PROCEDURES APPLICABLE TO THE EXECUTION OF RISKLESS BASIS CROSS TRANSACTIONS ON FUTURES CONTRACTS ON S&P/TSX INDICES AND FUTURES CONTRACTS ON CANADIAN SHARES

FUTURES CONTRACTS ON S&P/TSX INDICES:

Bourse de Montréal Inc. (the Bourse) authorizes riskless basis cross transactions on listed futures contracts on S&P/TSX indices. The Bourse provides approved participants with a facility that permits the purchase/sale of index futures contracts against cash instruments for an average cash market price plus a pre-negotiated basis. A riskless basis cross has no impact on the existing cash market as the initiated operation results in a riskless transaction in the books of the approved participant.

Approved participants receiving requests from clients who cannot or do not want to hold cash securities in their accounts but who wish to acquire market exposure in the most efficient way possible (either on the cash or exchange-traded fund “ETF” markets) are authorized to do a riskless basis cross. The sole intent and purpose of the riskless basis cross is to allow market participants to use the attributes of the underlying cash market to take on the market position requested by the client and then to replicate it through the use of futures contracts thus leaving the approved participant with no resulting market position and the client with a final position in the futures contract.

Once the terms of the riskless basis cross have been agreed to with the client, the approved participant begins the transaction by taking a position in the cash instruments in its own account on behalf of the client. The approved participant then has to execute the riskless basis cross transaction (by contacting the Market Operations Department of the Bourse) and allocate the futures contract position, functionally equivalent to the cash market exposure, (as initially requested by the client) into the client’s account.

Approved participants must apply the following procedures when executing riskless basis crosses:

- The approved participant accepts the order to execute a transaction on behalf of its client (who wishes to acquire index market exposure with a resulting futures position) for an average cash market price plus a pre-negotiated basis (spread).

- The terms of the transaction should either be a fixed pre-negotiated basis established prior to execution of the transaction or a guaranteed (by the approved participant to the client) closing or executed price of the cash component in which circumstance the basis will be adjusted accordingly.

- The approved participant begins the transaction by acquiring exposure (long or short) in the cash market on its client’s behalf, using securities, baskets of securities, index participation units, or exchange-traded funds comprised of the underlying securities of the related index futures contracts that constitute the

riskless basis cross. For the purpose of this type of operation, these instruments are accumulated in the approved participant's account.

- The cash portion of the riskless basis cross must be comprised of at least 80 percent of the components constituting the underlying index (e.g. for the S&P/TSX 60™ Index, at least 48 constituents must be part of the transaction)

- It is generally expected that, for the purpose of the riskless basis cross, approved participants will use all of the index components when taking position in the cash market. However, there are circumstances which may prevent an approved participant from acquiring certain index components, and the approved participant may therefore exclude these index components from the cash position. Examples of such circumstances include: an index component is on the approved participant's or client's internal restricted list (due to a corporate action involving the issuer of the given component), a specific index component is halted from trading during the day of the operation, market conditions of a specific index component are inadequate (e.g. if liquidity is insufficient to execute the transaction) or any other justifiable situation of a similar nature.

- The cash portion of the riskless basis cross must be reasonably correlated to the underlying index with a correlation coefficient (R) of 90% or more.

- At the time agreed with its client the approved participant executes a riskless basis cross transaction for a predetermined quantity of index futures contracts. One side of this riskless basis cross transaction offsets the approved participant's position in the underlying cash market and the other side of the trade represents the total market exposure requested by the client. The resulting "unhedged" index futures contracts position is then allocated into the client's account.

- A riskless basis cross transaction may only be executed during the regular trading hours of the underlying instrument until the end of the extended session at the Toronto Stock Exchange (TSX). The transaction has to be executed the same day as and after the completion of the cash portion of the operation. In the event that the riskless basis cross operation has to be executed over a several day period, the futures portion of the operation has to be proportionate to the underlying portion at any given execution day.

- To execute the riskless basis cross transaction, the approved participant must provide the details of the concluded transaction to the Market Operations Department of the Bourse by filling out and submitting through the Bourse's Web page http://sttrf-frots.m-x.ca/ the prescribed "Special Terms Transaction Reporting Form". Once submitted, the riskless basis cross transaction will be registered by the Market Operations Department in the trading system. The transaction will then be specially marked and displayed in the systems (trading platform and data vendors) at the post trade recap level.

- Once concluded and registered, the riskless basis cross transaction will appear in the "Transaction Report" maintained on the Bourse's Web page http://www.m-x.ca/dailycrosses_en.php.

- There is no minimum time required to display (by the approved participant) the riskless basis cross transaction prior to execution. As soon as it is reported to the Market Operations Department at the Bourse, the transaction will be registered and displayed without delay.

- There is no minimum size restriction for a riskless basis cross transaction.

- There is no requirement for a riskless basis cross transaction to be executed within either the bid and ask or the daily high and low prices.

- The riskless basis cross transaction is excluded from the daily settlement price procedures, but is included in the daily volume figures.

