourse Facilities

(25.09.00, 24.09.01, 29.10.01, 31.01.05, 10.11.08, 29.01.10, 09.06.14, 21.01.16, 17.01.18, 09.02.18, 07.06.18, 15.06.18, 29.06.18)

All trading in Listed Products must occur on or through the electronic trading system or in accordance with the rules of the Bourse.

6380a. Prearranged Transactions Prohibited.

No Person shall prearrange or execute noncompetitively any transaction on or through the electronic trading system of the Bourse, except as permitted by, and in accordance with article 6380b.

6380b. Exceptions to Prohibition on Prearranged Transactions.

The prohibition in article 6380a shall not apply to prearranged transactions pursuant to article 6380c; Block Trades pursuant to article 6380d; Riskless Basis Cross Trades pursuant to article 6380e; Exchange For Related Positions pursuant to articles 6815; and transfers of open positions under article 6816; *provided however*, no transaction under any of the exceptions included in this article may be executed using a hidden volume functionality.

6380c. Prearranged transactions.1) **In general.**

For the purpose of this article, “communication” means any communication for the purpose of discerning interest in the execution of a transaction prior to the exposure of the order to the market. Any communication that relates to the size, side of market or price of an order, or a potentially forthcoming order, constitutes a communication to prearrange a transaction.

The parties to a transaction may engage in communications to prearrange a transaction on the electronic trading system in an eligible derivative in the minimum amount specified where one party wishes to be assured that there will be a counterparty willing to take the opposite side of the transaction, in accordance with the following conditions:

- i) A customer must consent to the Approved Participant engaging in prearranging communications on the customer’s behalf. The consent of the client, in whatever form, must be communicated to the Bourse upon request;
- ii) After the first order for the prearranged transaction is entered into the electronic trading system the parties may not enter the second order for the prearranged transaction until the following specified time period has elapsed as follows:

ELIGIBLE DERIVATIVES	PRESCRIBED TIME PERIOD	MINIMUM VOLUME THRESHOLD
Three-Month Canadian Bankers’ Acceptance Futures Contracts (BAX):		
1st four quarterly months – not including serial months	5 seconds	No threshold
Remaining expiry months and strategies	15 seconds	No threshold

ELIGIBLE DERIVATIVES	PRESCRIBED TIME PERIOD	MINIMUM VOLUME THRESHOLD
Thirty-Day Overnight “Repo” Rate Futures Contracts (ONX):		
Front month	5 seconds	No threshold
Remaining expiry months and strategies	15 seconds	No threshold
Overnight Index Swap Futures Contracts (OIS):		
Front month	5 seconds	No threshold
Remaining expiry months and strategies	15 seconds	No threshold
Government of Canada Bond Futures		
All expiry months and strategies	5 seconds	No threshold
Futures Contracts on S&P/TSX		
All expiry months and strategies	0 second	≥ 100 contracts
All expiry months and strategies	5 seconds	< 100 contracts
Basis Trade on Close: All expiry months	0 second	≥ 100 contracts
Basis Trade on Close: All expiry months	5 seconds	< 100 contracts
Futures Contracts on the FTSE Emerging Markets Index:		
All expiry months and strategies	0 second	≥ 100 contracts
All expiry months and strategies	5 seconds	< 100 contracts
Futures Contracts on Canada Carbon Dioxide Equivalent (CO₂e) Units:		
All expiry months and strategies	5 seconds	No threshold
Futures Contracts on Canadian Crude Oil		
All expiry months and strategies	5 seconds	No threshold
Options on Three-Month Canadian Bankers’ Acceptance Futures Contracts:		
All expiry months and strategies	0 second	≥ 250 contracts
All expiry months and strategies	5 seconds	< 250 contracts
Options on Ten-Year Government of Canada Bond Futures Contracts (OGB):		
All expiry months and strategies	0 second	≥ 250 contracts
All expiry months and strategies	5 seconds	< 250 contracts
Equity, ETF and Currency Options:		
All expiry months	0 second	≥ 100 contracts
All expiry months	5 seconds	< 100 contracts
All UDS Strategies	5 seconds	No Threshold

ELIGIBLE DERIVATIVES	PRESCRIBED TIME PERIOD	MINIMUM VOLUME THRESHOLD
Index Options:		
All expiry months	0 second	≥ 50 contracts
All expiry months	5 seconds	< 50 contracts
All UDS Strategies	5 seconds	No Threshold
Canadian Share Futures Contracts:		
All expiry months and strategies	0 seconds	≥ 100 contracts
All expiry months and strategies	5 seconds	< 100 contracts
Basis Trade on Close: All expiry months	0 second	≥ 100 contracts
Basis Trade on Close: All expiry months	5 seconds	< 100 contracts
Futures and Options on Futures Inter-Group Strategies		
All strategies	5 seconds	No threshold

The minimum volume threshold described in the table above, when applicable to a strategy, refers to the negotiated volume of a given strategy instrument and not to the sum of its legs.

- iii) The party that initiates communication regarding a prearranged transaction shall have his or her order entered into the electronic trading system first, unless the parties as part of their negotiation agree otherwise. The consent of the client, in whatever form, must be communicated to the Bourse upon request; provided however, that in a prearranged transaction between an Approved Participant and a customer for an equity, ETF or index option, the customer's order shall always be entered into the electronic trading system first, regardless of which party initiated the communication.
- iv) Limit orders resting in the electronic trading system at the time that the first order of the prearranged transaction is entered at or better than the price of the first order shall be matched with the first order entered. Any residual, unfilled amount of the first order may be matched against the second order of the prearranged transaction when the second order is entered.
- iv) Parties may not aggregate unrelated orders to meet the minimum threshold for a prearranged transaction.
- v) The parties to the prearranging communications shall not disclose to any other party details of the negotiation or otherwise enter an order to take advantage of the negotiation during such communications except as permitted in this article.
- 2) **Committed Orders.** Committed orders may not be used to execute any transaction under article 6380c or article 6380f having a prescribed time delay longer than zero second, and may be used for such transactions only for the following products subject to the minimum volume threshold:

ELIGIBLE DERIVATIVES FOR COMMITTED ORDERS	MINIMUM VOLUME THRESHOLD
All expiry months and strategies	
Futures Contracts on S&P/TSX and FTSE Emerging Markets	100 contracts

Indices	
Options on Three-Month Canadian Bankers' Acceptance Futures Contracts	250 contracts
Options on Ten-Year Government of Canada Bond Futures Contracts	250 contracts
Canadian Share Futures Contracts	100 contracts
All expiry months and excluding UDS strategies	
Equity, ETF and Currency Options	100 contracts
Index Options	50 contracts

The minimum volume threshold described in the table above, when applicable to a strategy, refers to the negotiated volume of a given strategy instrument and not to the sum of its legs.

- 3) **Transactions on eligible products with a prescribed time delay.** The parties may engage in communications to prearrange a transaction on the electronic trading system or via the User Defined Strategy Facility (UDS) where one party wishes to be assured that there will be a counterparty willing to take the opposite side of the transaction, in accordance with the conditions in paragraph 1 of this article 6380c; *provided however:*
- i) in the case of a prearranged transaction that is between the bid and ask on the electronic trading system and for an amount at or greater than the minimum threshold, the parties in their discretion may enter the prearranged transaction as a committed order with no delay, subject to the conditions in paragraph 2 of article 6380c; or
 - ii) in the case of a prearranged transaction that is on or between the bid and ask on the electronic trading system and for an amount at or greater than the minimum threshold, the parties enter the first and second orders of the prearranged transaction with no delay between the two, but nevertheless subject to execution risk (including the priority given resting limit orders at or better than the prearranged price).

4) **Equity, ETF, Index and Currency Option Transactions With 50% Guaranteed Minimum**

The parties to an option strategy transaction may engage in communications to prearrange the transaction where one party wishes to be assured that there will be a counterparty willing to take the opposite side of the transaction, in accordance with the following conditions:

- i) market makers are permitted to participate on the transaction up to a total maximum of 50% of the volume of the intended transaction;
- ii) each Approved Participant must contact a Market Supervisor and provide details of the intended transaction including total quantity, price, side(s) of the transaction, a description of the legs comprising the strategy and identification of the agreed counterparty; and
- iii) the Approved Participant will be permitted to execute the transaction for the remaining volume (a minimum of 50% plus any volume not taken of the 50% that had been offered to the market makers).

6380d. Block Trades

- 1) **In general.** Approved Participants of the Bourse may negotiate and execute a transaction off of the electronic trading system pursuant to the following conditions:
- i) A block trade transaction may be arranged and executed only during trading hours on the Bourse for the eligible derivative.
 - ii) Block trades are only permitted in the derivative instruments and for a quantity which meets or exceeds the minimum volume thresholds as follows:

ELIGIBLE DERIVATIVES	MINIMUM VOLUME THRESHOLD
30-Day Overnight Repo Rate Futures Contracts (ONX)	1,000 contracts
Overnight Index Swap Futures Contracts (OIS)	200 contracts
Ten-Year Government of Canada Bond Futures Contracts (CGB)	1,500 contracts
Two-Year Government of Canada Bond Futures Contracts (CGZ)	500 contracts
30-Year Government of Canada Bond Futures Contracts (LGB)	500 contracts
Five-Year Government of Canada Bond Futures Contracts (CGF)	500 contracts
Options on Three-Month Canadian Bankers' Acceptance Futures Contracts	2,000 contracts
Canadian Crude Oil Futures Contracts	100 contracts
Futures contracts on the FTSE Emerging Markets Index	100 contracts
Bankers' Acceptance Futures Contracts quarterlies five through eight (BAX Reds)	1,000 contracts
Three-Month Canadian Bankers' Acceptance Futures Contracts quarterlies nine through twelve (BAX Greens)	500 contracts

- iii) Where a block strategy involves the trading of different derivative instruments, or different contract months or premiums of the same instrument, each of derivatives of the strategy need meet only the lowest applicable threshold.
- iv) Approved Participants may not aggregate separate orders in order to meet the minimum volume thresholds.

