ADDITION OF A NEW PROCEDURE AND AMENDMENTS TO EXISTING PROCEDURES AND TO RULE FIFTEEN OF BOURSE DE MONTRÉAL INC.

AMENDMENTS TO THE DAILY SETTLEMENT PRICE PROCEDURES FOR FUTURES CONTRACTS AND OPTIONS ON FUTURES CONTRACTS

ADDITION OF THE NEW FINAL SETTLEMENT PRICE PROCEDURES FOR FUTURES CONTRACTS AND OPTIONS ON FUTURES CONTRACTS

MODIFICATION TO RULE FIFTEEN

I. OVERVIEW

A — Proposed Amendments

Bourse de Montréal Inc. (the "Bourse") proposes to amend the existing Daily Settlement Price Procedures for Futures Contracts and Options on Futures Contracts ("Daily Settlement Price Procedures") to add precision as well as to harmonize and clarify the concepts, structure and terminology used throughout these procedures and to put in place new final settlement price procedures for futures contracts and options on futures contracts. Furthermore, the Bourse proposes to abrogate the related articles of Rule Fifteen pertaining to each individual instrument as their content has been transferred into the newly proposed procedures. Therefore, the Bourse proposes to abrogate the related articles from Rule Fifteen, which are articles 15552, 15722, 15772, 15922, and 15987.

The proposed amendments as well as the addition of the new settlement price procedures will provide Approved Participants with clearer and more precise procedures regarding the determination of daily and final settlement prices.

B — Rationale

Based on the current practice, the Market Operations department uses the Daily Settlement Price Procedures to establish the final settlement price of certain derivative instruments (ex: Government of Canada bond futures contracts). However, it was recently brought to the Bourse's attention by some market participants, that the term "daily" used in the Daily Settlement Price Procedures is not a correct or accurate term when, in certain cases, these procedures are used to establish both the daily and the final settlement prices.

Based on this observation, the Bourse considers that the present proposal is justified and will have the following impact:

- **Regulatory:** The proposed amendments to the Daily Settlement Price Procedures and the addition of the "Final Settlement Price Procedures for Futures Contracts and Options on Futures Contracts" ("Final Settlement Procedures") will provide approved participants with clearer, more precise, comprehensive and unambiguous daily and final settlement price procedures.

- **Market Operations:** The proposed modifications will enable the Bourse's market officials to rely on two sets of efficient procedural documents that clearly outline and define each individual and distinct process used in the daily as well as final settlement price procedures.

- **Market Participants:** The implementation of distinct final settlement price procedures will provide market participants with a centralized point of reference, for all derivative instruments, containing precise and relevant information regarding the establishment of final settlement prices information. This will increase the efficiency and operational ease of use and application of the Bourse's procedures.

II. DETAILED ANALYSIS

A – Creation of the New "Final Settlement Price Procedures for Futures Contracts and Options on Futures Contracts"

The Bourse proposes to put in place a distinct procedure specifically pertaining to the establishment of final settlement prices for futures contracts and options on futures contracts. The new proposed procedure has been structured by extracting from Rule Fifteen of the Bourse the content of the relevant articles applicable to these derivative instruments.

Procedures pertaining to the determination of the final settlement prices for all S&P/TSX index products have been consolidated into one single section, as these procedures are very similar. Hence, instead of repeating the procedures for each individual S&P/TSX index futures, we have created a general section that applies to all S&P/TSX index futures contracts. The main advantage of such an approach is that it eliminates unnecessary repetitions.

The options on futures contracts section has also been made more generic as to include the options on 10-year Government of Canada futures contracts (OGB). Since the daily and final price settlement procedures are not similar in the establishment of such prices for options on futures contracts, a new procedure has been established in the Final Settlement Procedures for this instrument.

In the case of futures contracts on Carbon Dioxide Equivalent (CO_2e) Units, the Bourse is in the process of reviewing with MCeX personnel the final settlement procedures for such products. Therefore, the futures contracts on Carbon Dioxide Equivalent (CO_2e) Units will not be included in the new Final Settlement Procedures.

Finally, the section of the newly proposed procedures pertaining to the Canadian Bankers' Acceptance Futures Contracts has been modified to accommodate the 3-month Canadian Bankers' Acceptance Futures Contract (BAX) only. Therefore, for practical purposes, all references to the former 1-month Canadian Bankers' Acceptance Futures Contracts have been eliminated.

B – Rule Fifteen

As all the content of the relevant articles of Rule Fifteen has been extracted from the Rules and transferred to the proposed new Final Settlement Price Procedures, the Bourse proposes to abrogate the following articles of Rule Fifteen:

15552 – "Cash Settlement Procedures" pertaining to the Canadian Bankers' Acceptance Futures Contracts

15722 – "Final Settlement Price" pertaining to the futures contracts on the S&P/TSX 60 Index

15772 – "Final Settlement Price" pertaining to the futures contracts on S&P/TSX sectorial Indices

15922 – "Cash Settlement Procedures" pertaining to the 30-Day Overnight Repo Rate Futures Contract

15987 – "Final Settlement Price" pertaining to the Mini Futures Contract on the S&P/TSX Composite Index

In addition, amendments are proposed throughout sections 15701-15750 and 15751-15800 to correct all "S&P/TSE" references to the accurate "S&P/TSX" format.

C — Amendments to the "Daily Settlement Price Procedures for Futures Contracts and Options on Futures Contracts"

Several amendments are also proposed to be made to the Daily Settlement Price Procedures. The main objective of the proposed modifications is to add precision and clarity regarding the actual application of these procedures. Their purpose is also to harmonize the structure, concepts and terminology used throughout the procedures as well as to facilitate the comprehension and ease of use of the procedures for all of those who refer to and use these procedures.

1) General Modifications:

Modifications are also proposed to the Daily Settlement Price Procedures in order to include the OGB contracts by creating a generic section pertaining to Options on Interest Rate Futures Contracts. As previously mentioned, the Daily Settlement Price Procedures with respect to Government of Canada Bond Futures Contracts and the OGB contracts are similar..

Furthermore, the Bourse proposes to incorporate at the beginning of the procedures a general provisions section pertaining to the concerned derivative instruments. This new section will provide clarification regarding the application of the procedures to partially-executed booked orders, as well as the treatment of strips for which the settlement process was not specified. In addition, a specification is made that the details pertaining to the establishment of the final settlement price are available in the separate Final Settlement Price Procedures.

It is also proposed, throughout the procedures, to clarify and specify that the "trading session during which the closing range is established for each derivative instrument" refers to the regular trading session.

In the cases where the establishment of the daily and final settlement prices is made in the same manner, the same process will simply be replicated in both procedures.

In addition, housekeeping amendments are proposed throughout the Daily Settlement Price Procedures to harmonize the language used in various sections as well as to renumber and reorganize the various sections.

2) Detailed Modifications:

In addition, the following modifications to the daily settlement prices procedures for futures contracts and options on futures contracts are proposed in order to provide more clarity and precision regarding actual practices:

- **Section 1 - Three-Month Canadian Bankers' Acceptance Futures Contracts (BAX)**
  It is proposed that the terminology and concepts used in the last paragraphs of sub-sections 1.2.1 and 1.3. be modified in order to clarify and reflect more accurately the current practices.

- **Section 2 - Futures Contracts on the S&P/TSX Index:**
  The main changes that are proposed are to add clarity and precision regarding the actual practices. As such, in section 2.3, the proposed changes intend to clearly establish that in absence of the elements required in the main and first ancillary procedures, it is the previous day's settlement price that is applied.

- **Section 3 - Government of Canada Bond Futures Contracts:**
  It is proposed to add a precision with respect to the closing range for the establishment of the daily settlement prices. In addition, it is proposed that the required volume threshold (10 contracts) and time frame (10 minutes), as applicable in practice, be specified in sub section 3.1.2 and that it also be specified that in the absence of the elements required in the main and first ancillary procedures, it is the previous day's settlement price that is applied as per the actual practices.

- **Section 4 - Options on Interest Rate Futures Contracts:**
  The proposed modifications pertain to the re-organization and consolidation of the "Main Procedure" section. It is also proposed to eliminate the reference to "Market Makers" in the "Ancillary Procedure" section and to replace it by a reference to the "main active market participants" (as determined by the Bourse) as there are no officially acting Market Makers in the market for options on interest rate futures contracts.

- **Section 5 - 30-day Overnight Repo Rate Futures Contract:**
  The Bourse proposes to reorganize and modify the segments of the main procedure by deleting the reference pertaining to the "Remaining balances of booked orders partially executed at the close". As that specific provision is common and applicable to all the derivative instruments covered by the procedures, it is proposed to transfer it (keeping only one of the two examples) into a newly created "General Provisions" section at the beginning of the procedures. Furthermore, the proposed re-organization of the section's structure and modifications to the first ancillary procedure intend to clarify and harmonize section 5 with the other sections of the procedures. Finally, it is proposed to modify the second ancillary procedure in order to harmonize it with the other sections of the procedures by specifying that in the absence of the elements required in the main and first ancillary procedures, it is the previous day's settlement price that is applied thus is reflecting the actual practice.

