

Options Trading Simulation Rules

1. Purpose of the Simulation

The Montréal Exchange (the “Exchange”) established the Options Trading Simulation (the “simulation”) in order to give Canadian undergraduate and graduate students, meeting the eligibility criteria, an opportunity to familiarize themselves with options trading.

2. Team Compositions

Each participant must only belong to one simulation team which can be composed of one to four participants. All team members must meet the eligibility conditions provided in the Regulations.

3. Eligibility Conditions

Each participant must be enrolled in an undergraduate or graduate program in Canada from the beginning until the end of the contest. There is no limit to the number of participants per university.

Participants must register under their real name and demonstrate their student status in a manner deemed satisfactory by the Exchange. In order to be eligible for a prize, members of winning teams must be able to prove their compliance with these eligibility conditions.

The directors, officers and employees of the Exchange and Inovestor inc. (“Inovestor”), their consultants, representatives, agents, as well as persons with whom they are domiciled, cannot participate in the simulation.

4. Registration

Participants must register to the simulation by completing the form provided for this purpose and transmitting the required information no later than the date indicated on the site.

The composition of a team cannot be modified once the registration form has been submitted to the Exchange.

5. Beginning and End of the Simulation

The dates on which the simulation begins and ends are published on the Exchange’s website (www.m-x.ca/simulation).

6. Simulation Description

6.1. Initial Parameters

At the beginning of the simulation, each team will have a virtual cash account of \$100,000 (in Canadian currency) for creating its options portfolio.

6.2. Transaction Prices

The orders made by the teams during market trading hours are executed at the bid or ask price in effect when the orders were entered. Market orders made by the teams outside market trading hours are executed at the following market opening at the price in effect at that time.

Trading hours are indicated on the Exchange’s website.

A virtual margin call will be sent to a team once the buying power of its portfolio is negative. The team will have to cover its margin by liquidating one or more positions held in its virtual portfolio within one business day; otherwise, it will receive another margin call. A maximum of five (5) margin calls per team will be tolerated during the simulation. Any team that receives a sixth margin call is automatically disqualified.

6.3. Mandatory Components

Each team must respect the conditions for the composition of the options portfolio and execute the mandatory strategies.

6.3.1. Composition of the Options Portfolio

During the simulation, each team must trade at least ten (10) Canadian options classes selected from the list of securities eligible for the simulation (the “list”).

An initial transaction must not exceed 50 options contracts or 5,000 underlying shares.

6.3.2. Eligible Securities

The list is determined by the Exchange and includes the 100 most active securities on the market during the months preceding the beginning of the simulation.

The Exchange can modify the list up to the beginning of the simulation.

6.3.3. Mandatory Strategies

Each team must execute the predefined option trading strategies during the current edition.

Each mandatory strategy must have a minimum notional value of \$5,000 or include 10 options contracts. There is no required minimum holding period.

Mandatory strategies must be traded in a single transaction by selecting the "Transaction Type" field of the Trading Simulator, and not by legs; otherwise, these mandatory strategies will not be recognized.

Each team must also execute one(two) surprise strategy(ies) that will be unveiled by email during the simulation.

6.3.4. Liquidation of Positions

All positions must be liquidated before the end of the simulation. Teams with open positions at the end of the simulation are automatically disqualified.

7. Ranking and Prizes

7.1. Prize Allocation

Subject to the Regulations, the three teams that fulfill all the mandatory components, while achieving the three best returns on capital at the end of the simulation, will be awarded a 1st prize of \$5,000, a 2nd prize of \$2,500 and a 3rd prize of \$1,000 from the Montréal Exchange (the "prizes").

7.2. Ranking

The teams' "weekly ranking" is established during the simulation and unveiled each week starting the second week of the simulation.

The "final ranking" is established after the end of the simulation and unveiled on the date indicated on the simulation website ("unveiling date").

The weekly and final rankings are established based on each team's return on capital. In case of a tie when determining the final ranking, the tie breaker will be established in accordance with article 7.3 of the Regulations.

7.3. Final Ranking Tie Breaker

In case of a tie when determining the final ranking of certain teams based on their return on capital, the Sharpe ratio, described below, will be used to decide between the teams. Therefore, the team with the highest Sharpe ratio will be deemed as having achieved a higher return, while the team(s) with a lower Sharpe ratio will be given the following position(s) in the final ranking.

$$S = \frac{R - r}{\sigma}$$

where

R is the total daily return of the portfolio;

r is the daily benchmark chosen (generally the risk-free investment rate);

σ is the standard deviation of daily rates of return for the portfolio considered.

7.4. Prize Giving

Each prize is divided equally among the members of a team and presented by the Exchange in the form of cheque.

The prizes will be announced on the unveiling date on the Exchange's official Facebook page and by email. The winners will be contacted by phone at the number indicated on the simulation registration form.

7.5. Certificates

The best performing team per university as well as the top 50 (having fulfilled the mandatory components) will receive a certificate of excellence.

The certificates will be transmitted by email, on the unveiling date, to each member of the best performing teams.

8. Disqualification

Teams with open positions at the end of the simulation are automatically disqualified. In addition, the Exchange reserves the right to disqualify a team from the simulation if at least one of its members:

- a) tampers with or manipulates or tries to tamper with or manipulate the simulation in any way whatsoever;
- b) carries out or tries to carry out manoeuvres which, according to the Exchange, compromise or misrepresent or aim to compromise or misrepresent the goal or spirit of the simulation;
- c) transmits false or misleading information at registration;
- d) trades in the real market, directly or indirectly, to take advantage of or influence the simulation;
- e) contravenes the Regulations, applicable legislation and Rules of the Exchange published on its website;
- f) adopts a behaviour that jeopardizes the simulation process or any other behaviour deemed inappropriate by the Exchange;
- g) is not in full compliance with all eligibility conditions.

A disqualified team is not eligible for a prize or certificate of excellence.

9. Personal Information

By registering for the simulation, participants consent to the collection, use and disclosure, by the Exchange, of the information that they transmit for the administrative requirements of the simulation, in accordance with the Regulations.

Notably, the participants and recipients authorize the Exchange to disseminate their names and that of the university they attend, and to disclose their rankings on the Exchange's website, on social networks and by email. The participants also authorize the Exchange, and its partners and sponsors to communicate with them for administrative and promotional purposes.

10. Legal Discretion

Decisions regarding the administration of the simulation according to the Regulations are made at the full discretion of the Exchange and are irrevocable. TMX Group Limited, its subsidiaries, including the Exchange, and Inovestor, as well as their respective officers, directors, employees, consultants, representatives and agents, can in no case be held liable for any damages or losses of any kind resulting from or related to the simulation, including technical problems, malfunction of trading software or any other software used as part of the simulation, or for any problems that may impede or jeopardize the simulation process, or for errors in the calculation of margin calls or errors made by participants at the time of registration.