- v) Each party to a block trade must be an accredited counterparty as defined in section 3 of the Quebec Derivatives Act, CQLR c I-14.01.
 - vi) The price at which a block trade is arranged must be “fair and reasonable” in light of (a) the size of the block trade; (b) currently traded prices and bid and ask prices in the same derivative instrument; (c) the underlying markets; and (d) general market conditions, all at the relevant time. The fairness and reasonableness of the price of a block trade priced at a basis to an index as permitted under paragraph 2 of this article may also take into account the following additional considerations: (e) financing rates, (f) expected dividend income, and (g) time remaining until the index futures contract expiration, all at the relevant time. Although there is no requirement for a block trade to be executed within the daily high and low prices, execution outside of that price range may result in a request by the Regulatory Division for additional information about the transaction.
 - vii) Block trades shall not trigger special terms orders or otherwise affect orders on the electronic trading system.
 - viii) A block trade on a contract roll strategy is not permitted, except for the FTSE Emerging Markets Index futures contract.
 - ix) The details of a block trade must be reported by Approved Participants for both the buyer and seller to the Market Operations Department by telephone at 1-888-696-6366 or at 514-871-7871 and on a Block Trade Reporting Form, available on the Bourse’s web site at http://www.m-x.ca/rob_formulaire_en.php, within 15 minutes of the Block Trade’s execution.
 - x) Following validation of the trade details by the Bourse (which is not a confirmation by the Bourse that the block trade has been effected in accordance with this Article), the Bourse shall disseminate the trade and price information relating to the block trade.
 - xi) Upon request, the Approved Participant shall provide evidence that the block trade transaction has been effected in accordance with these Rules.
 - xii) In all circumstances, a block trade can only be arranged by the Approved Participant’s Approved Persons.
- 2) **Block Trades Priced at a Basis to Index Close.** Approved Participants may mutually agree to price a block trade at a positive or negative increment (“basis”) to the price at which the index underlying an eligible contract will close (“BIC”), for any trading day except the last trading day of an expiring contract month, subject to the conditions in paragraph (1) of article 6380d and the following additional condition:
- i) The Approved Participants shall report the basis along with other trade details in accordance with the requirements of paragraph 1) ix) of this article, and shall submit to the Bourse’s Market Operations Department a second Block Trade Reporting Form which includes the agreed-upon basis, the closing level of the underlying index and the price of the block trade to the nearest 0.01 index point increment within the time required as follows:

ELIGIBLE DERIVATIVES	MINIMUM VOLUME THRESHOLD	PRESCRIBED TIME BY WHICH TO FILE BLOCK TRADE REPORTING FORM	PRESCRIBED TIME BY WHICH TO FILE SECOND BLOCK TRADE REPORTING FORM No sooner than
Futures contracts on the FTSE Emerging Markets Index	100 contracts	Within 15 minutes	9:30 p.m. GMT on the next trading day
Futures contracts on S&P/TSX indices and sectorial indices	100 contracts	Within 15 minutes	4:00 p.m. ET on the same trading day

6380e. Riskless Basis Cross Trades

- 1) **In general.** An Approved Participant and the customer may prearrange a transaction outside of the electronic trading system in which the price of a stock index futures contract or a share futures contract to the customer is determined to be the average price of cash market transactions entered into by and for the account of the Approved Participant in the components of the underlying index or the underlying security, respectively, plus a spread (basis) as mutually agreed between the Approved Participant and the customer, in accordance with the following conditions:
 - a) Each party to a ~~r~~Riskless ~~b~~Basis ~~c~~Cross ~~t~~ransaction ~~Trade~~ must be an accredited counterparty as defined in section 3 of the Quebec Derivatives Act, CQLR c I-14.01.
 - b) The parties may agree to either a fixed basis or to a guaranteed execution price of the cash component with the basis adjusted accordingly.
 - c) To initiate the ~~r~~Riskless ~~b~~Basis ~~c~~Cross ~~t~~ransaction, the Approved Participant for its own account must first acquire positions (long or short exposure) in securities, baskets of securities, index participation units, or exchange-traded funds which, for an index, comprise no less than 80% of the underlying components of the applicable index and being reasonably correlated to the underlying index with a correlation coefficient (R) of 90% or greater, calculated using any generally accepted methodology. Although Approved Participants generally should purchase or sell all of the components of the index, an Approved Participant need not obtain any component security due to restrictions on the purchase or sale of the commodity by the Approved Participant or the customer, the unavailability of the component in the market due to a trading halt, illiquidity or other market conditions.
 - d) The transaction shall be executed at the time agreed by the counterparties, which must be during the regular trading hours of the underlying index components or underlying interest until the end of the extended trading session at the Toronto Stock Exchange (TSX) and the same day that the cash position is completed by the Approved Participant, provided however, if obtaining the cash components of the underlying index cannot be completed in a single day, execution of the futures portion of the transaction shall be proportionate with the proportion of the cash market transactions completed during that day.

- e) The ~~r~~Riskless ~~b~~Basis ~~c~~Cross transaction is executed by the Approved Participant reporting details of the transaction to the Market Operations Department on a “Special Terms Transaction Reporting Form” through the Bourse’s web page at <http://sttrf-frots.m-x.ca>, and allocating the agreed upon quantity of stock index futures contracts to the customer’s account.
- f) There is no minimum size requirement to enter into a riskless basis cross transaction nor is there any time period following execution of the riskless basis cross transaction that the Approved Participant must maintain the cash market position.
- g) The price at which the futures contract leg of the transaction is arranged must be “fair and reasonable” in light of (i) the size of the transaction (ii) traded prices and bid and ask prices in the same contract (iii) the volatility and liquidity of the relevant market and (iv) general market conditions all at the relevant time. Although there is no requirement for the futures contract leg of a riskless basis cross transaction to be executed within the daily high and low prices, execution outside of that price range may result in a request by the Regulatory Division for additional information about the transaction.
- ~~h) Each riskless basis cross transaction must be reported to the Bourse in accordance with the procedures set by the Bourse. Such report must be in the form prescribed by the Bourse and must contain all the information required on such prescribed form.~~
- ~~h)~~ Each party to a riskless basis cross transaction must keep full and complete records relating to the riskless basis cross transaction and must provide to the Bourse upon request complete records and documentary evidence relating to such transaction demonstrating that the transaction is a bona fide transaction and that it has been carried out in accordance with the conditions of this article.
- ~~i)~~ The Bourse shall exclude riskless basis cross transactions from the daily settlement price procedures but not from daily volume figures. A record of each riskless basis cross shall appear in the “Transaction Report” maintained on the Bourse’s Web page http://www.m-x.ca/dailycrosses_en.php following it being registered by the Market Operations Department in the trading system and shall be specially marked and displayed in the systems (trading platform and data vendors) in the Bourse’s post trade recap.
- ~~k)~~ In all circumstances, a riskless basis cross transaction can only be arranged by the Approved Participant’s Approved Persons.

6380f. Trading Against Customer Orders (Cross-Trades).

An Approved Participant may not knowingly, directly or indirectly, take the opposite side of a customer order for the Approved Participant’s own account, an account in which the Approved Participant has a direct or indirect financial interest or an account over which the Approved Participant has discretionary trading authority, unless:

- a) the customer order has first been entered on the electronic trading system and exposed to the market for a minimum period of 5 seconds for futures and options;
or

- b) the transaction is otherwise, and explicitly permitted by, and carried out in accordance with, a rule of the Bourse; including, but not limited to prearranged transactions pursuant to article 6380c.

6815 Exchanges for Related Products (EFRP)

(08.09.89, 17.10.91, 05.01.94, 19.01.95, 01.05.95, 07.09.99, 31.01.01, 03.05.04, 21.04.08, 17.04.09, 12.02.16, 17.01.18, 15.06.18)

1) EFRP transactions in general. Exchanges for Related Product (“EFRP”) transactions involving futures contracts listed and traded on the Bourse are permitted if such transactions are executed in accordance with the requirements of this article. An EFRP transaction is composed of the privately negotiated execution of a Bourse futures contract and the opposite, simultaneous execution of an approximately equivalent quantity or value of cash product, by-product, related product, or over-the-counter (“OTC”) derivative instrument underlying the futures contract.

- a) An EFRP transaction is permitted to be executed off of the Bourse’s trading system pursuant to article 6380b if such transaction is conducted in accordance with each of the requirements and conditions of this article.
- b) The following separate types of transactions are referred to collectively as EFRP transaction under this article, and are included under, and subject to, its provisions:
 - i) **Exchange for Physical (“EFP”)** – the simultaneous execution of a Bourse futures contract and a corresponding spot or forward transaction.
 - ii) **Exchange for Risk (“EFR”)** – the simultaneous execution of a Bourse futures contract and a corresponding OTC swap or other OTC derivative transaction.
 - iii) **Substitution for OTC Transaction (“Substitution”)** – the substitution of an OTC derivative instrument for futures contract.

c) Each party to an EFRP transaction must be an accredited counterparty as defined in section 3 –of the Quebec Derivatives Act, CQLR c I-14.01.

d) The accounts involved on each side of an EFRP transaction must:

- i) have different beneficial ownership;
- ii) have the same beneficial ownership, but are under separate control;
- iii) have accounts that are commonly controlled, but involve separate legal entities which may or may not have the same beneficial ownership; or
- (iv) when the parties to an EFRP transaction involve the same legal entity, same beneficial ownership, or separate legal entities under common control, the parties must be able to demonstrate that the exchange transaction was a legitimate arms-length transaction.

e) The cash market instrument leg of the EFRP transaction must provide for, and result in, the transfer of ownership of the cash market instrument within the time customary in the applicable cash market or in OTC practice. If the seller does not have actual possession of the cash market or OTC derivative

instrument before execution of the EFRP, the seller must be able to demonstrate an ability to satisfy the delivery requirement.