- **Section 6 - Futures Contract on Carbon Dioxide Equivalent (CO_2e) Units:**
  The purpose of main modifications that are proposed is to clarify the concepts, structure and terminology used in this section in order to harmonize it with other sections of the procedures. In addition, it is proposed to modify section 6.1.1 by specifying a requirement that the "order must have been posted for a sufficient period prior to the close" instead of the current requirement of 20

seconds or longer. Given the limited liquidity of this contract, this new proposed measure will ensure continuous market price integrity throughout the trading session as well as at the close.

- **New Section 7 - Exclusions of the daily settlement prices process:**
  The purpose of this new section is to add clarity and make a distinction between daily settlement prices, as covered by the provisions of the Daily Settlement Price Procedures for Futures Contracts and Options on Futures Contracts, and the limitations of the daily reference prices which are used for the purpose of equity, currency, exchange traded funds and Index options.

III. OBJECTIVES AND CONSEQUENCES OF THE PROPOSED AMENDMENTS

A ─ Objectives

The objectives of the new proposed procedures and of the proposed amendments to the existing procedures of the Bourse are to:

i) Clarify the distinction between the processes used to establish the daily and final settlement prices of the derivative instruments that are traded on the Bourse.

ii) Provide Market Officials, Market Participants and the Regulatory Division with distinct procedural documents that clearly define the processes used to establish the daily and final settlement prices.

iii) Pursue “housekeeping” objectives by transferring operational and practical concepts from the Rules into the applicable procedures of the Bourse.

iv) Consolidate, clarify, harmonize and add more precision to the concepts, structure and terminology used in the existing Daily Settlement Price Procedures for Futures Contracts and Options on Futures Contracts

B ─ Consequences of Proposed Amendments

The proposed amendments will allow the Bourse to utilize two distinct sets of procedures for the establishment of the daily and the final settlement prices. Having separate procedures for each settlement price process will allow to provide to all interested parties clear guidance regarding the application, terms and requirements of each procedure.

C ─ Public Interest

The amendments to the existing procedures and new procedures are proposed in order to make the Bourse’s daily and final settlement price procedures clearer and more precise for approved participants and other interested persons. It is of public interest to have distinct procedural guidelines for such two distinct operational processes as the establishment of daily and final settlement prices.

D ─ Documents Attached

- Rule Fifteen
- “Daily Settlement Price Procedures for Futures Contracts and Options on Futures Contracts”
- New “Final Settlement Price Procedures for Futures Contracts and Options on Futures Contracts”

IV. PROCESS

The proposed amendments to the Rules and Procedures of the Bourse have been approved by the Rules and Policies Committee of the Bourse and are transmitted to the Autorité des marchés financiers (“AMF”) for self-certification purposes and are also published by the Bourse for a 30-day comment period. Finally, these proposed amendments are transmitted to the Ontario Securities Commission (“OSC”) for information.

15552 Cash Settlement Procedures
(16.04.92, 06.09.96, 16.10.97, 15.10.02, abr. 00.00.00)

~~In the case of one-month and 3-month Canadian bankers' acceptance futures:~~

~~a) The Final Settlement Price as determined below by the Bourse shall be used to settle all open Canadian bankers' acceptance futures:~~

~~- on the last day of trading and at the time of termination of trading, the Bourse shall determine the Reference one-month and the Reference 3-month Bankers' Acceptance Rate (yield);~~

~~- final Settlement Price for one-month Canadian Bankers' Acceptance futures contracts shall be 100 minus the Reference one-month Bankers' Acceptance Rate;~~

~~- final Settlement Price for 3-month Canadian Bankers' Acceptance futures contracts shall be 100 minus the Reference 3-month Bankers' Acceptance Rate;~~

~~- Reference one-month and Reference 3-month Bankers' Acceptance Rate:~~

~~i) means the arithmetic mean rounded to the nearest 1/1000th of a percentage point, (decimal fraction ending in a five (5) or higher shall be rounded up) of the quotations of the bid rates, after elimination of the highest and the lowest quotations, expressed as an annual rate of interest (yield), for the underlying Canadian Bankers' Acceptances determined by the Bourse at 10:15 a.m. (Montreal time) as displayed on the CDOR page (or such other page whatever its designation, on which bid rates for 1-month and 3-month Canadian Bankers' Acceptances are for the time being displayed) on the Reuters Monitor Money Rates Service, provided that not less than six (6) quotations are available on such Reuters Service;~~

~~ii) if fewer than six (6) quotations are available, or if no such display appears at the relevant time, the Bourse will obtain, from major Canadian banks and Canadian brokers chosen on a random basis, the number of quotations needed to obtain a total of six (6) quotations. The Reference Rate will then be calculated according to the provisions of paragraph i);~~

~~iii) in view of the rapidly changing structure of the Canadian money markets, the Bourse reserves the right to change the above selection process in the determination of the Reference 1-month and the Reference 3-month Bankers' Acceptance Rate.~~

SECTION 15701 - 15750
Futures Contracts on S&P/TS~~E~~X 60 ~~Stock~~ Index
(07.09.99, 00.00.00)

Sub-section 15701 - 15720
Specific Trading Provisions

15701 Contract Months
(07.09.99)

The contract months for trading in index futures contracts shall be as indicated in article 6804 of Rule Six.

15702 Trading Hours
(07.09.99, abr. 06.01.03)

15703 Trading Unit
(07.09.99,15.05.09)

The unit of trading for futures contracts on the S&P/TSX 60 Index shall be as follows:

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

15704 Currency
(07.09.99)

Trading, clearing and settlement shall be in Canadian dollars.

15705 Price Quotation
(07.09.99, 00.00.00)

Bids and offers for futures contracts on the S&P/TS~~E~~X 60 ~~Stock~~ Index shall be quoted in terms of index points expressed to two decimal points. One point equals CAN $200.

15706 Price Fluctuation Unit
(07.09.99)

Price fluctuation unit shall be as defined in article 6807 of the Rules.

15707 Price Limits/Trading Halts
(07.09.99)

Price limits are indicated in article 6808 of the Rules.

15708 Position Limits
(07.09.99, 15.05.09, 00.00.00)

The maximum number of net long or net short positions in all contract months combined in index futures contracts which a person may own or control in accordance with article 14157 of the Rules shall be as follows:

30,000 contracts

or such other position limits as may be determined by the Bourse~~Exchange~~.

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

Approved participants~~Members~~ may benefit from the exemption for a bona fide hedge in accordance with article 14157 of the Rules.

15709 Position Reporting Threshold
(07.09.99, 15.05.09, 00.00.00)

Approved participants shall report to the Bourse all positions which, when combining all contract expiries, exceed 1,000 futures contracts on the S&P/TSX 60 Index, or such other number as may be determined by the Bourse, in such form and in such manner as shall be prescribed by the Bourse.

15710 Delivery
(07.09.99)

Delivery of the index futures contracts shall be by cash settlement through the Clearing Corporation. The settlement procedures are stipulated in articles 15721 to 15730 of the Rules.

15711 Margin Requirements
(07.09.99, abr. 01.01.05)

15712 Margin offsets
(07.09.99, abr. 01.01.05)

Sub-section 15721 - 15730
Settlement Procedures

15721 Final Settlement Day
(07.09.99, 00.00.00)

The final settlement day shall be the third Friday of the expiration contract month or, if the S&P/TS~~E~~X 60 ~~Stock~~ Index is not published on that day, the first preceding trading day for which the Index is scheduled to be published.

15722 Final Settlement Price
(07.09.99, abr. 00.00.00)

~~The final settlement price determined on the Final Settlement Day shall be CAN $200 times the official opening level of the S&P/TSE 60 Stock Index based on the opening prices of the component stocks in the Index, or on the last sale price of a stock that does not open for trading on the regularly scheduled day of final settlement. All open positions at the close of the last trading day will be marked to market using the official opening level of the S&P/TSE 60 Stock Index on final settlement day and terminated by cash settlement.~~

15723 Failure to Perform
(07.09.99, 00.00.00)

Any failure on the part of a buyer or seller to perform in accordance with the aforementioned rules of settlement shall result in the imposition of such penalties and/or damages as may be determined from time to time by the Bourse~~Exchange~~.

Sub-section 15731 - 15750
Disclaimer

15731 Limitation of liability
(07.09.99, 00.00.00)

Standard & Poor's shall have no liability for any damages, claims, losses or expenses caused by any errors or delays in calculating or disseminating the S&P/TS~~E~~X 60 ~~Stock~~ Index.

