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CIRCULAR
December 4, 2013

CHRONOLOGICAL PRIORITY – CROSSES AND PREARRANGED TRANSACTIONS

The purpose of this circular is to remind approved Participants of the Bourse de Montréal Inc. (“the Bourse”) of the provision regarding the “chronological priority of orders” found in the “Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions” of the Bourse.

The procedure stipulates that Approved Participants engaging in prenegotiation discussions which result in the execution of a cross or prearranged transaction, as defined in article 6380 *Prenegotiation Discussions, Cross Transactions, Prearranged Transactions, Block Trades and Riskless Basis Cross Transactions*, of the Rules and Policies of the Bourse, are required to post the originating order prior to that of the concluding order. The latter is the order in which the terms set forth by the originating order have been accepted.

It is important to note that during the course of prenegotiation discussions the originating order may be responded to with a counter-offer, in which case the counter-offer, if accepted, would become the new originating order.

Order vs Indication of Interest

The communication of an order must specify the security (or securities), the order verb indicator (Buy or Sell) as well as the quantity and the price or price differential. The exceptions to this definition are market orders, where a price and/or quantity may not explicitly be required, and discretionary orders which may grant the Approved Participant discretion with respect to price or quantity. These are both considered orders despite their not containing a specific price or quantity.

Indications of interest are expressions of trading interest that do not contain the key elements of an order as described above. Approved Participants who receive an indication of interest and subsequently request quotes from potential counterparties, must then receive clear approval of the counterparties’ trade terms from the indicator of interest prior to execution. Note that in such a case the order resulting from the party that indicated interest would be considered as the concluding order and therefore should not be posted first for the execution of a cross or prearranged transaction.

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Notwithstanding the foregoing, a communication may be deemed to contain an order if the Approved Participant's subsequent action indicates that the communication was considered to be an order.

Please note that chronological priority of orders is not applicable for Cross and Prearranged transactions that are eligible to be executed with a 0 seconds prescribed time delay.

For further information, please contact Mr. Giancarlo Percio, Senior Market Analyst, Regulatory Division, at 514 787-6484, or by email at gpercio@m-x.ca.

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