- f) With regard to the futures leg of an EFRP, if the minimum price fluctuation of transactions in the futures contract vary by strategy or otherwise, such as variation in the minimum price fluctuation for equity index futures contracts between outright and calendar spread transactions, the minimum price fluctuation of the EFRP futures component shall be the lowest minimum price fluctuation provided for in the Rules with regard to the futures contract.
- g) The Approved Participants involved in an EFRP, upon request by the Bourse, must be able to demonstrate that:
 - i) the related futures and cash or OTC position are reasonably correlated, with a correlation of $R=0.70$ or greater, calculated using any generally accepted methodology, for all EFRP transactions except as otherwise specifically provided, each such correlation based on daily price data for a period of at least six (6) months or weekly price data for a period of at least one (1) year; and
 - ii) the quantity or value of the cash or OTC component of the EFRP transaction must be approximately equivalent to the quantity or value of the futures contract.
- h) The price at which an EFRP transaction is arranged must be “fair and reasonable” in light of (i) the size of the transaction; (ii) currently traded prices and bid and ask prices in the same contract (iii) the underlying markets; and (iv) general market conditions, all at the relevant time. Although there is no requirement for an EFRP to be executed within the daily high and low prices, execution outside of that price range may result in a request by the Regulatory Division for additional information about the transaction.
- i) It is prohibited to effect an EFRP transaction for the purpose of reporting, registering or recording a non-bona fide price or entering into a transaction which is a “wash sale,” an accommodation trade or a fictitious sale.
- j) Neither party to an EFRP transaction may enter into the transaction to circumvent the contract month roll in the corresponding security or derivative instrument.
- k) **Reporting EFRP transactions.** Approved Participants for both the seller and buyer must report within one hour upon determination of all the relevant terms of the transaction to the Market Operations Department on the Special Terms Transaction Reporting Form available at <http://sttrf-frots.m-x.ca/> each EFRP transaction executed during the trading hours of the applicable futures contract. For those EFRP transactions executed after such trading hours, the transaction shall be reported to the Bourse no later than 10:00 a.m. (Montréal time) on the trading day following execution. The Market Operations Department will validate the details of the report before accepting the transaction (which is not a confirmation by the Bourse that the EFRP transaction has been effected in accordance with this article).
- l) **Books and records.** Each party to an EFRP transaction must maintain full and complete records and documentary evidence relating to the EFRP, including but not limited to all records relating to the purchase or sale of the cash market or OTC derivative component of the transaction and to any transfer of funds or ownership made in connection with such transaction. Such records include, but are not limited to, documentation customarily generated in accordance with market practice, such as cash account statements, trade confirmation statements, ISDA® Master Agreements or other documents of title; third party documentation supporting proof of payment or transfer of title, such as

canceled checks, bank statements; cash account statements and cash instruments clearing corporation documents. In addition, futures contracts order tickets (which must clearly indicate the time of execution of the EFRP transaction) must be maintained. Records related to the transaction must be provided to the Bourse upon request and it is the responsibility of the Approved Participant to obtain and provide on a timely basis records of their clients as requested by the Bourse.

m) In all circumstances, an EFRP transaction can only be arranged by the Approved Participant's Approved Persons.

2) EFPs

a) EFP transactions on the following futures contracts and the related physical or cash instrument are recognized by the Bourse:

Types of Futures Contracts	Acceptable physical or cash instrument
Interest rates Futures Contracts	<p>Fixed income instruments with a correlation coefficient (R) of 0.70 or more, calculated using any generally accepted methodology, maturities and risk characteristics that parallel the underlying instrument of the futures contracts or the futures contract itself where the use of the underlying instrument is not practical due to a lack of available market data, including but not limited to:</p> <ul style="list-style-type: none"> • Money market instruments including asset backed commercial paper, • Government of Canada and Federal Crown Corporation fixed income instruments • Provincials fixed income instruments, • Investment grade corporates including Maple Bonds and mortgage instruments including collateralized mortgage obligations (CMOs), or • Fixed income instruments denominated in the currency of a G7 member country
Futures Contracts on S&P/TSX indices Futures Contracts on the FTSE Emerging Markets index	<ul style="list-style-type: none"> • Stock baskets reasonably correlated with the underlying index with a correlation coefficient (R) of 0.90 or more, calculated using any generally accepted methodology, having a weight of at least 50% of the underlying index or including 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, or

	<ul style="list-style-type: none"> Exchange-traded funds that mirror the index futures contract
Futures Contracts on Carbon dioxide equivalent (CO ₂ e) units	<ul style="list-style-type: none"> Regulated emitters' credits, and / or offset credits in eligible Canadian CO₂e units
Futures Contracts on Canadian crude oil	<ul style="list-style-type: none"> Domestic crude oil streams with not less than 2.5% nor more than 3.5% sulfur by weight, not less than 19° API gravity nor more than 22° API gravity, such as. Western Canadian Select, Western Canadian Blend, Lloyd Blend, Bow River, Cold Lake Blend and Wabasca.
Share Futures Contracts	<ul style="list-style-type: none"> Underlying interest of the futures contract

3) EFRs

a) EFR transactions on the following futures contracts and the related OTC derivative instrument are recognized by the Bourse:

Types of Futures Contracts	Acceptable Over-the-Counter Derivative Instrument
Bonds Futures Contracts	<p>i) Interest Rate Swaps with the following characteristics:</p> <ul style="list-style-type: none"> Plain vanilla; Written under the terms of an ISDA® Master Agreement, Regular fixed against floating rate payments, Denominated in currency of G7 country, and Correlation R= 0.70 or greater, calculated using any generally accepted methodology. <p>Or</p> <p>ii) Any individual or combination of OTC bond, interest rate swap or FRA options (e.g. caps, floors, collars).</p>

Short-term interest rate Futures Contracts	<p>i) Any OTC swap or options with characteristics noted above with respect to EFR for bonds;</p> <p>Or</p> <p>ii) Forward Rate Agreements (FRAs) with the following characteristics:</p> <ul style="list-style-type: none"> • Conventional FRA, • Written under the terms of an ISDA® MasterAgreement, • Predetermined interest rate, • Agreed start/end date, and • Defined interest (repo) rate.
Stock index Futures Contracts	<p>i) Index Swaps with the following characteristics:</p> <ul style="list-style-type: none"> • Plain vanilla swap, • Written under the terms of an ISDA® Master Agreement, • Regular fixed against floating rate payments against the positive or negative performance of a stock, exchange-traded fund (ETF), basket of securities or a stock index, • Denominated in currency of G7 country, and • Correlation R= 0.90 or greater, using a generally accepted methodology; <p>Or</p> <p>ii) Any individual or combination of OTC stock index option positions;</p> <p>Or</p> <p>iii) Index Forwards:</p> <p>Standard equity forward contract between two counterparties to buy a specific quantity of a stock, exchange-traded fund (ETF), basket of securities or stock index at a predetermined price for settlement at a future date.</p>
Shares Futures Contracts	<p>i) Equity Swaps with the following characteristics:</p> <ul style="list-style-type: none"> • Plain vanilla swap, • Written under the terms of an

	<p>ISDA® Master Agreement,</p> <ul style="list-style-type: none"> • Regular fixed against floating rate payments against the positive or negative performance of a stock, exchange-traded fund (ETF), trust unit, basket of securities or a stock index, • Denominated in currency of G7 country; <p>Or</p> <p>ii) Any individual or combination of OTC equity option positions;</p> <p>Or</p> <p>iii) Equity Forwards:</p> <p>Standard equity forward contract between two counterparties to buy a specific quantity of a stock, exchange-traded fund (ETF), trust unit, basket of securities or stock index at a predetermined price for settlement at a future date.</p>
Commodities Futures Contracts	<p>i) Commodities Swaps or Forwards with the following characteristics:</p> <ul style="list-style-type: none"> • Written under the terms of an ISDA® Master Agreement, • Correlation R = 0.80 or greater, calculated using any generally accepted methodology.

4) Substitution for OTC

a) Substitution transactions on the following futures contracts and the related OTC derivative instrument are recognized by the Bourse:

Futures Contracts on:	Acceptable Over-the-Counter Derivative Instrument:
Carbon dioxide equivalent (CO2e)	Any swap on Carbon dioxide equivalent (CO2e) units, and Correlation R=0.80.

1102 Definitions

(07.09.99, 31.01.01, 08.07.02, 02.09.03, 17.06.05, 30.07.13, 17.07.15, 00.00.00)

Approved Person means the employee of an approved participant or the employee of an affiliated corporation or subsidiary of an approved participant that has been duly approved by the Bourse in accordance with article 7403.