15732 Exclusion of liability
(07.09.99, 00.00.00)

Standard & Poor's does not guarantee the accuracy and/or completeness of the S&P/TS~~E~~X 60 ~~Stock~~ Index or any data included therein. Standard & Poor's makes no warranty, express or implied, as to the results to be obtained by any person or any entity from the use of the S&P/TS~~E~~X 60 ~~Stock~~ Index or any data included therein. Standard & Poor's makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the S&P/TS~~E~~X 60 ~~Stock~~ Index or any data included therein. Without limiting any of the foregoing, in no event shall Standard &

Poor's have any liability for any special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility thereof.

SECTION 15751 - 15800
Futures Contracts on S&P/TS~~E~~X sectorial ~~Stock~~ Ind~~ex~~ices
(31.01.01)

Sub-section 15751 - 15770
Specific Trading Provisions

15751 Contract Months
(31.01.01, 00.00.00)

The contract months for trading in sectorial ~~stock~~ index futures contracts shall be as indicated in article 6804 of Rule Six.

15752 Trading Hours
(31.01.01, abr. 06.01.03)

15753 Trading Unit
(31.01.01, 29.04.02)

The Bourse, in consultation with the Canadian Derivatives Clearing Corporation, shall establish the unit of trading for each futures contract that has been approved for trading.

15754 Currency
(31.01.01)

Trading, clearing and settlement shall be in Canadian dollars.

15755 Price Quotation
(31.01.01, 29.04.02, 00.00.00)

Bids and offers for futures contracts on S&P/TS~~E~~X sectorial ~~Stock~~ Indices shall be quoted in terms of index points expressed to two decimal points.

15756 Price Fluctuation Unit
(31.01.01)

Price fluctuation unit shall be as defined in article 6807 of the Rules.

15757 Price Limits/Trading Halts
(31.01.01)

Price limits are indicated in article 6808 of Rule Six.

15758 Position Limits
(31.01.01, 29.04.02, 15.05.09, 00.00.00)

The maximum number of net long or net short positions in all contract months combined in S&P/TS~~E~~X sectorial ~~stock~~ ind~~ic~~e~~s~~x futures contracts which a person may own or control in accordance with article 14157 of the Rules are the following:

20,000 contracts

or such other position limits as may be determined by the Bourse.

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

Approved participants may benefit from the exemption for a bona fide hedge in accordance with article 14157~~6~~ of the Rules.

15759 Position Reporting Threshold
(31.01.01,15.05.09, 00.00.00)

Approved participants~~Members~~ shall report to the Bourse~~Exchange~~ all gross positions, as defined in article 15508 of the Rules, in any one contract month, which exceed 500 sectorial ~~stock~~ index futures contracts, or such other number as may be determined by the Bourse~~Exchange~~, in such form and in such manner as shall be prescribed by the Bourse~~Exchange~~.

15760 Settlement
(31.01.01, 00.00.00)

Settlement of the sectorial ~~stock~~ index futures contracts shall be by cash through the Clearing Corporation. The settlement procedures are stipulated in articles 15771 to 15780 of the Rules of the Bourse~~Exchange~~.

15761 Margin Requirements for simple or spread positions
(29.04.02, abr. 01.01.05)

15762 Margin offsets
(29.04.02, abr. 01.01.05)

Sub-section 15771 - 15780
Settlement Procedures

15771 Final Settlement Date
(31.01.01, 00.00.00)

The final settlement date shall be the third Friday of the expiration contract month or, if the S&P/TS~~E~~X sectorial ~~Stock~~ Index is not published on that day, the first preceding trading day for which the Index is scheduled to be published.

15772 Final Settlement Price
(31.01.01, 29.04.02, abr. 00.00.00)

~~The final settlement price determined on the Final Settlement Date shall be the trading unit of the S&P/TSE sectorial Stock Index, as determined by the Bourse, multiplied by the official opening level of the S&P/TSE sectorial Stock Index based on the opening prices of the component stocks in the Index, or on the last sale price of a stock that does not open for trading on the regularly scheduled day of final settlement. All open positions at the close of the last trading day will be marked to market using the official opening level of the S&P/TSE sectorial Stock Index on final settlement day and terminated by cash settlement.~~

15773 Failure to Perform
(31.01.01, 00.00.00)

Any failure on the part of a buyer or seller to perform in accordance with the aforementioned rules of settlement shall result in the imposition of such penalties and/or damages as may be determined from time to time by the Bourse~~Exchange~~.

Sub-section 15781 - 15800
Disclaimer

15781 Limitation of liability
(31.01.01, 00.00.00)

Standard & Poor's shall have no liability for any damages, claims, losses or expenses caused by any errors or delays in calculating or disseminating a S&P/TS~~E~~X sectorial ~~Stock~~ Index.

15782 Exclusion of liability
(31.01.01, 00.00.00)

Standard & Poor's does not guarantee the accuracy nor completeness of the S&P/TS~~E~~X sectorial ~~Stock~~ Ind~~ex~~ices or any data included therein. Standard & Poor's makes no warranty, express or implied, as to the results to be obtained by any person or any entity from the use of the S&P/TS~~E~~X sectorial ~~Stock~~ Ind~~ex~~ices or any data included therein. Standard & Poor's makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the S&P/TS~~E~~X sectorial ~~Stock~~ Ind~~ex~~ices or any data included therein. Without limiting any of the foregoing, in no event shall Standard & Poor's have any liability for any special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility thereof.

15922 Cash Settlement Procedures
(14.06.02, 03.11.03, abr. 00.00.00)

~~In the case of 30-day overnight repo rate futures contracts:~~

~~a) On the last day of trading, open contracts will be marked to market based on the daily settlement price. A final settlement price will be determined on the Final Settlement Date.~~

~~b) The Final Settlement Price as determined below by the Bourse shall be used to settle all open 30-day overnight repo rate futures:~~

~~i) on the Final Settlement Date, the Bourse shall determine the overnight repo reference rate;~~

~~ii) Final Settlement Price for the 30-day overnight repo rate futures shall be 100 minus the overnight repo reference rate;~~

~~iii) the overnight repo reference rate:~~

~~1) means the arithmetic average of the overnight repo rate during the contract month. For example, on the final settlement day, during a month when the overnight repo rate averaged 2%, the 30-day overnight repo rate futures contract would settle at 98.00. The arithmetic monthly average of the overnight repo rate will be rounded to the nearest tenth of a basis point. The decimal fraction ending in a five (5) or higher shall be rounded up.~~

~~2) The average is a simple arithmetic average corresponding to the sum of the daily overnight repo rates divided by the number of calendar days in the month. Weekend and holiday rates are considered to be the rate applicable on the previous business day. For example, Friday's rate is used for Saturday and Sunday rates.~~

3) ~~In view of the rapidly changing structure of the Canadian money markets, the Bourse reserves the right to change the above selection process in the determination of the overnight repo reference rate.~~

15987 Final Settlement Price
(15.05.09, abr. 00.00.00)

~~The final settlement price determined on the Final Settlement Day shall be CAN $5 times the official opening level of the S&P/TSX Composite Index based on the opening prices of the component stocks in the Index, or on the last sale price of a stock that does not open for trading on the regularly scheduled day of final settlement. All open positions at the close of the last trading day will be marked to market using the official opening level of the S&P/TSX Composite Index on final settlement day and terminated by cash settlement.~~

DAILY SETTLEMENT PRICE PROCEDURES FOR FUTURES CONTRACTS AND OPTIONS ON FUTURES CONTRACTS

~~1.RULE~~

~~Article 6390 of the Rules of Bourse de Montréal Inc. (the Bourse) stipulates that:~~

~~"The daily settlement price or the closing quotation are determined according to the procedures established by the Bourse for each derivative instrument."~~

~~**2.SUMMARY**~~

~~**FUTURES CONTRACT AND OPTIONS ON FUTURES CONTRACT DAILY SETTLEMENT PRICES**~~

~~a)These markets use an average price during the last minutes of trading to establish a single settlement price. These calculations are executed manually by market officials or, as the case may be, by an automated algorithm using pre-established guidelines for each product.~~

~~b)The prices at which block trades, Exchange for Physical (EFP), Exchange for Risk (EFR) or Substitution transactions are arranged shall not be used to establish the open, high, low or daily settlement price.~~

~~**3.OBJECTIVES**~~

~~The objectives of establishing daily settlement prices are:~~

~~•Ensure a fair and orderly market close and pricing for approved participants so that they can properly mark-to-market their positions for margin calculations and back office processing, including the clearing and settlement of their transactions ;~~

~~Ensure that the Canadian Derivatives Clearing Corporation (CDCC) and all market participants are informed of the settlement prices.~~

In accordance with the provisions of article 6390 of the Rules of Bourse de Montréal Inc. (the "Bourse"), the Bourse has developed the following procedures applicable to the determination of daily settlement prices for futures contracts and options on futures contracts that are listed on the Bourse. These settlement price procedures are essential to guarantee a fair, equitable and transparent closing of the daily, monthly and quarterly trading cycles for futures contracts and options on futures contracts.

