



## PROCEDURES APPLICABLE TO THE EXECUTION OF STRATEGIES INVOLVING SHARE FUTURES

### 1. OBJECTIVE

The objective of these procedures is to provide and facilitate the trading of strategies involving share futures and the underlying share for approved participants. Approved participants may request the execution of customized strategies by contacting the Bourse de Montréal Inc.'s ("**Bourse**") Market Operations Department ("**MOD**") at 1 866 576-8836 or 514 871-7877 for assistance in presenting a share futures strategy to designated market makers and ensuring its manual execution in the Bourse's trading system.

### 2. DESCRIPTION

#### Execution by MOD

A strategy involving a share futures contract and the underlying shares must be submitted by an approved participant using the following procedure:

- A. The approved participant must contact the MOD and indicate its Share Futures strategy. The information provided must include the Share futures instrument and the equity leg involved, the quantity ratio, the price and the total quantity of the order. Approved participants must have received and time-registered their order prior to contacting the MOD.
- B. The MOD will contact qualifying market makers assigned to the Share Futures class. A qualifying market maker is defined as a market maker that is showing a bid/ask market, with a minimum of ten contracts per side. The MOD will respect the following procedure:
  - i. For strategies involving less than 50 contracts, market makers will be contacted individually in order starting with the market maker quoting the tightest market;
  - ii. For strategies involving between 50 and 99 contracts per leg, market makers will be contacted by groups of two in order, starting with the two market makers quoting the tightest market;
  - iii. For strategies involving 100 contracts or more per leg, all qualifying market makers will be contacted. Qualifying market makers will be contacted and shown the strategy as submitted by the approved participant. If the market maker(s) accepts the prices provided by the MOD, the transaction will be

entered and broadcast to all relevant parties (approved participants, market makers, and stock exchange, if necessary).

- C. The market makers may provide responding bids, offers and quantities:
  - i. If market makers choose to participate on the strategy, they must be willing to trade all parts inherent to the transaction (both share futures and shares) but they will not be obligated to trade the entire quantity;
  - ii. If a particular market maker is not available within 15 seconds of the market supervisor of the MOD initiating the telephone call, no additional attempts to contact him will be made. The market maker should provide an answer to the MOD within approximately 30 seconds of the strategy description given by the MOD.
  
- D. In some situations where the strategy cannot be executed, the MOD may inform the approved participant of the best corresponding bid/offer as well as the corresponding quantities obtained by market makers. Once the details of the transaction are negotiated and confirmed, information on the transaction will be entered into the Bourse's trading system by the MOD and broadcast to the marketplace. The strategy trade will be broadcast via the Bourse's Web site and the share futures leg prices and volumes will be disseminated via the Bourse's data feed. The equity leg will be submitted by the MOD to the venue where the equity is traded, for entry into the trading system