1103 Affiliated Corporations and subsidiaries
(17.12.81, 02.09.03, 00.00.00)

For the purpose of the Rules, the expression "affiliated corporations and subsidiaries" means the following situations:

a) a corporation is deemed to be an affiliate of another corporation if one of them is the subsidiary of the other or if both are subsidiaries of the same corporation or if each of them is controlled, directly or indirectly by the same person or group of persons;

b) a corporation shall be deemed to be controlled by another person or by a group of persons if:

i) voting securities of the corporation carrying more than 50% of the votes for the election of directors are held, otherwise than by way of security only, by or for the benefit of the other person or group of persons; and

ii) the votes carried by such securities are entitled, if exercised, to elect a majority of the board of directors of the corporation,

and where the Bourse determines that a person shall, or shall not, be deemed to be controlled by another person, then such determination shall be determinant as to their relationship in the application of this rule;

c) a corporation shall be deemed to be a subsidiary of another corporation if:

i) it is controlled by:

A) that other corporation; or

B) that other corporation and one or more other corporations each of which is controlled by that other corporation; or

C) two or more corporations each of which is controlled by that other corporation; or

ii) it is a subsidiary of a corporation which is itself a subsidiary of that other corporation;

d) a person, other than a corporation, shall be deemed to beneficially own securities held by a corporation controlled by him or by an affiliate of such corporation;

e) a corporation shall be deemed to beneficially own securities held by its affiliates;

3001 Bourse Approval

(16.06.87, 02.10.92, 15.03.05, 30.03.10, 00.00.00)

- a) Each approved participant must be approved as such by the Special Committee at the time of admission, and must thereafter comply with the conditions required to remain an approved participant as set forth in the regulations of the Bourse in general. Approved participants may be partnerships (referred to as "partnership approved participants") or corporations (referred to as "corporate approved participants");
- b) Anyone seeking and obtaining the Bourse's approval thereby undertakes to be bound by the regulations of the Bourse;
- c) The Bourse shall give its approval where in its opinion, the approved participant or approved person, has the necessary competence and integrity. In the case of an approved participant, the Bourse must be satisfied that it has available adequate financial resources.
- d) For the purpose of this Rule, the term "approved person" also includes the designated representatives who are duly approved pursuant to article 3501.

3011 Surveillance and Compliance
(18.02.03, 30.03.10, 27.11.13, 00.00.00)

A) Each approved participant at the time of its approval and so long as it remains approved, must establish and maintain a system to supervise the activities of each employee, approved person and agent of the approved participant, that is reasonably designed to achieve compliance with the Rules and Policies of the Bourse and with any legislation and regulations applicable to securities and derivative instruments activities. Such a supervisory system must provide, at a minimum, the following:

i) the establishment, maintenance and enforcement of written policies and procedures acceptable to the Bourse regarding the conduct of the type of business in which it engages and the supervision of each employee, approved person and agent of the approved participant that are reasonably designed to achieve compliance with the applicable legislation and regulation;

ii) procedures reasonably designed to ensure that each employee, approved person and agent of the approved participant understand their responsibilities under the written policies and procedures in subparagraph (i);

iii) procedures to ensure that the written policies and procedures of the approved participant are amended as appropriate within a reasonable time after changes in applicable laws, regulations, rules and policies and that such changes are communicated to all relevant personnel;

iv) sufficient personnel and resources to fully and properly enforce the written policies and procedures in subparagraph I);

v) the designation of supervisory personnel with the necessary qualifications and authority to carry out the supervisory responsibilities assigned to them;

vi) procedures for follow-up and review to ensure that supervisory personnel are properly executing their supervisory functions;

vii) the maintenance of adequate records of supervisory activity, compliance issues identified and the resolution of those issues.

B) Notwithstanding any other provision in the regulations of the Bourse, each approved participant must comply with the Electronic Trading Rules, especially regarding the risk management and supervisory controls, policies and procedures, the authorization to set or adjust these risk management and supervisory controls, policies and procedures, as well as the use of automated order systems.

C) For the purpose of this article, the term “Electronic Trading Rules” refers to Regulation 23-103 respecting Electronic Trading (Chapter V-1.1, r. 7.1) as well as any applicable policy statement or notice.

4401 Service

(11.03.85, 11.03.92, 15.03.05, 02.09.11, 00.00.00)

a) For the purposes of this Rule :

i) any document required to be served on the Bourse must be addressed to the attention of the Vice President, Legal Affairs (Derivatives), and delivered by messenger or by registered mail, in either case, with proof of receipt signed by a representative of the Bourse;

ii) any document required to be served on any person other than the Bourse must be served by delivering it directly to the person, by messenger or by sending it by registered mail addressed to the person to their latest residence or business address shown in the records of the Bourse;

iii) any document required to be served on an approved person who is located outside of Canada may be served on the approved participant or, as the case may be, on a person who is a resident of Québec and appointed as agent for the service of process.

b) If it is not possible to serve a document in accordance with the requirements of paragraph a) ii), the Bourse may use any other manner of service that is likely to bring the document to the attention of the person.

c) An affidavit signed by an employee or representative of the Bourse attesting that the service requirements of subparagraph a) ii) have been complied with is sufficient proof of service.

4405 Approved Person
(02.09.11, 00.00.00)

For the purpose of this Rule, the term “approved person” also includes:

- a) the designated representatives who are duly approved pursuant to article 3501; and
- b) partners and shareholders, directors and officers of approved participants and related firms.

6366 Access to Electronic Trading

(25.09.00, 24.09.01, 19.03.02, 03.11.04, 01.03.14, 01.12.17, 00.00.00)

A) Only approved participants of the Bourse, through their respective clearing approved participants, will have access to the electronic trading for derivatives instruments traded on the Bourse and this, at the following conditions:

- a) certify to the Bourse that only the approved persons who has received the required training have access to the said system;
- b) put in place an internal security procedure for access to the electronic trading system; and
- c) obtain the prior approval of the Bourse.

Each approved participant is entirely and exclusively responsible for any unauthorized access to the said system.

B) Approved participants can authorize clients to transmit electronically orders to the Bourse through the systems of the approved participant, using the approved participant's identifier. In order to do so, the following conditions must be complied with:

1. Definitions

a) For the purposes of this article, a client is defined:

i) as a person, other than those registered as an investment dealer with a securities regulatory authority or approved as a foreign approved participant by the Bourse, having entered into a written agreement with an approved participant which permits to transmit electronically orders to the Bourse through the systems of an approved participant, using the approved participant's identifier;

ii) as an investment dealer registered with a securities regulatory authority, or a foreign approved participant of the Bourse, having entered into a written agreement with an approved participant which permits the investment dealer or foreign approved participant to transmit electronically orders to the Bourse, through the systems of the approved participant, using the approved participant's identifier.

b) For the purpose of this article, the terms "Electronic Trading Rules" refer to Regulation 23-103 respecting Electronic Trading (CQLR c. V-1.1, r. 7.1), as well as any applicable policy statement or notice.

c) For the purpose of this article, the terms “Bourse and regulatory requirements” refer to the rules, policies and operational procedures of the Bourse, or to any condition imposed by the Bourse for the purpose of the electronic access provided to a client by an approved participant, as well as to applicable securities or derivatives legislation.

2. Conditions

2.1 An approved participant must:

a) establish, maintain and apply standards that are reasonably designed to manage, in accordance with prudent business practices, the approved participant’s risks associated with providing an electronic access to a client, pursuant to paragraph B), including those set out in the Electronic Trading Rules and, as the case may be, those associated with market maker assignments granted to the client;

b) assess and document that a client meets the standards established by the approved participant, under subparagraph a).

2.2 The standards thus established by an approved participant, under subsection 2.1, shall include that a client must not have an electronic access to the Bourse, pursuant to paragraph B), unless:

a) it has sufficient resources to meet any financial obligations that may result from the use of such electronic access by that client;

b) it has reasonable arrangements in place to ensure that all individuals using such electronic access, on behalf of the client, have reasonable knowledge of and proficiency in the use of the order entry system that facilitates such electronic access;

c) it has reasonable knowledge of and the ability to comply with all applicable Bourse and regulatory requirements;

d) it has reasonable arrangements in place to monitor the entry of orders through such electronic access.

2.3 An approved participant must assess, confirm and document, at least annually, that a client continues to meet the standards established by the approved participant pursuant to subsection 2.1.

2.4 An approved participant must not allow any order to be transmitted to the Bourse, pursuant to paragraph B), unless:

a) the approved participant is maintaining and applying the standards it has established under subsections 2.1, 2.2 and 2.3;

b) the approved participant is satisfied that the client meets the standards established by the approved participant under subsections 2.1, 2.2 and 2.3;

c) the approved participant is satisfied that the client is in compliance with the written agreement entered into with the approved participant, under subsection 2.5;

d) the order is subject to all applicable requirements pursuant to the Electronic Trading Rules, including those pertaining to the risk management and supervisory controls, policies and procedures of the approved participant.

2.5 An approved participant must not provide to a client an electronic access to the Bourse, pursuant to paragraph B), unless the client has entered into a written agreement with the approved participant, which provides that:

a) the client's trading activity shall comply with all applicable Bourse and regulatory requirements;

b) the client's trading activity shall comply with the product limits and credit or other financial limits specified by the approved participant;

c) the client shall take all reasonable steps to prevent unauthorized access to the technology that facilitates such electronic access;

d) the client shall not permit any person to use such electronic access provided by the approved participant, other than those authorized by a client as defined in subparagraph 1 a) (ii) or, in the case of a client as defined in subparagraph 1 a) (i), other than those authorized and named by the client under the provision of the agreement referred to in subparagraph h);

e) the client shall fully cooperate with the approved participant in connection with any investigation or proceeding by the Bourse with respect to trading conducted pursuant to such electronic access, including, upon request by the approved participant, providing access to the Bourse to information that is necessary for the purposes of the investigation or proceeding;

f) the client shall immediately inform the approved participant, if it fails or expects not to meet the standards set by the approved participant;

g) when trading for the accounts of another person, under subsection 2.11, the client shall ensure that the orders of the other person are transmitted through the systems of the client and shall be subject to reasonable risk management and supervisory controls, policies and procedures established and maintained by the client;

h) a client, as defined under subparagraph 1 a) (i), shall immediately provide to the approved participant, in writing, the names of all personnel acting on the client's behalf that it has authorized

to enter an order, using the electronic access to the Bourse pursuant to paragraph B), as well as any changes thereof;

i) the approved participant shall have the authority, without prior notice, to reject any order, to vary or correct any order to comply with Bourse and regulatory requirements, to cancel any order entered on the Bourse and to discontinue accepting orders from the client.