At the end of a contract's regular trading session, a settlement price for that contract will be determined. Open positions will be marked-to-market using this price. The settlement price is transmitted to the Canadian Derivatives Clearing Corporation (CDCC), to all independent software vendors (ISVs) and market vendors.

For the specific procedure pertaining to the establishment of the final settlement price of the Bourse's contracts, refer to the "Final Settlement Price Procedures for Futures Contracts and Options on Futures Contracts".

GENERAL PROVISIONS AND APPLICATIONS:

For the purpose of these procedures;

A. In the determination of the daily settlement price, all strip transactions and unfilled booked orders for such transactions will be ignored and this for all expiry months of the derivative instruments that are part of such transactions or orders.

B. For all expiry months of the concerned derivative instruments, the residual booked orders unexecuted during the closing period will be combined with the partially executed orders (at the same price) and will be considered in the establishment of the daily settlement price.

> Example: If there is a trade for 15 futures contracts at a price of 97.92 during the closing period and there is a booked purchase order at a price of 97.92 for which there is a balance of 10 unexecuted futures (respecting the required posting time limit), the unexecuted portion of the purchase order will be considered in addition to the trades executed during the closing period to establish the settlement price.

C. The Bourse does not utilize the prices at which special terms transactions, such as block trades, exchanges for physical (EFP), exchanges for risk (EFR) or substitution transactions, are arranged when establishing daily settlement prices.

~~4.1~~1. ~~DESCRIPTION~~THREE-MONTH CANADIAN BANKERS' ACCEPTANCE FUTURES CONTRACTS (BAX)

The daily settlement price procedure for the Three-Month Canadian Bankers' Acceptance Futures contract (BAX contract) is executed by a fully automated pricing algorithm which utilizes the parameters described in sections 41.1, 41.2 and 41.3 to ensure accuracy in the process.

DEFINITIONS:

"Regular orders": Orders routed by approved participants to the Bourse's trading system.

"Implied orders": Orders generated by the implied pricing algorithm (using regular orders) and registered in the order book by the trading engine.

~~4.1.1~~1.1. IDENTIFICATION OF THE FRONT QUARTERLY CONTRACT MONTH

The automated daily settlement pricing algorithm identifies the front quarterly contract month from the first two quarterly contract months. The front quarterly contract month is the one, among the first two quarterly contract months, that has the largest open interest and the required market information. In the absence of both these combined criteria~~together~~, ~~then~~ the front quarterly contract month shall be determined by market officials based on available market information.

Any quarterly or serials contract month preceding the determined front quarterly contract month shall also be deemed to be a front month. For these serial months, market officials will establish the daily settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price. In this situation, market officials will keep a record of the criteria used to establish the settlement price.

~~4.1.2~~1.2. ALGORITHM UTILIZED FOR THE DETERMINATION OF THE DAILY SETTLEMENT PRICE OF THE FRONT QUARTERLY CONTRACT MONTH

1.2.1. Main Procedure

A. Once the front quarterly contract month has been identified, the automated daily settlement price algorithm will determine the settlement price of the front quarterly contract month according to the following priorities:

1) first, it will use a ~~the last three minute~~ weighted average price of cumulated trades executed during the last three minutes of the regular trading session and amounting to at least 50 contracts on that contract month;

2) if no such average price is available, it will then use the ~~last 30 minute~~ weighted average price of cumulated trades executed during the last 30 minutes of the regular trading session and amounting to at least 50 contracts on that contract month.

B. Trades resulting from both regular and implied orders will be accounted for in the process.

C. If no such average price is yet available for the front quarterly month, then the above described process will be applied to the next available quarterly contract month. Once the settlement price is established for that next available quarterly contract month, the same~~least~~ variation ~~between the bid or offer price that is not as a result of implied orders and the~~ between that settlement price and the previous day settlement price will be used and applied to establish the daily settlement price of the previous quarterly expiry month(s).

1.2.2 Booked Orders

Once the daily settlement price for the front quarterly contract month has been established, it will be verified against the booked orders and if there is a better outright bid or offer (that is not resulting from~~as a result of~~ implied orders), the latter will take precedence over the daily settlement price calculated as described in ~~the paragraph~~section 1.2.1 above.

~~4.1.3~~1.3. PROCEDURE FOR THE DETERMINATION OF THE DAILY SETTLEMENT PRICE OF THE REMAINING BAX CONTRACT MONTHS

Upon completion of the aforementioned steps, the automated daily pricing algorithm will then establish the settlement prices for all other BAX contract months sequentially. The daily settlement prices of all other BAX contract months will be established~~based~~ as follows:

A. first ~~using~~it will use the weighted average price of transactions~~on the last three minute outright market~~ (resulting from regular and implied orders) and strategies~~y~~ executed~~combination traded weighted average,~~ during the last three minutes of the regular trading session and amounting to at least 50 contracts on that contract month; or,

B. if no weighted average price can be determined in this manner, then the ~~least~~ same variation from the previous day's settlement price as calculated for the preceding contract expiry will be applied while respecting ~~between~~ the posted market ~~bid and offer for booked orders~~;~~.~~

C. if there are outstanding orders at the close of the regular trading session (in a particular contract month) with higher bids or lower offers, the best bid or best offer, as determined by market officials, will override the settlement price as obtained in the aforementioned paragraphs A and B; provided that such orders must have been posted for 30 seconds or longer prior to the close and their size must be, combining together all orders, for a total of 50 or more contracts.

1.4. ~~4.1.4~~ANCILLARY PROCEDURE

A. In the absence of the~~any~~ required items to apply the aforementioned procedure, market officials will establish the daily settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.

B. In this situation, market officials will keep a record of the criteria used to establish the settlement price.

~~4.2~~2. ~~STOCK INDICES~~ FUTURES CONTRACTS ON S&P/TSX INDICES

2.1. MAIN PROCEDURE

The daily settlement price shall be the weighted average of all trades during the closing range. The closing range is defined as the last minute of the regular trading session for all contract months.

~~2.1.4.2.1MAIN PROCEDURE~~

2.1.1 Booked O~~o~~rders

~~If there is an unfilled orderwith a higher bid or lower offer in an outright month, this bid or offer will override the settlement price obtained from the weighted average. The order must have been posted for 20 seconds or longer prior to the close and its sizemust be for a total of 10 contracts or more.~~If there are outstanding orders at the close of the regular trading session (in a particular contract month) with higher bids or lower offers, the best bid or best offer, as determined by market officials, will override the settlement price as obtained from the weighted average; provided that such orders must have been posted for 20 seconds or longer prior to the close and their size must be, combining together all orders, for a total of 10 or more contracts.

2.1.2 Last T~~t~~rades

If there are no trades in the last minute of the regular trading session, then the last executed trade will be taken into account while still respecting posted bids and offers in the market.

2.2. FIRST ANCILLARY PROCEDURE

~~*4.2.2*~~When two contract months and the spread are trading (quarterly calendar roll), the following ancillary procedure ~~of this section~~ will apply.

A. The front month must be settled first (the ~~establishment of the~~ front month is ~~based on~~ the month with the greatest open interest).

B. The spread between the two contract months must be settled next by taking into account the spread~~'s last minute~~ average trading price during the last minute of the regular trading session ~~and by examining the trades executed during the previous 10 minutes.~~

C. If no such average trading price is available, then the spread transactions executed during the last 10 minutes prior to the close will be considered.

D. The settlement price for the remaining spread leg ~~back month or far month~~ is obtained by the difference between the front month settlement price and the value of the related spread.

2.3. ~~4.2.3~~SECOND ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in section ~~4~~2.1 and the ancillary procedure in section ~~4~~2.2, the previous day settlement price ~~the following ancillary procedure~~ will apply~~.~~

~~*Market officials will post a settlement price that will reflect the same differential that was applied on the previous day settlement. The settlement price will be adjusted accordingly to respect that contract's differential of the previous day's settlement price.*~~

2.4. ~~4.2.4~~THIRD ANCILLARY PROCEDURE

~~In the absence of the items required to apply the main procedure in section 42.1 and the ancillary procedures in sections 42.2 and in 42.3, the following ancillary procedure will apply.~~

~~In this situation, market officials will establish the settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.~~

~~In this situation, market officials will keep a record of the criteria used to establish the settlement price.~~

A. In the absence of the required items to apply the aforementioned procedures, market officials will establish the daily settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.