- Approved participants involved in a basis cross transaction may be required to demonstrate to the Bourse:

    - that the transaction is comprised of at least 80% of the components constituting the underlying index; and

    - that the futures portion of the transaction replicates the underlying index and that components of the underlying index that are not included in the riskless basis cross were justifiably excluded (as described above) from the transaction; and

    - that the cash portion of the riskless basis cross has a minimum correlation of 90% to the underlying index; and

    - whether the transaction's pre-negotiated basis was fixed and established prior to the execution of the transaction or resulted from a guaranteed closing or executed price of the cash component; and

    - that the cash position and the futures contracts position (resulting from the riskless basis cross transaction) are properly recorded in both the approved participant's and client's accounts.

- While the approved participant must acquire the cash market position before executing the futures contract leg, the Bourse does not impose any time limit for the retention or liquidation by the approved participant of the cash market position. Once the riskless basis cross has been completed, the approved participant may manage the positions on its books as it sees fit.

FUTURES CONTRACTS ON CANADIAN SHARES:

Bourse de Montréal Inc. (the Bourse) authorizes riskless basis cross transactions on listed Share Futures contracts. The Bourse provides approved participants with a facility that permits the purchase/sale of Share Futures contracts against the underlying cash instrument for an average cash market price plus a pre-negotiated basis. A riskless

basis cross has no impact on the existing cash market as the initiated operation results in a riskless transaction in the books of the approved participant.

Approved participants receiving requests from clients who cannot or do not want to hold cash securities in their accounts but who wish to acquire market exposure in the most efficient way possible on the cash market are authorized to do a riskless basis cross. The sole intent and purpose of the riskless basis cross is to allow market participants to use the attributes of the underlying cash market to take on the market position requested by the client and then to replicate it through the use of futures contracts thus leaving the approved participant with no resulting market position and the client with a final position in the futures contract.

Once the terms of the riskless basis cross have been agreed to with the client, the approved participant begins the transaction by taking a position in the cash instruments in its own account on behalf of the client. The approved participant then has to execute the riskless basis cross transaction (by contacting the Market Operations Department of the Bourse) and allocate the futures contract position, functionally equivalent to the cash market exposure, (as initially requested by the client) into the client's account.

Approved participants must apply the following procedures when executing riskless basis crosses:

- The approved participant accepts the order to execute a transaction on behalf of its client (who wishes to acquire a cash market exposure with a resulting futures position) for an average cash market price plus a pre-negotiated basis (spread).

- The terms of the transaction should either be a fixed pre-negotiated basis established prior to execution of the transaction or a guaranteed (by the approved participant to the client) closing or executed price of the cash component in which circumstance the basis will be adjusted accordingly.

- The approved participant begins the transaction by acquiring exposure (long or short) in the cash market on its client's behalf, using the underlying security of the related Share Futures contract that constitute the riskless basis cross. For the purpose of this type of operation, these instruments are accumulated in the approved participant's account.

- The cash portion of the riskless basis cross must be comprised of the underlying stock of the Share Futures contract.

- At the time agreed with its client the approved participant executes a riskless basis cross transaction for a predetermined quantity of Share Futures contracts. One side of this riskless basis cross transaction offsets the approved participant's position in the underlying cash market and the other side of the trade represents the total market exposure requested by the client. The resulting "unhedged" Share Futures contracts position is then allocated into the client's account.

- A riskless basis cross transaction may only be executed during the regular trading hours of the underlying instrument until the end of the extended session at the Toronto Stock Exchange (TSX). The transaction has to be executed the same day as and after the completion of the cash portion of the operation. In the

event that the riskless basis cross operation has to be executed over a several day period, the futures portion of the operation has to be proportionate to the underlying portion at any given execution day.

- To execute the riskless basis cross transaction, the approved participant must provide the details of the concluded transaction to the Market Operations Department of the Bourse by filling out and submitting through the Bourse's Web page http://www.m-x.ca/efp_formulaire_en.php the prescribed "Special Terms Transaction Reporting Form". Once submitted, the riskless basis cross transaction will be registered by the Market Operations Department in the trading system. The transaction will then be specially marked and displayed in the systems (trading platform and data vendors) at the post trade recap level.

- Once concluded and registered, the riskless basis cross transaction will appear in the "Transaction Report" maintained on the Bourse's Web page http://www.m-x.ca/dailycrosses_en.php.

- There is no minimum time required to display (by the approved participant) the riskless basis cross transaction prior to execution. As soon as it is reported to the Market Operations Department at the Bourse, the transaction will be registered and displayed without delay.

- There is no minimum size restriction for a riskless basis cross transaction.

- There is no requirement for a riskless basis cross transaction to be executed within either the bid and ask or the daily high and low prices.

- The riskless basis cross transaction is excluded from the daily settlement price procedures, but is included in the daily volume figures.

- Approved participants involved in a basis cross transaction may be required to demonstrate to the Bourse:

    - whether the transaction's pre-negotiated basis was fixed and established prior to the execution of the transaction or resulted from a guaranteed closing or executed price of the cash component; and

    - that the cash position and the futures contracts position (resulting from the riskless basis cross transaction) are properly recorded in both the approved participant's and client's accounts.

- While the approved participant must acquire the cash market position before executing the futures contract leg, the Bourse does not impose any time limit for the retention or liquidation by the approved participant of the cash market position. Once the riskless basis cross has been completed, the approved participant may manage the positions on its books as it sees fit.