2.6 An approved participant must not allow a client to have, or continue to have, an electronic access to the Bourse pursuant to paragraph B), unless it is satisfied that the client has reasonable knowledge of the applicable Bourse and regulatory requirements, and of the standards established by the approved participant under subsections 2.1, 2.2 and 2.3.

2.7 An approved participant must ensure that a client receives any relevant amendments to the applicable Bourse and regulatory requirements, or changes or updates to the standards established by the approved participant under subsections 2.1, 2.2 and 2.3.

2.8 Upon providing to a client an electronic access to the Bourse, pursuant to paragraph B), an approved participant must ensure the client is assigned a client identifier in the form and manner required by the Bourse.

2.9 An approved participant must ensure that an order entered by a client, using such an electronic access to the Bourse, includes the appropriate client identifier.

2.10 An approved participant must promptly inform the Bourse if a person ceases to be a client pursuant to paragraph B).

2.11 An approved participant must not provide an electronic access to the Bourse, pursuant to paragraph B), to a client as defined in subparagraph 1 a) i) that is trading for the account of another person, unless the client is:

a) registered or exempted from registration as an adviser under securities legislation; or

b) a person that

i) carries on business in a foreign jurisdiction;

ii) under the laws of the foreign jurisdiction, may trade for the account of another person, using such an electronic access; and

iii) is regulated in the foreign jurisdiction by a signatory to the International Organization of Securities Commissions' Multilateral Memorandum of Understanding.

2.12 If a client referred to in section 2.11 is using such an electronic access to the Bourse to trade for the account of another person, it must ensure that the orders of the other person are initially transmitted through the systems of the client.

2.13 An approved participant must ensure that when a client is trading for the account of another person, using an electronic access to the Bourse pursuant to paragraph B), the orders of the other person are subject to reasonable risk management and supervisory controls, policies and procedures established and maintained by the client.

3. Responsibility

An approved participant who provides an electronic access to the Bourse, pursuant to paragraph B), remains responsible for compliance with all applicable Bourse and regulatory requirements with respect to the entry and execution of orders from its clients.

4. Miscellaneous

4.1 An approved participant must immediately report to the Bourse, in writing, that it has terminated the electronic access of a client pursuant to paragraph B).

4.2 An approved participant must immediately report to the Bourse, in writing, if it is aware of or has reason to believe that a client has, or may have, breached a material provision of any standard established by the approved participant, or of the written agreement between the approved participant and the client, pursuant to section 2.

**7403 Application for Approval as an Approved Person
(01.04.93, 13.09.05, 22.03.10, 00.00.00)**

Any person employed by an approved participant or an affiliated corporation or subsidiary of an approved participant who wishes to have access to the electronic trading system of the Bourse in order to act as an approved person in accordance with the Rules must submit an application for approval to the Bourse beforehand. Such an application for approval shall not limit the rights of approved participants to give access to the electronic trading system of the Bourse in accordance with article 6366 b).

The application for approval as an Approved Person must be submitted in the form prescribed by the Bourse and must be signed by both the applicant, the approved participant and, where applicable, the affiliated corporation or subsidiary of the approved participant that employs the applicant.

**7407 General Restrictions applicable to Approved Persons
(01.04.93, 13.09.05, 22.03.10, 00.00.00)**

Subject to the prior written approval of the Bourse to the contrary, an approved person may only transact business for the account of the approved participant for whom the approved person is acting in accordance with article 7403, and for the accounts of the approved participant's clients.

In all cases, the approved participant is responsible for all acts and omissions of such approved person. Any act or omission of an approved person which would constitute an infraction of any rule, policy or procedure of the Bourse shall be deemed to be an infraction by the approved participant

7408 Joint Accounts
(13.09.05, 22.03.10, 00.00.00)

No approved participant must permit the opening of a joint account in which an approved person has an interest of any kind, whether direct or indirect.

**7409 Dealings with Other Firms by Approved Persons
(01.04.93, 13.09.05, 22.03.10, 00.00.00)**

No approved person must maintain, in his own name or any other name, an account in securities, options or futures contracts over which he has, directly or indirectly, trading authority or control with any approved participant other than the approved participant, without the written consent of the approved participant as required by article 7454.

**7414 Transfers of Approved Persons
(01.04.93, 13.09.05, 22.03.10, 00.00.00)**

No approved participant or affiliated corporation or subsidiary of an approved participant must employ an approved person formerly employed by any other approved participant until the Bourse has given its prior approval to such employment. Any application for such consent must be submitted in the form prescribed by the Bourse and must be signed by both the approved person and the approved participant as well as, as the case may be, by the affiliated corporation or subsidiary of an approved participant proposing to employ him.

The Bourse will not approve an application for such consent if it is established that the approved participant has not transmitted to the Bourse the notice of termination of employment required pursuant to article 7413.

If the period of time between the date of the approved person termination of employment with and the date on which this approved person employment with another approved participant or an affiliated corporation or subsidiary of another approved participant started is ninety (90) days or more, the Bourse will not approve the application for consent filed pursuant to this article and an application for approval pursuant to article 7403 of this Rule shall be submitted to the Bourse.

**7415 Suspension or Revocation of Approval of a Person Approved by the Bourse
(01.04.93, 13.09.05, 22.03.10, 00.00.00)**

If an approved person no longer meets the required qualifications or any other condition or requirement that may be prescribed by the Bourse, the Bourse may suspend or revoke its approval.

In the event of a suspension or revocation of the approval of an approved person pursuant to this article or pursuant to article 4105 of the Rules of the Bourse, unless otherwise ordered by the Vice president of the Regulatory Division, the approved participant, the affiliated corporation or subsidiary of the approved participant employing this person must immediately discontinue such employment as an approved person and thereafter this person must not be employed in the same capacity by any approved participant, any affiliated corporation or subsidiary of an approved participant without the permission of the Vice president of the Regulatory Division. Any such permission may be revoked at any time by the Vice president of the Regulatory Division.

The approval by the Bourse of any person shall be automatically revoked when this person, following the termination of this person employment with an approved participant, an affiliated corporation or subsidiary of an approved participant, does not reintegrate an employment requiring such an approval with another approved participant, an affiliated corporation or subsidiary of the other approved participant within a delay of ninety (90) days following the date on which this person employment was terminated.

7416 Approved Participant's Responsibility
(01.04.93, 13.09.05, 22.03.100, 00.00.00)

Each approved participant must ensure that all its employees, approved persons and designated representatives who are duly approved pursuant to article 3501 comply with the provisions of all Rules and Policies of the Bourse.

6380 Transactions Required on Bourse Facilities

(25.09.00, 24.09.01, 29.10.01, 31.01.05, 10.11.08, 29.01.10, 09.06.14, 21.01.16, 17.01.18, 09.02.18, 07.06.18, 15.06.18, 29.06.18)

All trading in Listed Products must occur on or through the electronic trading system or in accordance with the rules of the Bourse.

6380a. Prearranged Transactions Prohibited.

No Person shall prearrange or execute noncompetitively any transaction on or through the electronic trading system of the Bourse, except as permitted by, and in accordance with article 6380b.

6380b. Exceptions to Prohibition on Prearranged Transactions.

The prohibition in article 6380a shall not apply to prearranged transactions pursuant to article 6380c; Block Trades pursuant to article 6380d; Riskless Basis Cross Trades pursuant to article 6380e; Exchange For Related Positions pursuant to articles 6815; and transfers of open positions under article 6816; *provided however*, no transaction under any of the exceptions included in this article may be executed using a hidden volume functionality.

6380c. Prearranged transactions.1) **In general.**

For the purpose of this article, “communication” means any communication for the purpose of discerning interest in the execution of a transaction prior to the exposure of the order to the market. Any communication that relates to the size, side of market or price of an order, or a potentially forthcoming order, constitutes a communication to prearrange a transaction.