B. In this situation, market officials will keep a record of the criteria used to establish the settlement price.

~~4.3~~3. ~~4.3~~ GOVERNMENT OF CANADA BOND FUTURES CONTRACTS

3.1. ~~4.3.1~~ MAIN PROCEDURE

The daily settlement prices shall be the weighted average of all trades during the closing range. The closing range is defined as the last minute of the regular trading session for all contract months.

3.1.1 Booked ~~o~~Orders

~~If there isan unfilled orders (in a particular contract month) with a higher bid or lower offer in an outright month, this bidor/offer will override the settlement price obtained from the weighted average. provided that sThis order must have been posted for 20 seconds or longer prior to the close and its sizemust be for 10 contracts or more.~~ If there are outstanding orders at the close of the regular trading session (in a particular contract month) with higher bids or lower offers, the best bid or best offer, as determined by market officials, will override the settlement price as obtained from the weighted average; provided that such orders must have been posted for 20 seconds or longer prior to the close and their size must be, combining together all orders, for a total of 10 or more contracts.

3.1.2 Last ~~t~~Ttrades

If there are no trades in the last minute of the regular trading session, then the last executed trade will be taken into account provided that this trade is for 10 contracts or more and has been executed during the last 10 minutes prior to the close, while still respecting posted bids and offers in the market.

3.2. ~~4.3.2~~FIRST ANCILLARY PROCEDURE

When two contract months and the spread are trading simultaneously (quarterly calendar roll), the following ancillary procedure will apply:~~.~~

A. The front month must be settled first (the ~~establishment of the~~ front month is ~~based on~~ the month with the greatest open interest).

B. The spread between the two contract months must be settled next by taking into account the ~~last minute~~ average trading price of the spread during the last minute of the regular trading session ~~and by examining the trades executed during the previous 10 minutes~~.

C. If no such average trading price is available, then the spread transactions executed during the last 10 minutes prior to the close will be considered.

D. The settlement price for the remaining spread leg ~~back month or far month~~ is obtained by the difference between the front month settlement price and the value of the related spread.

3.3. ~~4.3.3~~SECOND ANCILLARY PROCEDURE

~~3.4.~~In the absence of the items required to apply the main procedure in section ~~4~~3.1 and the ancillary procedure in section ~~4~~3.2, the previous day~~'s~~ settlement price ~~the following ancillary procedure~~ will apply.

~~Market officials will post a settlement price that will reflect the same differential that was applied on the previous business day. The settlement price will be adjusted accordingly to respect that contract's differential of the previous day's settlement price.~~

3.4. ~~4.3.4~~THIRD ANCILLARY PROCEDURE

A. In the absence of the required items to apply the aforementioned procedures, market officials will establish the daily settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.

B. In this situation, market officials will keep a record of the criteria used to establish the settlement price.

~~**In the absence of the items required to apply the main procedure in section 43.1 and the ancillary procedures in sections 43.2 and 43.3, the following ancillary procedure will apply.**~~

~~**In this situation, market officials will establish the daily settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.**~~

~~In this situation, market officials will keep a record of the criteria used to establish the settlement price.~~

4. ~~4.4~~ OPTIONS ON ~~THREE-MONTH CANADIAN BANKERS' ACCEPTANCE~~ INTEREST RATE FUTURES CONTRACTS

4.1. ~~4.4.1~~ MAIN PROCEDURE

~~**4.4.1.1 Weighted Average**~~

The daily settlement price shall be the weighted average of the prices traded in the closing range ~~(last minute of trading)~~. The closing range for all contract months is defined as the last minute of the regular trading session. ~~If there is at the close, a higher bid or lower offer than the settlement price so obtained, that bid or offer shall be the settlement price.~~

4.1.1 Booked Orders

If there are outstanding orders at the close of the regular trading session (in a particular contract month) with higher bids or lower offers, the best bid or best offer, as determined by market officials, will override the settlement price as obtained from the weighted average; provided that such orders must have been posted for one (1) minute or longer prior to the close and their size must be, combining together all orders, for a total of 25 or more contracts.

~~4.1.1~~4.1.2 ~~4.4.1.2~~ Last ~~t~~Trades

A. If there are no trades ~~occurs during~~in the last minute of the regular trading~~closing range~~ session, the market officials will consider transactions executed during the last 30 minutes of trading. ~~Also, to be considered, the bids and offers shall be for a minimum of 25 contracts and shall have been posted at least one minute before the close to be considered.~~

B. If no trade occurs in the ~~closing range (or in the~~ last 30 minutes of trading~~)~~, the settlement price shall be the theoretical price calculated by the Bourse (as described in section ~~41.~~4.2). If there is at the close a higher bid or lower offer than the settlement price so obtained, that bid or offer shall be the settlement price.

~~4.4.2~~4.2. ~~4.4.2~~ ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in section ~~4~~4.1, the following ancillary procedure will apply.
The settlement price shall be determined by inserting the following parameters into a standard option pricing model (Black & Scholes):

A. Price of the underlying:

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

B. Interest rate:

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

C. Volatility:

~~o~~1) The Bourse will use the implied volatility (per contract month, for puts and calls) obtained from the main acti~~ng~~ve ~~M~~market ~~Maker~~participants (as determined by the Bourse). The same volatility will be applied for both calls and puts.

2) The strike price of the options' series and the time to expiration are the other parameters that will be inserted into the model.

3) In determining the closing price, the Bourse shall take into account the information provided by the posted strategies.~~y,~~ ~~f~~For example; if the SEP 9200 straddle is 98 bid, the total of the closing prices of these two series should not be inferior to 98.

~~4.5~~5. ~~4.5~~ 30-DAY OVERNIGHT REPO RATE FUTURES CONTRACTS (ONX)

5.1. ~~4.5.1~~MAIN PROCEDURE

The daily settlement price shall be the weighted average of all trades during the closing range. The closing range is defined as the last three minutes of the regular trading session for all contract months. ~~4.5.1.1. Weighted average of closing range trades~~

~~The weighted average will be derived from trades that occurred in the outright months during the closing range.~~ The total volume traded in each outright month must be for 25 or more contracts.

~~**4.5.1.2 Booked orders**~~

5.1.1 Booked Orders

~~If there is an unfilled order with a higher bid price or lower offer price in a month, this bid or offer will override the settlement price obtained from the weighted average. order must have been posted for 15 seconds or longer prior to the close and its size must be for a total of 25 or more contracts in each of the months.~~If there are outstanding orders at the close of the regular trading session (in a particular contract month) with higher bids or lower offers, the best bid or best offer, as determined by market officials, will override the settlement price as obtained from the weighted average; provided that such orders must have been posted for 15 seconds or longer prior to the close and their size must be, combining together all orders, for a total of 25 or more contracts.

~~4.5.1.3 Remaining balances of booked orders partially executed at the close~~

5.1.2 Last Trades

If there are no trades in the last 3 minutes of the regular trading session, then the last executed trade will be taken into account while still respecting posted bids and offers in the market.

~~In the case of a booked order as stipulated in the paragraph 4.5.1.2 above, which would be only partially executed, the trades during the closing period as well as the remaining balance of booked orders will be considered to establish the settlement price.~~

~~Example 1: If there is a booked order for 25 ONX contracts at 97.92 and 15 of those contracts are executed, the 10 remaining contracts, if they are still present on the market at the same price, will be considered to establish the required minimum of 25 contracts.~~

~~**Example 2: If there is a trade of 15 ONX contracts during the closing period at 97.92 and there is a booked order bid for 10 ONX contracts at 97.91 (respecting the required time limit), the bid will be considered in addition to the trades in the closing period to establish a settlement price.4.5.1.4 Strips and spreads**~~

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

~~4.5.2~~5.2. ~~4.5.2~~FIRST ANCILLARY PROCEDURE

~~In the absence of the items required to apply the main procedure in 45.1, the following ancillary procedure will apply.~~

When two contract months and the spread are trading simultaneously (calendar roll), the following ancillary procedure will apply :

A. The front month must be settled first (the front month is the month with the greatest open interest).

B. The spread between the two contract months must be settled next by taking into account the average trading price of the spread during the last minute of the regular trading session.

C. If no such average trading price is available, then the spread transactions executed during the previous 10 minutes will be considered.

D. The settlement price for the remaining spread leg is obtained by the difference between the front month settlement price and the value of the related spread.

5.3. ~~4.5.3~~ SECOND ANCILLARY PROCEDURE~~4.5.2.1 Weighted average of trades on strategies~~

~~The settlement price shall be the weighted average of the trades on the strategies traded during the last five minutes provided the volume for the strategy taken into account was of 25 or more contracts.~~

~~**4.5.2.2 Booked orders**~~

~~If there is an unfilled order with a higher bid or lower offer, this bid or offer will override the settlement obtained from the weighted average described in 4.5.2.1. It has to have been posted for three minutes or longer prior to the close and the size must be for 25 or more contracts.~~

~~**5.3.SECOND ANCILLARY PROCEDURE**~~

In the absence of the items required to apply the main procedure in section 45.1 and the ancillary procedure in section 45.2, the ~~following ancillary procedure will apply.~~previous day settlement price will apply.

