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CIRCULAR
September 27, 2006

REQUEST FOR COMMENTS

MINIMUM PRICE FLUCTUATION FUTURES CONTRACT ON THE S&P/TSX 60 STOCK INDEX

AMENDMENTS TO ARTICLE 6807

Summary

The Rules and Policies Committee of Bourse de Montréal Inc. (the Bourse) has approved amendments to paragraph d) of article 6807 of the Rules of the Bourse, which deal with the minimum price fluctuation in order to provide participants with more precise pricing, especially when calendar spreads are executed during roll periods, in order to answer to the demand of the market participants and in order to match the price increments of the underlying index in the cash market.

Process for Changes to the Rules

Bourse de Montréal Inc. is recognized as a self-regulatory organization (SRO) by the Autorité des marchés financiers (the Autorité). In accordance with this recognition, the Bourse carries on activities as an exchange and as a SRO in Québec. In its SRO capacity, the Bourse assumes market regulation and supervision responsibilities of its approved participants. The responsibility for regulating the market and the approved participants of the Bourse comes under the Regulatory Division of the Bourse (the Division). The Division carries on its activities as a distinct business unit separate from the other activities of the Bourse.

Circular no.: 161-2006

The Board of Directors of the Bourse has the power to approve the adoption or amendment of various Rules and Policies of the Bourse. The Board of Directors has delegated to the Rules and Policies Committee of the Bourse its powers to approve or amend these Rules and Policies. These changes are submitted to the Autorité for approval.

Comments on the proposed amendments to paragraph d) of article 6807 of the Rules of the Bourse must be submitted within 30 days following the date of publication of the present notice in the bulletin of the Autorité. Please submit your comments to:

*Ms. Joëlle Saint-Arnault
Vice-President, Legal Affairs and Secretary
Bourse de Montréal Inc.
Tour de la Bourse
P.O. Box 61, 800 Victoria Square
Montréal, Quebec H4Z 1A9
E-mail: legal@m-x.ca*

A copy of these comments shall also be forwarded to the Autorité to:

*Ms. Anne-Marie Beaudoin
Director – Secretariat of L'Autorité
Autorité des marchés financiers
800 Victoria Square, 22nd Floor
P.O. Box 246, Tour de la Bourse
Montréal (Quebec) H4Z 1G3
E-mail: consultation-en-cours@lautorite.qc.ca*

Appendices

For your information, you will find in appendices an analysis document of the proposed rule amendments as well as the proposed regulatory text together with the specifications of the SXF contract. The implementation date of the proposed amendments will be determined, if applicable, with the other Canadian self-regulatory organizations following approval by the “Autorité des marchés financiers”.



MODIFICATION OF THE MINIMUM PRICE FLUCTUATION OF THE FUTURES CONTRACT ON THE S&P/TSX 60 STOCK INDEX (SXF)

A -- Proposed Rule

An amendment to paragraph d) of Article 6807 of Rule Six of Bourse de Montréal Inc. (the Bourse) with respect to the minimum price fluctuation (tick size) of the Futures contract on the S&P/TSX 60 Stock Index (SXF) is proposed.

As specified in paragraph d) of Article 6807, the minimum price fluctuation of the SXF is 0.05 index point.

In practice, the actual price fluctuation has been set at 0.10 index point for outright positions in the SXF and at 0.05 index point for calendar spreads, for example, in situations when participants rollover their positions from one calendar month to the next.

The Bourse submits to the Autorité des marchés financiers (Autorité) a proposal to modify paragraph d) of Article 6807 that will permit the Bourse to establish the minimum price fluctuation of the SXF at 0.01 index point to give it the flexibility to adapt to evolving cash market conditions.

Once this modification is approved by the Autorité, the Bourse intends to implement the change for the December 2006 SXF contract month.

B -- Rationale

The rationale to reduce the minimum price fluctuation to 0.01 index point is the following:

1. to provide participants with more precise pricing, especially when calendar spreads are executed during roll periods;
2. demand by market participants; and
3. to match the price increments of the underlying index in the cash market.

Following a consultative process with market participants, they recommended that the minimum tick size of the SXF be reduced. This will bring the minimum price fluctuation of the SXF in line with the current minimum price fluctuation of the S&P/TSX 60 Stock Index.

Specifically, the Bourse intends to reduce the tick size of the SXF to make it more cost effective for participants to execute SXF transactions, for example, in instances where participants execute spread transactions for the purpose of rolling over their positions from one contract month to the next. The reduced tick size will allow participants to price the contract in increments of 0.01 index point in the same manner that the S&P/TSX 60 Stock Index is quoted in the cash market.

For example, by reducing the tick size of the SXF from 0.05 index point (C\$10) to 0.01 index point (C\$2), participants may benefit from cost savings as high as 0.04 index point or C\$8 per contract when rolling over their positions.

C -- Objective

The objectives of the proposed amendment are specified in section B above.

D -- Process

The Rules and Policies Committee approved the amendment to paragraph d) of Article 6807 of the Rules of the Bourse on September 20, 2006. The amendment is submitted to the Autorité des marchés financiers for approval.

E -- Public Interest

The amendment proposed is in the public interest to promote the efficiency of the market.

6807 Minimum Price Fluctuations

(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 29.04.02, 14.06.02, 15.10.02, 03.05.04, 17.11.04, 00.00.06)

Unless otherwise determined by the Bourse, minimum price fluctuations shall be as follows:

- a) 30-day overnight repo rate futures 0.005 per \$100 nominal value
- b) 1-month and 3-month Canadian Bankers' acceptance futures
 - i) For the nearest contract month(s), as determined by the Bourse, 0.005 per \$100 nominal value.
 - ii) For all contract months excluding the nearest contract month(s) as determined by sub-paragraph i), 0.01 per \$100 nominal value.
- c) Government of Canada Bond futures Contracts a minimum of 0.005 per \$100 nominal value
- d) Futures contract on the Stock Index ~~0.05~~ 0.01 index point S&P/TSX 60 equivalent to CDN \$~~240~~ per contract
- e) Canadian share futures contract A minimum of \$0.01 CDN per Canadian share
- f) International share futures contracts At a minimum of the corresponding unit of fluctuation used by the market on which the underlying stock is traded
- g) Futures contracts on S&P/TSX sectorial stock indices 0.01 index point

Specifications

Underlying	The S&P / TSE X 60 Stock Index is a capitalization-weighted index of the sixty largest and most liquid stocks in Canada.
Contract Size	C\$200 times the S&P / TS X E 60 Index.
Contract Months	March, June, September and December.
Price Quotation	The contract is quoted in index points, expressed to two decimals.
Minimum Price Fluctuation	.10 index point for outright positions .01 index point for calendar spreads
Last Trading Day	The trading day prior to the Final Settlement Day.
Final Settlement Day	The third Friday of the contract month, providing it be a business day; if not, the first preceding business day.
Final Settlement Procedures	Cash settlement. The final settlement price is the Official Opening Level of the underlying index on the Final Settlement Day.
Reporting Level	1,000 net long or short in all contract months combined.
Position Limits	30,000 net long or short in all contract months combined.
Minimum Margin Requirements	Information on Minimum Margin Requirements can be obtained from the Montreal Exchange as they are subject to periodical changes.
Daily Price Limit	A trading halt in the index futures contract will be invoked in conjunction with the triggering of "circuit breakers" set in coordination with the New York Stock Exchange and the Toronto Stock Exchange.
Trading Hours	9:30 a.m. to 4:15 p.m. (EST).
Clearing Corporation	Canadian Derivatives Clearing Corporation (CDCC).
Ticker Symbol	SXF