The parties to a transaction may engage in communications to prearrange a transaction on the electronic trading system in an eligible derivative in the minimum amount specified where one party wishes to be assured that there will be a counterparty willing to take the opposite side of the transaction, in accordance with the following conditions:

- i) A customer must consent to the Approved Participant engaging in prearranging communications on the customer’s behalf. The consent of the client, in whatever form, must be communicated to the Bourse upon request;
- ii) After the first order for the prearranged transaction is entered into the electronic trading system the parties may not enter the second order for the prearranged transaction until the following specified time period has elapsed as follows:

ELIGIBLE DERIVATIVES	PRESCRIBED TIME PERIOD	MINIMUM VOLUME THRESHOLD
Three-Month Canadian Bankers’ Acceptance Futures Contracts (BAX):		
1st four quarterly months – not including serial months	5 seconds	No threshold
Remaining expiry months and strategies	15 seconds	No threshold

ELIGIBLE DERIVATIVES	PRESCRIBED TIME PERIOD	MINIMUM VOLUME THRESHOLD
Thirty-Day Overnight “Repo” Rate Futures Contracts (ONX):		
Front month	5 seconds	No threshold
Remaining expiry months and strategies	15 seconds	No threshold
Overnight Index Swap Futures Contracts (OIS):		
Front month	5 seconds	No threshold
Remaining expiry months and strategies	15 seconds	No threshold
Government of Canada Bond Futures		
All expiry months and strategies	5 seconds	No threshold
Futures Contracts on S&P/TSX		
All expiry months and strategies	0 second	≥ 100 contracts
All expiry months and strategies	5 seconds	< 100 contracts
Basis Trade on Close: All expiry months	0 second	≥ 100 contracts
Basis Trade on Close: All expiry months	5 seconds	< 100 contracts
Futures Contracts on the FTSE Emerging Markets Index:		
All expiry months and strategies	0 second	≥ 100 contracts
All expiry months and strategies	5 seconds	< 100 contracts
Futures Contracts on Canada Carbon Dioxide Equivalent (CO₂e) Units:		
All expiry months and strategies	5 seconds	No threshold
Futures Contracts on Canadian Crude Oil		
All expiry months and strategies	5 seconds	No threshold
Options on Three-Month Canadian Bankers’ Acceptance Futures Contracts:		
All expiry months and strategies	0 second	≥ 250 contracts
All expiry months and strategies	5 seconds	< 250 contracts
Options on Ten-Year Government of Canada Bond Futures Contracts (OGB):		
All expiry months and strategies	0 second	≥ 250 contracts
All expiry months and strategies	5 seconds	< 250 contracts
Equity, ETF and Currency Options:		
All expiry months	0 second	≥ 100 contracts
All expiry months	5 seconds	< 100 contracts
All UDS Strategies	5 seconds	No Threshold

ELIGIBLE DERIVATIVES	PRESCRIBED TIME PERIOD	MINIMUM VOLUME THRESHOLD
Index Options:		
All expiry months	0 second	≥ 50 contracts
All expiry months	5 seconds	< 50 contracts
All UDS Strategies	5 seconds	No Threshold
Canadian Share Futures Contracts:		
All expiry months and strategies	0 seconds	≥ 100 contracts
All expiry months and strategies	5 seconds	< 100 contracts
Basis Trade on Close: All expiry months	0 second	≥ 100 contracts
Basis Trade on Close: All expiry months	5 seconds	< 100 contracts
Futures and Options on Futures Inter-Group Strategies		
All strategies	5 seconds	No threshold

The minimum volume threshold described in the table above, when applicable to a strategy, refers to the negotiated volume of a given strategy instrument and not to the sum of its legs.

- iii) The party that initiates communication regarding a prearranged transaction shall have his or her order entered into the electronic trading system first, unless the parties as part of their negotiation agree otherwise. The consent of the client, in whatever form, must be communicated to the Bourse upon request; provided however, that in a prearranged transaction between an Approved Participant and a customer for an equity, ETF or index option, the customer's order shall always be entered into the electronic trading system first, regardless of which party initiated the communication.
 - iv) Limit orders resting in the electronic trading system at the time that the first order of the prearranged transaction is entered at or better than the price of the first order shall be matched with the first order entered. Any residual, unfilled amount of the first order may be matched against the second order of the prearranged transaction when the second order is entered.
 - iv) Parties may not aggregate unrelated orders to meet the minimum threshold for a prearranged transaction.
 - v) The parties to the prearranging communications shall not disclose to any other party details of the negotiation or otherwise enter an order to take advantage of the negotiation during such communications except as permitted in this article.
- 2) **Committed Orders.** Committed orders may not be used to execute any transaction under article 6380c or article 6380f having a prescribed time delay longer than zero second, and may be used for such transactions only for the following products subject to the minimum volume threshold:

ELIGIBLE DERIVATIVES FOR COMMITTED ORDERS	MINIMUM VOLUME THRESHOLD
All expiry months and strategies	

Futures Contracts on S&P/TSX and FTSE Emerging Markets Indices	100 contracts
Options on Three-Month Canadian Bankers' Acceptance Futures Contracts	250 contracts
Options on Ten-Year Government of Canada Bond Futures Contracts	250 contracts
Canadian Share Futures Contracts	100 contracts
All expiry months and excluding UDS strategies	
Equity, ETF and Currency Options	100 contracts
Index Options	50 contracts

The minimum volume threshold described in the table above, when applicable to a strategy, refers to the negotiated volume of a given strategy instrument and not to the sum of its legs.

3) **Transactions on eligible products with a prescribed time delay.** The parties may engage in communications to prearrange a transaction on the electronic trading system or via the User Defined Strategy Facility (UDS) where one party wishes to be assured that there will be a counterparty willing to take the opposite side of the transaction, in accordance with the conditions in paragraph 1 of this article 6380c; *provided however:*

- i) in the case of a prearranged transaction that is between the bid and ask on the electronic trading system and for an amount at or greater than the minimum threshold, the parties in their discretion may enter the prearranged transaction as a committed order with no delay, subject to the conditions in paragraph 2 of article 6380c; or
- ii) in the case of a prearranged transaction that is on or between the bid and ask on the electronic trading system and for an amount at or greater than the minimum threshold, the parties enter the first and second orders of the prearranged transaction with no delay between the two, but nevertheless subject to execution risk (including the priority given resting limit orders at or better than the prearranged price).

4) **Equity, ETF, Index and Currency Option Transactions With 50% Guaranteed Minimum**

The parties to an option strategy transaction may engage in communications to prearrange the transaction where one party wishes to be assured that there will be a counterparty willing to take the opposite side of the transaction, in accordance with the following conditions:

- i) market makers are permitted to participate on the transaction up to a total maximum of 50% of the volume of the intended transaction;
- ii) each Approved Participant must contact a Market Supervisor and provide details of the intended transaction including total quantity, price, side(s) of the transaction, a description of the legs comprising the strategy and identification of the agreed counterparty; and
- iii) the Approved Participant will be permitted to execute the transaction for the remaining volume (a minimum of 50% plus any volume not taken of the 50% that had been offered to the market makers).

6380d. Block Trades

- 1) **In general.** Approved Participants of the Bourse may negotiate and execute a transaction off of the electronic trading system pursuant to the following conditions:
- i) A block trade transaction may be arranged and executed only during trading hours on the Bourse for the eligible derivative.
 - ii) Block trades are only permitted in the derivative instruments and for a quantity which meets or exceeds the minimum volume thresholds as follows:

ELIGIBLE DERIVATIVES	MINIMUM VOLUME THRESHOLD
30-Day Overnight Repo Rate Futures Contracts (ONX)	1,000 contracts
Overnight Index Swap Futures Contracts (OIS)	200 contracts
Ten-Year Government of Canada Bond Futures Contracts (CGB)	1,500 contracts
Two-Year Government of Canada Bond Futures Contracts (CGZ)	500 contracts
30-Year Government of Canada Bond Futures Contracts (LGB)	500 contracts
Five-Year Government of Canada Bond Futures Contracts (CGF)	500 contracts
Options on Three-Month Canadian Bankers' Acceptance Futures Contracts	2,000 contracts
Canadian Crude Oil Futures Contracts	100 contracts
Futures contracts on the FTSE Emerging Markets Index	100 contracts
Bankers' Acceptance Futures Contracts quarterlies five through eight (BAX Reds)	1,000 contracts
Three-Month Canadian Bankers' Acceptance Futures Contracts quarterlies nine through twelve (BAX Greens)	500 contracts

- iii) Where a block strategy involves the trading of different derivative instruments, or different contract months or premiums of the same instrument, each of derivatives of the strategy need meet only the lowest applicable threshold.
- iv) Approved Participants may not aggregate separate orders in order to meet the minimum volume thresholds.

- v) Each party to a block trade must be an accredited counterparty as defined in section 3 of the Quebec Derivatives Act, CQLR c I-14.01.
 - vi) The price at which a block trade is arranged must be “fair and reasonable” in light of (a) the size of the block trade; (b) currently traded prices and bid and ask prices in the same derivative instrument; (c) the underlying markets; and (d) general market conditions, all at the relevant time. The fairness and reasonableness of the price of a block trade priced at a basis to an index as permitted under paragraph 2 of this article may also take into account the following additional considerations: (e) financing rates, (f) expected dividend income, and (g) time remaining until the index futures contract expiration, all at the relevant time. Although there is no requirement for a block trade to be executed within the daily high and low prices, execution outside of that price range may result in a request by the Regulatory Division for additional information about the transaction.
 - vii) Block trades shall not trigger special terms orders or otherwise affect orders on the electronic trading system.
 - viii) A block trade on a contract roll strategy is not permitted, except for the FTSE Emerging Markets Index futures contract.
 - ix) The details of a block trade must be reported by Approved Participants for both the buyer and seller to the Market Operations Department by telephone at 1-888-696-6366 or at 514-871-7871 and on a Block Trade Reporting Form, available on the Bourse’s web site at http://www.m-x.ca/rob_formulaire_en.php, within 15 minutes of the Block Trade’s execution.
 - x) Following validation of the trade details by the Bourse (which is not a confirmation by the Bourse that the block trade has been effected in accordance with this Article), the Bourse shall disseminate the trade and price information relating to the block trade.
 - xi) Upon request, the Approved Participant shall provide evidence that the block trade transaction has been effected in accordance with these Rules.
 - xii) In all circumstances, a block trade can only be arranged by the Approved Participant’s Approved Persons.
- 2) **Block Trades Priced at a Basis to Index Close.** Approved Participants may mutually agree to price a block trade at a positive or negative increment (“basis”) to the price at which the index underlying an eligible contract will close (“BIC”), for any trading day except the last trading day of an expiring contract month, subject to the conditions in paragraph (1) of article 6380d and the following additional condition:
- i) The Approved Participants shall report the basis along with other trade details in accordance with the requirements of paragraph 1) ix) of this article, and shall submit to the Bourse’s Market Operations Department a second Block Trade Reporting Form which includes the agreed-upon basis, the closing level of the underlying index and the price of the block trade to the nearest 0.01 index point increment within the time required as follows:

ELIGIBLE DERIVATIVES	MINIMUM VOLUME THRESHOLD	PRESCRIBED TIME BY WHICH TO FILE BLOCK TRADE REPORTING FORM	PRESCRIBED TIME BY WHICH TO FILE SECOND BLOCK TRADE REPORTING FORM No sooner than
Futures contracts on the FTSE Emerging Markets Index	100 contracts	Within 15 minutes	9:30 p.m. GMT on the next trading day
Futures contracts on S&P/TSX indices and sectorial indices	100 contracts	Within 15 minutes	4:00 p.m. ET on the same trading day

6380e. Riskless Basis Cross Trades

- 1) **In general.** An Approved Participant and the customer may prearrange a transaction outside of the electronic trading system in which the price of a stock index futures contract or a share futures contract to the customer is determined to be the average price of cash market transactions entered into by and for the account of the Approved Participant in the components of the underlying index or the underlying security, respectively, plus a spread (basis) as mutually agreed between the Approved Participant and the customer, in accordance with the following conditions:
 - a) Each party to a riskless basis cross transaction must be an accredited counterparty as defined in section 3 of the Quebec Derivatives Act, CQLR c I-14.01.
 - b) The parties may agree to either a fixed basis or to a guaranteed execution price of the cash component with the basis adjusted accordingly.
 - c) To initiate the riskless basis cross transaction, the Approved Participant for its own account must first acquire positions (long or short exposure) in securities, baskets of securities, index participation units, or exchange-traded funds which, for an index, comprise no less than 80% of the underlying components of the applicable index and being reasonably correlated to the underlying index with a correlation coefficient (R) of 90% or greater, calculated using any generally accepted methodology. Although Approved Participants generally should purchase or sell all of the components of the index, an Approved Participant need not obtain any component security due to restrictions on the purchase or sale of the commodity by the Approved Participant or the customer, the unavailability of the component in the market due to a trading halt, illiquidity or other market conditions.
 - d) The transaction shall be executed at the time agreed by the counterparties, which must be during the regular trading hours of the underlying index components or underlying interest until the end of the extended trading session at the Toronto Stock Exchange (TSX) and the same day that the cash position is completed by the Approved Participant, provided however, if obtaining the cash components of the underlying index cannot be completed in a single day, execution of the futures portion of the transaction shall be proportionate with the proportion of the cash market transactions completed during that day.

- e) The riskless basis cross transaction is executed by the Approved Participant reporting details of the transaction to the Market Operations Department on a “Special Terms Transaction Reporting Form” through the Bourse’s web page at <http://sttrf-frots.m-x.ca>, and allocating the agreed upon quantity of stock index futures contracts to the customer’s account.
- f) There is no minimum size requirement to enter into a riskless basis cross transaction nor is there any time period following execution of the riskless basis cross transaction that the Approved Participant must maintain the cash market position.
- g) The price at which the futures contract leg of the transaction is arranged must be “fair and reasonable” in light of (i) the size of the transaction (ii) traded prices and bid and ask prices in the same contract (iii) the volatility and liquidity of the relevant market and (iv) general market conditions all at the relevant time. Although there is no requirement for the futures contract leg of a riskless basis cross transaction to be executed within the daily high and low prices, execution outside of that price range may result in a request by the Regulatory Division for additional information about the transaction.
- h) Each party to a riskless basis cross transaction must keep full and complete records relating to the riskless basis cross transaction and must provide to the Bourse upon request complete records and documentary evidence relating to such transaction demonstrating that the transaction is a bona fide transaction and that it has been carried out in accordance with the conditions of this article.
- i) The Bourse shall exclude riskless basis cross transactions from the daily settlement price procedures but not from daily volume figures. A record of each riskless basis cross shall appear in the “Transaction Report” maintained on the Bourse’s Web page http://www.m-x.ca/dailycrosses_en.php following it being registered by the Market Operations Department in the trading system and shall be specially marked and displayed in the systems (trading platform and data vendors) in the Bourse’s post trade recap.
- j) In all circumstances, a riskless basis cross transaction can only be arranged by the Approved Participant’s Approved Persons.

6380f. Trading Against Customer Orders (Cross-Trades).

An Approved Participant may not knowingly, directly or indirectly, take the opposite side of a customer order for the Approved Participant’s own account, an account in which the Approved Participant has a direct or indirect financial interest or an account over which the Approved Participant has discretionary trading authority, unless:

- a) the customer order has first been entered on the electronic trading system and exposed to the market for a minimum period of 5 seconds for futures and options;
or
- b) the transaction is otherwise, and explicitly permitted by, and carried out in accordance with, a rule of the Bourse; including, but not limited to prearranged transactions pursuant to article 6380c.

6815 Exchanges for Related Products (EFRP)

(08.09.89, 17.10.91, 05.01.94, 19.01.95, 01.05.95, 07.09.99, 31.01.01, 03.05.04, 21.04.08, 17.04.09, 12.02.16, 17.01.18, 15.06.18)

1) EFRP transactions in general. Exchanges for Related Product (“EFRP”) transactions involving futures contracts listed and traded on the Bourse are permitted if such transactions are executed in accordance with the requirements of this article. An EFRP transaction is composed of the privately negotiated execution of a Bourse futures contract and the opposite, simultaneous execution of an approximately equivalent quantity or value of cash product, by-product, related product, or over-the-counter (“OTC”) derivative instrument underlying the futures contract.

- a) An EFRP transaction is permitted to be executed off of the Bourse’s trading system pursuant to article 6380b if such transaction is conducted in accordance with each of the requirements and conditions of this article.
- b) The following separate types of transactions are referred to collectively as EFRP transaction under this article, and are included under, and subject to, its provisions:
 - i) **Exchange for Physical (“EFP”)** – the simultaneous execution of a Bourse futures contract and a corresponding spot or forward transaction.
 - ii) **Exchange for Risk (“EFR”)** – the simultaneous execution of a Bourse futures contract and a corresponding OTC swap or other OTC derivative transaction.
 - iii) **Substitution for OTC Transaction (“Substitution”)** – the substitution of an OTC derivative instrument for futures contract.
- c) Each party to an EFRP transaction must be an accredited counterparty as defined in section 3 of the Quebec Derivatives Act, CQLR c I-14.01.
- d) The accounts involved on each side of an EFRP transaction must:
 - i) have different beneficial ownership;
 - ii) have the same beneficial ownership, but are under separate control;
 - iii) have accounts that are commonly controlled, but involve separate legal entities which may or may not have the same beneficial ownership; or
 - (iv) when the parties to an EFRP transaction involve the same legal entity, same beneficial ownership, or separate legal entities under common control, the parties must be able to demonstrate that the exchange transaction was a legitimate arms-length transaction.
- e) The cash market instrument leg of the EFRP transaction must provide for, and result in, the transfer of ownership of the cash market instrument within the time customary in the applicable cash market or in OTC practice. If the seller does not have actual possession of the cash market or OTC derivative instrument before execution of the EFRP, the seller must be able to demonstrate an ability to satisfy the delivery requirement.
- f) With regard to the futures leg of an EFRP, if the minimum price fluctuation of transactions in the futures contract vary by strategy or otherwise, such as variation in the minimum price fluctuation for equity

index futures contracts between outright and calendar spread transactions, the minimum price fluctuation of the EFRP futures component shall be the lowest minimum price fluctuation provided for in the Rules with regard to the futures contract.

- g) The Approved Participants involved in an EFRP, upon request by the Bourse, must be able to demonstrate that:
- i) the related futures and cash or OTC position are reasonably correlated, with a correlation of $R=0.70$ or greater, calculated using any generally accepted methodology, for all EFRP transactions except as otherwise specifically provided, each such correlation based on daily price data for a period of at least six (6) months or weekly price data for a period of at least one (1) year; and
 - ii) the quantity or value of the cash or OTC component of the EFRP transaction must be approximately equivalent to the quantity or value of the futures contract.
- h) The price at which an EFRP transaction is arranged must be “fair and reasonable” in light of (i) the size of the transaction; (ii) currently traded prices and bid and ask prices in the same contract (iii) the underlying markets; and (iv) general market conditions, all at the relevant time. Although there is no requirement for an EFRP to be executed within the daily high and low prices, execution outside of that price range may result in a request by the Regulatory Division for additional information about the transaction.
- i) It is prohibited to effect an EFRP transaction for the purpose of reporting, registering or recording a non-bona fide price or entering into a transaction which is a “wash sale,” an accommodation trade or a fictitious sale.
- j) Neither party to an EFRP transaction may enter into the transaction to circumvent the contract month roll in the corresponding security or derivative instrument.
- k) **Reporting EFRP transactions.** Approved Participants for both the seller and buyer must report within one hour upon determination of all the relevant terms of the transaction to the Market Operations Department on the Special Terms Transaction Reporting Form available at <http://sttrf-frots.m-x.ca/> each EFRP transaction executed during the trading hours of the applicable futures contract. For those EFRP transactions executed after such trading hours, the transaction shall be reported to the Bourse no later than 10:00 a.m. (Montréal time) on the trading day following execution. The Market Operations Department will validate the details of the report before accepting the transaction (which is not a confirmation by the Bourse that the EFRP transaction has been effected in accordance with this article).
- l) **Books and records.** Each party to an EFRP transaction must maintain full and complete records and documentary evidence relating to the EFRP, including but not limited to all records relating to the purchase or sale of the cash market or OTC derivative component of the transaction and to any transfer of funds or ownership made in connection with such transaction. Such records include, but are not limited to, documentation customarily generated in accordance with market practice, such as cash account statements, trade confirmation statements, ISDA® Master Agreements or other documents of title; third party documentation supporting proof of payment or transfer of title, such as canceled checks, bank statements; cash account statements and cash instruments clearing corporation documents. In addition, futures contracts order tickets (which must clearly indicate the time of execution of the EFRP transaction) must be maintained. Records related to the transaction must be provided to the Bourse upon request and it is the responsibility of the Approved Participant to obtain and provide on a timely basis records of their clients as requested by the Bourse.

m) In all circumstances, an EFRP transaction can only be arranged by the Approved Participant's Approved Persons.