~~**5.3.1. Differential with the previous contract month's settlement price**~~

~~The settlement price will be defined by a price that reflects an appropriate differential with the settlement price of the previous contract month always starting with the contract month closest to expiry.~~

~~**5.3.2. Conflicts between spreads**~~

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

5.4. ~~4.5.4~~ THIRD ANCILLARY PROCEDURE

A. In the absence of the required items to apply the aforementioned procedures, market officials will establish the daily settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.

B. In this situation, market officials will keep a record of the criteria used to establish the settlement price.

~~In the absence of the items required to apply the main procedure in 45.1 and the ancillary procedures in 45.2 and 45.3, the following ancillary procedure will apply.~~

~~In this situation, market officials will establish the settlement price based on the available market information. They may also disregard any event (trade, bid or offer) which~~

~~occurs near the end of the regular trading session and which is not compatible with a given settlement price.~~

~~In this situation, market officials will keep a record of the criteria used to establish the settlement price.~~

~~4.6~~6. ~~4.6~~ FUTURES CONTRACT ON CARBON DIOXIDE EQUIVALENT (CO_2e) UNITS

~~4.6.1~~6.1. ~~4.6.1~~ MAIN PROCEDURE

The daily settlement prices shall be the weighted average of all traded prices during the closing range. The closing range is defined as the last fifteen minutes of the regular trading session for all futures contract expiries.

6.1.1 Booked ~~o~~Orders

~~If there isan unfilled order with a higher bid or lower offer in a particular contract expiry, this bid or offer will override the settlement price obtained from the weighted average. This order must have been posted for 20 seconds or longerprior to the close and its sizemust be for 10 contracts or more.~~If there are outstanding orders at the close of the regular trading session (in a particular contract month) with higher bids or lower offers, the best bid or best offer, as determined by market officials, will override the settlement price as obtained from the weighted average; provided that such orders must have been posted for a sufficient period of time prior to the close and their size must be, combining together all orders, for a total of 10 or more contracts.

6.1.2 Last T~~t~~rades

If there are no trades in the last fifteen minutes of the regular trading session, then the last executed trade will be taken into account, while still respecting posted bids and offers in the market.

6.2. ~~4.6.2~~FIRST ANCILLARY PROCEDURE

When two futures contract~~s~~ months~~expiries~~ and the spread are simultaneously trading (calendar roll), the following ancillary procedure will apply:~~.~~

A. The futures contract having the earliest expiry must be settled first.

B. The spread between the two futures contracts must be settled next by taking into account the last fifteen minutes average trading price and by examining the spread trades executed during the previous 30 minutes~~.~~

C. The settlement price for the remaining spread leg ~~back month (or far dated futures contracts month) corresponds to~~is obtained by the difference between the settlement price of the futures contract having the earliest expiry and the value of the related spread.

6.3. ~~4.6.3~~SECOND ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in section ~~4~~6.1 and the ancillary procedure in section ~~4~~6.2, the previous day~~'s~~ settlement price ~~.the following ancillary procedure~~ will apply~~.~~

~~Market officials will post a settlement price that will reflect the same differential that was applied on the previous trading day. The settlement price will be adjusted accordingly to respect that contract's previous settlement price.~~

6.4. ~~4.6.4~~THIRD ANCILLARY PROCEDURE

A. In the absence of the required items to apply the aforementioned procedures, market officials will establish the daily settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.

B. In this situation, market officials will keep a record of the criteria used to establish the settlement price.

~~In the absence of the items required to apply the main procedure in 46.1 and the ancillary procedures in 46.2 and 4.6.3, the following ancillary procedure will apply.~~

~~In this situation, market officials will establish the settlement price based on available market information. They may also disregard any event (a trade, a bid or an offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.~~

~~5.Market officials will register in athe "daily settlement price record" the criteria considered for determining the settlement price.~~

7. EXCLUSIONS

Equity, Currency, Exchange Traded Funds (ETF) and Index Options~~:~~

A. Equity, currency, ETF and index options are excluded from the daily settlement pricing process and the above procedures do not apply to these derivative instruments. These options are priced at the end of day for indicative purposes only and such prices do not constitute official end of day settlement prices like daily settlement prices for futures contracts and options on futures contracts.

B. The Bourse's Market Operations Department utilizes a pricing algorithm to establish daily reference prices for options. These prices are indicative and are provided for general information only. They should not be used as an official source of end-of-day pricing data or used for the purpose of an official pricing model.

C. The Canadian Derivatives Clearing Corporation (CDCC) utilizes its own end of day pricing method for risk management and margin calculations for these derivative instruments. As such, different end of day reference prices for these instruments may therefore be used by CDCC based on its specific business needs. This situation may result in end of day reference pricing discrepancies for these instruments between the two entities (the Bourse and CDCC). Price differences may therefore occur and be observed in certain particular cases.

DAILY SETTLEMENT PRICE PROCEDURES FOR FUTURES CONTRACTS AND OPTIONS ON FUTURES CONTRACTS

In accordance with the provisions of article 6390 of the Rules of Bourse de Montréal Inc. (the "Bourse"), the Bourse has developed the following procedures applicable to the determination of daily settlement prices for futures contracts and options on futures contracts that are listed on the Bourse. These settlement price procedures are essential to guarantee a fair, equitable and transparent closing of the daily, monthly and quarterly trading cycles for futures contracts and options on futures contracts.

At the end of a contract's regular trading session, a settlement price for that contract will be determined. Open positions will be marked-to-market using this price. The settlement price is transmitted to the Canadian Derivatives Clearing Corporation (CDCC), to all independent software vendors (ISVs) and market vendors.

For the specific procedure pertaining to the establishment of the final settlement price of the Bourse's contracts, refer to the "Final Settlement Price Procedures for Futures Contracts and Options on Futures Contracts".

GENERAL PROVISIONS AND APPLICATIONS:

For the purpose of these procedures;

A. In the determination of the daily settlement price, all strip transactions and unfilled booked orders for such transactions will be ignored and this for all expiry months of the derivative instruments that are part of such transactions or orders.

B. For all expiry months of the concerned derivative instruments, the residual booked orders unexecuted during the closing period will be combined with the partially executed orders (at the same price) and will be considered in the establishment of the daily settlement price.

> Example: If there is a trade for 15 futures contracts at a price of 97.92 during the closing period and there is a booked purchase order at a price of 97.92 for which there is a balance of 10 unexecuted futures (respecting the required posting time limit), the unexecuted portion of the purchase order will be considered in addition to the trades executed during the closing period to establish the settlement price.

C. The Bourse does not utilize the prices at which special terms transactions, such as block trades, exchanges for physical (EFP), exchanges for risk (EFR) or substitution transactions, are arranged when establishing daily settlement prices.

1. THREE-MONTH CANADIAN BANKERS' ACCEPTANCE FUTURES CONTRACTS (BAX)

The daily settlement price procedure for the Three-Month Canadian Bankers' Acceptance Futures contract (BAX contract) is executed by a fully automated pricing algorithm which utilizes the parameters described in sections 1.1, 1.2 and 1.3 to ensure accuracy in the process.

DEFINITIONS:

"Regular orders": Orders routed by approved participants to the Bourse's trading system.

"Implied orders": Orders generated by the implied pricing algorithm (using regular orders) and registered in the order book by the trading engine.

1.1. IDENTIFICATION OF THE FRONT QUARTERLY CONTRACT MONTH

The automated daily settlement pricing algorithm identifies the front quarterly contract month from the first two quarterly contract months. The front quarterly contract month is the one, among the first two quarterly contract months, that has the largest open interest and the required market information. In the absence of both these combined criteria, the front quarterly contract month shall be determined by market officials based on available market information.

Any quarterly or serial contract month preceding the determined front quarterly contract month shall also be deemed to be a front month. For these serial months, market officials will establish the daily settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price. In this situation, market officials will keep a record of the criteria used to establish the settlement price.

1.2. ALGORITHM UTILIZED FOR THE DETERMINATION OF THE DAILY SETTLEMENT PRICE OF THE FRONT QUARTERLY CONTRACT MONTH

1.2.1. Main Procedure

A. Once the front quarterly contract month has been identified, the automated daily settlement price algorithm will determine the settlement price of the front quarterly contract month according to the following priorities:

1) first, it will use a weighted average price of cumulated trades executed during the last three minutes of the regular trading session and amounting to at least 50 contracts on that contract month;

2) if no such average price is available, it will then use the weighted average price of cumulated trades executed during the last 30 minutes of the regular trading session and amounting to at least 50 contracts on that contract month.

