



## PROCEDURES APPLICABLE TO THE EXECUTION OF CROSS TRANSACTIONS AND THE EXECUTION OF PREARRANGED TRANSACTIONS

In accordance with the provisions of article 6380 of the Rules of Bourse de Montréal Inc. (the Bourse) regarding the execution of cross transactions and prearranged transactions, the following are the eligible products, the prescribed exposure time delays between the input of two orders and the minimum volume thresholds.

**Table 1: Prescribed time delays and minimum volume thresholds for eligible securities and derivative instruments**

| ELIGIBLE PRODUCTS   | PRESCRIBED TIME DELAY | MINIMUM VOLUME THRESHOLD |
|---|-----------------------|--------------------------|
| <b>Three-Month Canadian Bankers' Acceptance Futures Contracts (BAX):</b>              |                       |                          |
| 1 <sup>st</sup> four quarterly months – not including serial months                   | 5 seconds             | No threshold             |
| Remaining expiry months and strategies  | 15 seconds            | No threshold             |
| <b>Thirty-Day Overnight "Repo" Rate Futures Contracts (ONX):</b>                      |                       |                          |
| Front month   | 5 seconds             | No threshold             |
| Remaining expiry months and strategies  | 15 seconds            | No threshold             |
| <b>Overnight Index Swap (OIS):</b>  |                       |                          |
| Front month   | 5 seconds             | No threshold             |
| Remaining expiry months and strategies  | 15 seconds            | No threshold             |
| <b>Government of Canada Bond Futures Contracts:</b>                                   |                       |                          |
| All expiry months and strategies  | 5 seconds             | No threshold             |
| <b>Futures Contracts on S&amp;P/TSX Indices:</b>                                      |                       |                          |
| All expiry months   | 0 second              | ≥ 100 contracts          |
| All expiry months and strategies  | 5 seconds             | < 100 contracts          |
| <b>Futures Contracts on the FTSE Emerging Markets Index:</b>                          |                       |                          |
| All expiry months   | 0 second              | ≥ 100 contracts          |
| All expiry months and strategies  | 5 seconds             | < 100 contracts          |
| <b>Futures Contracts on Canada Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units:</b> |                       |                          |
| All expiry months and strategies  | 5 seconds             | No threshold             |
| <b>Futures Contracts on Canadian Crude Oil:</b>                                       |                       |                          |
| All expiry months and strategies  | 5 seconds             | No threshold             |
| <b>Options on Three-Month Canadian Bankers' Acceptance Futures Contracts:</b>         |                       |                          |
| All expiry months and strategies  | 0 second              | ≥ 250 contracts          |
| All expiry months and strategies  | 5 seconds             | < 250 contracts          |

**Options on Ten-Year Government of Canada Bond Futures Contracts (OGB):**

|                                  |           |                 |
|----------------------------------|-----------|-----------------|
| All expiry months and strategies | 0 second  | ≥ 250 contracts |
| All expiry months and strategies | 5 seconds | < 250 contracts |

**Equity, ETF and Currency Options:**

|                    |           |                 |
|--------------------|-----------|-----------------|
| All expiry months  | 0 second  | ≥ 100 contracts |
| All expiry months  | 5 seconds | < 100 contracts |
| All UDS Strategies | 5 seconds | No Threshold    |

**Index Options:**

|                    |           |                |
|--------------------|-----------|----------------|
| All expiry months  | 0 second  | ≥ 50 contracts |
| All expiry months  | 5 seconds | < 50 contracts |
| All UDS Strategies | 5 seconds | No Threshold   |

**Canadian Share Futures Contracts:**

|                                  |           |                 |
|----------------------------------|-----------|-----------------|
| All expiry months and strategies | 0 seconds | ≥ 100 contracts |
| All expiry months and strategies | 5 seconds | < 100 contracts |

**Futures and Options on Futures Inter-Group Strategies**

|                |           |              |
|----------------|-----------|--------------|
| All strategies | 5 seconds | No threshold |
|----------------|-----------|--------------|

In accordance with the provisions of article 6380 of the Rules of the Bourse, the following are the eligible products and the minimum quantity thresholds for the execution of cross transactions and prearranged transactions using committed orders.

| <b>ELIGIBLE PRODUCTS FOR COMMITTED ORDERS</b>                               | <b>MINIMUM QUANTITY THRESHOLD</b> |
|---|-----------------------------------|
| <b>Futures Contracts on S&amp;P/TSX Indices</b>                             | 100 contracts                     |
| <b>Options on Three-Month Canadian Bankers Acceptance Futures Contracts</b> | 250 contracts                     |
| <b>Options on Ten-Year Government of Canada Bond Futures Contracts</b>      | 250 contracts                     |
| <b>Equity, ETF and Currency Options</b>                                     | 100 contracts                     |
| <b>Index Options</b>  | 50 contracts                      |
| <b>Canadian Share Futures Contracts</b>                                     | 100 contracts                     |

Committed orders may not be used to execute cross or prearranged transactions on eligible products with a prescribed time delay or to execute strategies. Chronological priority of orders must be respected with regards to the posting of the originating order first, when executing a cross or prearranged transaction.

The approved participant must ensure that all existing orders in the central order book, regardless of the type of orders, which are at limit prices better than or equal to the cross or prearranged transaction price are executed before completing such transaction.

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

### **1) Procedure for eligible products with a prescribed time delay**

An approved participant wishing to execute a cross or a prearranged transaction must enter the order into the trading system for the total intended transaction volume. The participant must then respect a delay equal to the prescribed time delay before executing an offsetting transaction on the residual volume.

The **residual volume** is the portion of the original volume remaining after orders entered in the book with limit prices better than or equal to the intended transaction price have been filled. If no orders have been executed, the residual volume is equal to the original intended transaction volume.

### **2) Procedure for eligible products without a prescribed time delay for a volume equal to or greater than the minimum volume threshold**

If an approved participant has a cross or prearranged order between the bid and ask:

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

### **3) Procedure for strategies executed via the User Defined Strategy (UDS) Facility**

An approved participant wishing to execute a cross or a prearranged transaction on a strategy via the UDS facility must enter the order into the trading system for the total intended transaction quantity. The participant must then respect a delay equal to the prescribed time delay before executing an offsetting transaction on the residual quantity.

The **residual quantity** is the portion of the original quantity remaining after orders entered in the book with limit prices better than or equal to the intended transaction price have been filled. If no orders have been executed, the residual quantity is equal to the original intended transaction quantity.

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

### **4) Equity option, ETF option, index option & currency option transactions with a 50% guaranteed minimum**

Cross Transaction

If an approved participant wishes to execute a cross transaction on an option strategy, they must contact a market supervisor and provide details of the intended transaction: total volume, price, side(s) of the transaction on which the approved participant is required to give priority.

## Prearranged Transaction

If approved participants intend to execute a prearranged transaction on an option strategy, each approved participant must contact a market supervisor and provide details of the intended transaction: total quantity, price, side(s) of the transaction, and must also identify the approved participant(s) that agreed to submit the opposing order during prenegotiation discussions.

Market makers will be permitted to participate on the transaction up to a total maximum of 50% of the volume of the intended transaction.

The approved participant will be permitted to execute the transaction for the remaining volume (a minimum of 50% plus any volume not taken of the 50% that had been offered to the market makers.)

## **MISCELLANEOUS**

Eligible products, their respective minimum volume thresholds and time delays will be modified from time to time in order to take into account the evolution of the trading environment and operational practices of the Bourse. A circular will be issued by the Bourse every time a modification or revision is made to either one of these criteria.

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