2) EFPs

a) EFP transactions on the following futures contracts and the related physical or cash instrument are recognized by the Bourse:

Types of Futures Contracts	Acceptable physical or cash instrument
Interest rates Futures Contracts	<p>Fixed income instruments with a correlation coefficient (R) of 0.70 or more, calculated using any generally accepted methodology, maturities and risk characteristics that parallel the underlying instrument of the futures contracts or the futures contract itself where the use of the underlying instrument is not practical due to a lack of available market data, including but not limited to:</p> <ul style="list-style-type: none"> • Money market instruments including asset backed commercial paper, • Government of Canada and Federal Crown Corporation fixed income instruments • Provincials fixed income instruments, • Investment grade corporates including Maple Bonds and mortgage instruments including collateralized mortgage obligations (CMOs), or • Fixed income instruments denominated in the currency of a G7 member country
Futures Contracts on S&P/TSX indices Futures Contracts on the FTSE Emerging Markets index	<ul style="list-style-type: none"> • Stock baskets reasonably correlated with the underlying index with a correlation coefficient (R) of 0.90 or more, calculated using any generally accepted methodology, having a weight of at least 50% of the underlying index or including 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, or • Exchange-traded funds that mirror the index futures contract

Futures Contracts on Carbon dioxide equivalent (CO ₂ e) units	<ul style="list-style-type: none"> Regulated emitters' credits, and / or offset credits in eligible Canadian CO₂e units
Futures Contracts on Canadian crude oil	<ul style="list-style-type: none"> Domestic crude oil streams with not less than 2.5% nor more than 3.5% sulfur by weight, not less than 19° API gravity nor more than 22° API gravity, such as. Western Canadian Select, Western Canadian Blend, Lloyd Blend, Bow River, Cold Lake Blend and Wabasca.
Share Futures Contracts	<ul style="list-style-type: none"> Underlying interest of the futures contract

3) EFRs

a) EFR transactions on the following futures contracts and the related OTC derivative instrument are recognized by the Bourse:

Types of Futures Contracts	Acceptable Over-the-Counter Derivative Instrument
Bonds Futures Contracts	<p>i) Interest Rate Swaps with the following characteristics:</p> <ul style="list-style-type: none"> Plain vanilla; Written under the terms of an ISDA® Master Agreement, Regular fixed against floating rate payments, Denominated in currency of G7 country, and Correlation R= 0.70 or greater, calculated using any generally accepted methodology. <p>Or</p> <p>ii) Any individual or combination of OTC bond, interest rate swap or FRA options (e.g. caps, floors, collars).</p>
Short-term interest rate Futures Contracts	<p>i) Any OTC swap or options with characteristics noted above with respect to EFR for bonds;</p> <p>Or</p>

	<p>ii) Forward Rate Agreements (FRAs) with the following characteristics:</p> <ul style="list-style-type: none"> • Conventional FRA, • Written under the terms of an ISDA® Master Agreement, • Predetermined interest rate, • Agreed start/end date, and • Defined interest (repo) rate.
<p>Stock index Futures Contracts</p>	<p>i) Index Swaps with the following characteristics:</p> <ul style="list-style-type: none"> • Plain vanilla swap, • Written under the terms of an ISDA® Master Agreement, • Regular fixed against floating rate payments against the positive or negative performance of a stock, exchange-traded fund (ETF), basket of securities or a stock index, • Denominated in currency of G7 country, and • Correlation R= 0.90 or greater, using a generally accepted methodology; <p>Or</p> <p>ii) Any individual or combination of OTC stock index option positions;</p> <p>Or</p> <p>iii) Index Forwards:</p> <p>Standard equity forward contract between two counterparties to buy a specific quantity of a stock, exchange-traded fund (ETF), basket of securities or stock index at a predetermined price for settlement at a future date.</p>
<p>Shares Futures Contracts</p>	<p>i) Equity Swaps with the following characteristics:</p> <ul style="list-style-type: none"> • Plain vanilla swap, • Written under the terms of an ISDA® Master Agreement, • Regular fixed against floating rate payments against the positive or negative performance of a stock,

	<p>exchange-traded fund (ETF), trust unit, basket of securities or a stock index,</p> <ul style="list-style-type: none"> • Denominated in currency of G7 country; <p>Or</p> <p>ii) Any individual or combination of OTC equity option positions;</p> <p>Or</p> <p>iii) Equity Forwards:</p> <p>Standard equity forward contract between two counterparties to buy a specific quantity of a stock, exchange-traded fund (ETF), trust unit, basket of securities or stock index at a predetermined price for settlement at a future date.</p>
Commodities Futures Contracts	<p>i) Commodities Swaps or Forwards with the following characteristics:</p> <ul style="list-style-type: none"> • Written under the terms of an ISDA® Master Agreement, • Correlation R = 0.80 or greater, calculated using any generally accepted methodology.

4) Substitution for OTC

a) Substitution transactions on the following futures contracts and the related OTC derivative instrument are recognized by the Bourse:

Futures Contracts on:	Acceptable Over-the-Counter Derivative Instrument:
Carbon dioxide equivalent (CO2e)	Any swap on Carbon dioxide equivalent (CO2e) units, and Correlation R=0.80.

Circular 166-17: Summarized comments and responses

**AMENDMENTS TO THE RULES AND PROCEDURES OF BOURSE DE MONTRÉAL INC. TO EXPAND
THE DEFINITION OF APPROVED PERSONS**

No.	Date comments received	Participant Category	Subject	Summary of comments	Summary of responses
1.	January 30, 2018	IIAC and dealer members	Licensing and Registration	<p>If the extended trading hours are implemented and our members would wish to participate in the early trading session, they would face licensing and registration issues.</p> <p>Our members would potentially require their European branches to undergo the same licensing and registration as the Canadian firms to be able to assist Canadian clients if/when they need to trade overnight.</p> <p>Foreign 24-hour desk staff would therefore need to be “dual-hatted” employees. They would need to be licensed for the Canadian and Foreign jurisdiction, which would effectively mean that members would need a “Canadian branch” of some sort in the Foreign jurisdiction so that employees could be licensed and registered to deal with Canadian clients in regards to Canadian products. That is a costly and large administrative exercise that many firms may refuse to undertake.</p> <p>Members are also concerned that local regulatory considerations may inhibit the ability to license individuals to perform supervisory functions from non-domestic</p>	<p>The Bourse takes notice of the comments made with regard to those subjects. The questions related to the licensing and registration, subjects being closely tied to the approved person, are not part of the Bourse’s regulatory authority.</p> <p>In that respect, the Bourse relies on IIROC, the Autorité des marchés financiers and other Canadian securities commissions for the implementation and application of the relevant rules.</p> <p>As part of this file, the Bourse simply wishes to modernize and improve its market access model, in addition to offering the participants a practical alternative in the course of the extension of the trading hour’s project.</p>

			<p>locations. There is also concern that the act of supervising this activity may bring additional scrutiny from foreign regulatory agencies.</p> <p>To avoid the dual licensing of foreign staff, Canadian members would need to hire trading staff to work the overnight session from Canada – a minimum of two employees would be required per firm – another costly undertaking.</p> <p>The issue is that our members do not believe that the incremental revenues they could potentially derive from the Bourse's initiative would be anywhere close to covering their additional costs.</p> <p>The addition of domestic personnel to cover the extended session comes with logistical and practical challenges. Because of the unattractiveness of the working hours, extended hours sessions are likely to be staffed by junior personnel who are less equipped to deal with exceptional circumstances. This adds to the potential occurrence of disruptive market events.</p> <p>Furthermore, the proposal to expand the definition of approved persons (circular 166-17 issued by the Bourse in November 2017) does not help our members comply with other regulatory requirements. The IIAC is currently working with the Investment Industry Regulatory Organization of Canada (IIROC) as well as with the Financial Conduct Authority (FCA) in the United Kingdom in order to fully understand the impact of the Bourse's proposal on its</p>	
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				<p>members. However, the ultimate outcome of these discussions is as yet uncertain.</p> <p>Regardless of the outcome of the registration issues, firms believe that relying on employees in foreign offices to manage customer relationships for Canadian derivatives products is sub-optimal. Representatives in foreign offices are typically already fully engaged, have less familiarity with the particulars of the Canadian marketplace and, consequently, may not be well positioned to provide optimal customer service or execution for Canadian derivatives products. For some smaller dealers, the option to leverage foreign operations to accommodate the overnight demands may not be available. This would create an unlevel competitive environment among participants.</p>	
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