B. Trades resulting from both regular and implied orders will be accounted for in the process.

C. If no such average price is yet available for the front quarterly month, then the above described process will be applied to the next available quarterly contract month. Once the settlement price is established for that next available quarterly contract month, the same variation between that settlement price and the previous day settlement price will be used and applied to establish the daily settlement price of the previous quarterly expiry month(s).

1.2.2 Booked Orders

Once the daily settlement price for the front quarterly contract month has been established, it will be verified against the booked orders and if there is a better outright bid or offer (that is not resulting from implied orders), the latter will take precedence over the daily settlement price calculated as described in section 1.2.1 above.

1.3. PROCEDURE FOR THE DETERMINATION OF THE DAILY SETTLEMENT PRICE OF THE REMAINING BAX CONTRACT MONTHS

Upon completion of the aforementioned steps, the automated daily pricing algorithm will then establish the settlement prices for all other BAX contract months sequentially. The daily settlement prices of all other BAX contract months will be established as follows:

A. first it will use the weighted average price of transactions (resulting from regular and implied orders) and strategies executed during the last three minutes of the regular trading session and amounting to at least 50 contracts on that contract month; or

B. if no weighted average price can be determined in this manner, then the same variation from the previous day's settlement price as calculated for the preceding contract expiry will be applied;

C. if there are outstanding orders at the close of the regular trading session (in a particular contract month) with higher bids or lower offers, the best bid or best offer, as determined by market officials, will override the settlement price as obtained in the aforementioned paragraphs A and B; provided that such orders must have been posted for 30 seconds or longer prior to the close and their size must be, combining together all orders, for a total of 50 or more contracts.

1.4. ANCILLARY PROCEDURE

A. In the absence of the required items to apply the aforementioned procedure, market officials will establish the daily settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.

B. In this situation, market officials will keep a record of the criteria used to establish the settlement price.

2. FUTURES CONTRACTS ON S&P/TSX INDICES

2.1. MAIN PROCEDURE

The daily settlement price shall be the weighted average of all trades during the closing range. The closing range is defined as the last minute of the regular trading session for all contract months.

2.1.1 Booked Orders

If there are outstanding orders at the close of the regular trading session (in a particular contract month) with higher bids or lower offers, the best bid or best offer, as determined by market officials, will override the settlement price as obtained from the weighted average; provided that such orders must have been posted for 20 seconds or longer prior to the close and their size must be, combining together all orders, for a total of 10 or more contracts.

2.1.2 Last Trades

If there are no trades in the last minute of the regular trading session, then the last executed trade will be taken into account while still respecting posted bids and offers in the market.

2.2. FIRST ANCILLARY PROCEDURE

When two contract months and the spread are trading (quarterly calendar roll), the following ancillary procedure will apply.

A. The front month must be settled first (the front month is the month with the greatest open interest).

B. The spread between the two contract months must be settled next by taking into account the spread average trading price during the last minute of the regular trading session.

C. If no such average trading price is available, then the spread transactions executed during the last 10 minutes prior to the close will be considered.

D. The settlement price for the remaining spread leg is obtained by the difference between the front month settlement price and the value of the related spread.

2.3. SECOND ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in section 2.1 and the ancillary procedure in section 2.2, the previous day settlement price will apply.

2.4. THIRD ANCILLARY PROCEDURE

A. In the absence of the required items to apply the aforementioned procedures, market officials will establish the daily settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.

B. In this situation, market officials will keep a record of the criteria used to establish the settlement price.

3. GOVERNMENT OF CANADA BOND FUTURES CONTRACTS

3.1. MAIN PROCEDURE

The daily settlement prices shall be the weighted average of all trades during the closing range. The closing range is defined as the last minute of the regular trading session for all contract months.

3.1.1 Booked Orders

If there are outstanding orders at the close of the regular trading session (in a particular contract month) with higher bids or lower offers, the best bid or best offer, as determined by market officials, will override the settlement price as obtained from the weighted average; provided that such orders must have been posted for 20 seconds or longer prior to the close and their size must be, combining together all orders, for a total of 10 or more contracts.

3.1.2 Last Trades

If there are no trades in the last minute of the regular trading session, then the last executed trade will be taken into account provided that this trade is for 10 contracts or more and has been executed during the last 10 minutes prior to the close, while still respecting posted bids and offers in the market.

3.2. FIRST ANCILLARY PROCEDURE

When two contract months and the spread are trading simultaneously (quarterly calendar roll), the following ancillary procedure will apply:

A. The front month must be settled first (the front month is the month with the greatest open interest).

B. The spread between the two contract months must be settled next by taking into account the average trading price of the spread during the last minute of the regular trading session.

C. If no such average trading price is available, then the spread transactions executed during the last 10 minutes prior to the close will be considered.

D. The settlement price for the remaining spread leg is obtained by the difference between the front month settlement price and the value of the related spread.

3.3. SECOND ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in section 3.1 and the ancillary procedure in section 3.2, the previous day settlement price will apply.

3.4. THIRD ANCILLARY PROCEDURE

A. In the absence of the required items to apply the aforementioned procedures, market officials will establish the daily settlement price based on available market information.

They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.

B. In this situation, market officials will keep a record of the criteria used to establish the settlement price.

4. OPTIONS ON INTEREST RATE FUTURES CONTRACTS

4.1 MAIN PROCEDURE

The daily settlement price shall be the weighted average of the prices traded in the closing range. The closing range for all contract months is defined as the last minute of the regular trading session.

4.1.1 Booked Orders

If there are outstanding orders at the close of the regular trading session (in a particular contract month) with higher bids or lower offers, the best bid or best offer, as determined by market officials, will override the settlement price as obtained from the weighted average; provided that such orders must have been posted for one (1) minute or longer prior to the close and their size must be, combining together all orders, for a total of 25 or more contracts.

4.1.2 Last Trades

A. If there are no trades in the last minute of the regular trading session, the market officials will consider transactions executed during the last 30 minutes of trading.

B. If no trade occurs in the last 30 minutes of trading, the settlement price shall be the theoretical price calculated by the Bourse (as described in section 4.2). If there is at the close a higher bid or lower offer than the settlement price so obtained, that bid or offer shall be the settlement price.

4.2 ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in section 4.1, the following ancillary procedure will apply. The settlement price shall be determined by inserting the following parameters into a standard option pricing model (Black & Scholes):

A. Price of the underlying:

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

B. Interest rate:

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

C. Volatility:

1) The Bourse will use the implied volatility (per contract month, for puts and calls) obtained from the main active market participants (as determined by the Bourse). The same volatility will be applied for both calls and puts.

2) The strike price of the options' series and the time to expiration are the other parameters that will be inserted into the model.

3) In determining the closing price, the Bourse shall take into account the information provided by the posted strategies. For example; if the SEP 9200 straddle is 98 bid, the total of the closing prices of these two series should not be inferior to 98.

5. 30-DAY OVERNIGHT REPO RATE FUTURES CONTRACTS (ONX)

5.1. MAIN PROCEDURE

The daily settlement price shall be the weighted average of all trades during the closing range. The closing range is defined as the last three minutes of the regular trading session for all contract months. The total volume traded in each outright month must be for 25 or more contracts.

5.1.1 Booked Orders

If there are outstanding orders at the close of the regular trading session (in a particular contract month) with higher bids or lower offers, the best bid or best offer, as determined by market officials, will override the settlement price as obtained from the weighted average; provided that such orders must have been posted for 15 seconds or longer prior to the close and their size must be, combining together all orders, for a total of 25 or more contracts.

5.1.2 Last Trades

If there are no trades in the last 3 minutes of the regular trading session, then the last executed trade will be taken into account while still respecting posted bids and offers in the market.

5.2. FIRST ANCILLARY PROCEDURE

When two contract months and the spread are trading simultaneously (calendar roll), the following ancillary procedure will apply:

A. The front month must be settled first (the front month is the month with the greatest open interest).

B. The spread between the two contract months must be settled next by taking into account the average trading price of the spread during the last minute of the regular trading session.

C. If no such average trading price is available, then the spread transactions executed during the previous 10 minutes will be considered.

D. The settlement price for the remaining spread leg is obtained by the difference between the front month settlement price and the value of the related spread.

5.3. SECOND ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in section 5.1 and the ancillary procedure in section 5.2, the previous day settlement price will apply.

5.4. THIRD ANCILLARY PROCEDURE

A. In the absence of the required items to apply the aforementioned procedures, market officials will establish the daily settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.

B. In this situation, market officials will keep a record of the criteria used to establish the settlement price.

6. FUTURES CONTRACT ON CARBON DIOXIDE EQUIVALENT (CO_2e) UNITS

6.1. MAIN PROCEDURE

The daily settlement prices shall be the weighted average of all traded prices during the closing range. The closing range is defined as the last fifteen minutes of the regular trading session for all futures contract expiries.

6.1.1 Booked Orders

If there are outstanding orders at the close of the regular trading session (in a particular contract month) with higher bids or lower offers, the best bid or best offer, as determined by market officials, will override the settlement price as obtained from the weighted average; provided that such orders must have been posted for a sufficient period of time prior to the close and their size must be, combining together all orders, for a total of 10 or more contracts.

6.1.2 Last Trades

If there are no trades in the last fifteen minutes of the regular trading session, then the last executed trade will be taken into account, while still respecting posted bids and offers in the market.

6.2. FIRST ANCILLARY PROCEDURE

When two futures contract months and the spread are simultaneously trading (calendar roll), the following ancillary procedure will apply:

A. The futures contract having the earliest expiry must be settled first.

B. The spread between the two futures contracts must be settled next by taking into account the last fifteen minutes average trading price and by examining the spread trades executed during the previous 30 minutes

C. The settlement price for the remaining spread leg is obtained by the difference between the settlement price of the futures contract having the earliest expiry and the value of the related spread.

6.3. SECOND ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in section 6.1 and the ancillary procedure in section 6.2, the previous day settlement price will apply

6.4. THIRD ANCILLARY PROCEDURE

A. In the absence of the required items to apply the aforementioned procedures, market officials will establish the daily settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.

B. In this situation, market officials will keep a record of the criteria used to establish the settlement price.

7. EXCLUSIONS

Equity, Currency, Exchange Traded Funds (ETF) and Index Options

A. Equity, currency, ETF and index options are excluded from the daily settlement pricing process and the above procedures do not apply to these derivative instruments. These options are priced at the end of day for indicative purposes only and such prices do not constitute official end of day settlement prices like daily settlement prices for futures contracts and options on futures contracts.

B. The Bourse’s Market Operations Department utilizes a pricing algorithm to establish daily reference prices for options. These prices are indicative and are provided for general information only. They should not be used as an official source of end-of-day pricing data or used for the purpose of an official pricing model.

C. The Canadian Derivatives Clearing Corporation (CDCC) utilizes its own end of day pricing method for risk management and margin calculations for these derivative instruments. As such, different end of day reference prices for these instruments may therefore be used by CDCC based on its specific business needs. This situation may result in end of day reference pricing discrepancies for these instruments between the two entities (the Bourse and CDCC). Price differences may therefore occur and be observed in certain particular cases.

FINAL SETTLEMENT PRICE PROCEDURES FOR FUTURES CONTRACTS AND OPTIONS ON FUTURES CONTRACTS

The following procedures are applicable to the determination of final settlement prices for futures contracts and options on futures contracts that are listed on the Bourse. These settlement price procedures are essential to establish a fair, equitable and transparent final settlement price for all these derivative instruments.

To ensure that all final settlement prices are disseminated to market participants, they are automatically transmitted to the Canadian Derivatives Clearing Corporation (CDCC) and to all independent software vendors (ISV) and market data vendors.

GENERAL PROVISIONS AND APPLICATIONS:

For the purpose of this procedure;

A. In the determination of the final settlement price, all strip transactions and unfilled booked orders for such transactions will be ignored and this for all expiry months of the derivative instruments that are part of such transactions or orders.

B. For all expiry months of the concerned derivative instruments, the residual booked orders unexecuted during the closing period will be combined with the partially executed orders (at the same price) and will be considered in the establishment of the final settlement price.

> Example: If there is a trade for 15 futures contracts at a price of 97.92 during the closing period and there is a booked purchase order at a price of 97.92 for which there is a balance of 10 unexecuted futures contracts (respecting the required time limit), the unexecuted portion of the purchase order will be considered in addition to the trades executed during the closing period to establish the settlement price.

C. The Bourse does not utilize the prices at which special terms transactions, such as block trades, exchanges for physical (EFP), exchanges for risk (EFR) or substitution transactions, are arranged when establishing the final settlement prices.

1. THREE-MONTH CANADIAN BANKERS' ACCEPTANCE FUTURES CONTRACTS (BAX)

Final settlement of 3 month Canadian bankers' acceptance futures contract (BAX contract) is a cash settlement process as follows:

A. The final settlement price as determined below by the Bourse shall be used to settle all open BAX contracts:

1) On the last day of trading and at the close of trading, the Bourse shall determine the Reference 3-month Bankers' Acceptance Rate (yield);

2) Final settlement price for BAX contracts shall be 100 minus the Reference 3-month Bankers' Acceptance Rate;

3) The Reference 3-month Bankers' Acceptance Rate:

   a) means the arithmetic mean rounded to the nearest 1/1000th of a percentage point, (decimal fraction ending in a five (5) or higher shall be rounded up) of the quotations of the bid rates, after elimination of the highest and the lowest quotations, expressed as an annual rate of interest (yield), for the underlying Canadian Bankers' Acceptances determined by the Bourse at 10:15 a.m. (Montreal time) as displayed on the CDOR page (or such other page whatever its designation, on which bid rates for 3-month Canadian Bankers' Acceptances are for the time being displayed) on the Reuters Monitor Money Rates Service, provided that not less than six (6) quotations are available on such Reuters Service;

   b) if fewer than six (6) quotations are available, or if no such display appears at the relevant time, the Bourse will obtain, from major Canadian banks and Canadian brokers, the number of quotations needed to obtain a total of six (6) quotations. The Reference Rate will then be calculated according to the provisions of paragraph i);

   c) The Bourse reserves the right to change the above selection process in the determination of the Reference 3-month Bankers' Acceptance Rate.

2. FUTURES CONTRACTS ON S&P/TSX INDICES

This section is applicable to all S&P/TSX Index Futures Contracts

A. The final settlement price (determined on the final settlement date) shall be the trading unit of each concerned S&P/TSX Index futures contract(as determined by the Bourse and established in the characteristics of these futures contracts) multiplied by the official opening level of the related underlying S&P/TSX Index based on the opening prices of the component stocks in the Index on the regularly scheduled day of final settlement or, in the case of stocks that are not trading on that day, on the last sale price of such stocks.

B. All open positions at the close of the last trading day will be marked to market using the official opening level of the related underlying S&P/TSX Index on final settlement day and terminated by cash settlement.

3. GOVERNMENT OF CANADA BOND FUTURES CONTRACTS

3.1. MAIN PROCEDURE

The final settlement price shall be the weighted average price of all trades executed during the closing range. The closing range is defined as the last minute of the regular trading session on the last trading day.

A. Booked Orders

If there are outstanding orders at the close of the regular trading session (in a particular contract month) with higher bids or lower offers, the best bid or best offer, as determined by market officials, will override the settlement price as obtained from the weighted average; provided that such orders must have been posted for 20 seconds or longer prior to the close and their size must be, combining together all orders, for a total of 10 or more contracts.

B. Last Trades

If there are no trades in the last minute of the regular trading session, then the last executed trade will be taken into account, provided that this trade is for 10 contracts or more and has been executed during the last 10 minutes prior to the close, while still respecting posted bids and offers in the market.

3.2. ANCILLARY PROCEDURE

A. In the absence of the required items to apply the aforementioned procedure, market officials will establish the final settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.

B. In this situation, market officials will keep a record of the criteria used to establish the settlement price.

4. OPTIONS ON INTEREST RATE FUTURES CONTRACTS

4.1. MAIN PROCEDURE

The final settlement for any interest rate option is the difference between the strike price and the underlying settlement price on the option's last trading day.

5. 30-DAY OVERNIGHT REPO RATE FUTURES CONTRACTS (ONX)

Final settlement of 30-day overnight Repo rate futures contracts is a cash settlement process as follows:

A. On the last day of trading, open contracts will be marked to market based on the daily settlement price. A final settlement price will be determined on the final settlement date.

B. The final settlement price as determined below by the Bourse shall be used to settle all open 30-day overnight Repo rate futures contracts:

   1) on the final settlement date, the Bourse shall determine the overnight Repo reference rate;

   2) final settlement price for the 30-day overnight Repo rate futures contract shall be 100 minus the overnight Repo reference rate;

   3) the overnight Repo reference rate:

      a) means the arithmetic average of the overnight Repo rate during the contract month. For example, on the final settlement day, during a month when the overnight Repo rate averaged 2%, the 30-day overnight Repo rate futures contract would settle at 98.00. The arithmetic monthly average of the overnight Repo rate will be rounded to the nearest tenth of a basis point. The decimal fraction ending in a five (5) or higher shall be rounded up.

         i) The average is a simple arithmetic average corresponding to the sum of the daily overnight Repo rates divided by the number of calendar days in the month. Weekend and holiday rates are considered to be the rate applicable on the previous business day. For example, Friday's rate is used for Saturday and Sunday rates.

      b) the Bourse reserves the right to change the above selection process in the determination of the overnight Repo reference rate.