

**RULE ONE  
REGULATIONS OF THE BOURSE**

**1101 General**

(17.12.81, 21.11.85, 02.09.03)

The Regulations of the Bourse as defined herein shall be binding on all approved participants, partners, shareholders, directors, officers, employees, registered representatives, investment representatives and other approved persons of approved participants and on all permit holders. They shall apply without any territorial restrictions whatsoever.

**1102 Definitions**

(07.09.99, 31.01.01, 08.07.02, 02.09.03, 17.06.05, 30.07.13, 17.07.15)

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Throughout the Regulations of the Bourse, unless the subject matter or context otherwise requires:

**Approved Lenders** means a chartered bank or any other lending institution approved as such by the Bourse.

**Approved Participant** means an approved participant of the Bourse, whose name is duly recorded as such on the register referred to in article 3010 of the Rules of the Bourse and who has been approved by the Bourse pursuant to its Rules for the purpose of trading products listed on the Bourse.

**Approved Persons** are related firms and, employees of approved participants and related firms that have received the approval of the Bourse, and partners in and shareholders, directors and officers of approved participants and approved related firms who carry on activities related to securities or futures contracts.

**Bankruptcy Act** means the Bankruptcy and Insolvency Act, R.S. 1985, chapter B-3 as amended from time to time.

**Board of Directors of the Bourse** means the Board of Directors of Bourse de Montréal Inc. as defined in the By-Laws of the Bourse and the resolutions of Directors.

**Bond** means a bond, debenture, note or other instrument of government or corporate indebtedness.

**Bourse Approval** means any approval given by the Bourse (including any committee or officer of the Bourse so authorized) under any provision of the Regulations of the Bourse.

**Bourse or The Bourse** means Bourse de Montréal Inc.

**Call** means an option by the terms of which its holder has the right, in accordance therewith, to:

in the case of a delivery settlement option, purchase from the clearing corporation the number of units of the underlying interest covered by the option;

in the case of a cash settlement option, require from the clearing corporation a cash payment corresponding to the amount by which the contract is in-the-money.

**CDCC** means Canadian Derivatives Clearing Corporation, a limited liability company, incorporated under the Canada Business Corporations Act, which issues and guarantees CDCC option contracts and futures contracts.

**CDCC Option** means a call or put option issued and guaranteed by Canadian Derivatives Clearing Corporation.

**Chartered Bank** means any bank incorporated under the Bank Act (Canada).

**Class of Options** means all options of the same style, covering the same underlying interest which are guaranteed by the same clearing corporation.

**Clearing Approved Participant** means, with respect to each category of listing, any approved participant which is a member of the clearing corporation.

**Clearing Corporation** means a corporation or other entity which provides trade reporting, confirmation and settlement services and which is designated as such by the Bourse for each category of listing.

**Client Account** means an account established by an approved participant which is confined to securities or futures contracts transactions executed by the approved participant and positions carried by the approved participant on behalf of his clients.

**Closing Trade (options and futures contracts)** means a transaction on the market which results in the reduction or elimination of a position in options or futures contract:

- a) in relation to a long position, by taking an offsetting short position in an option or futures contract having the same deliverable or cash settled underlying interest deliverable and the same expiry;
- b) in relation to a short position, by taking an offsetting long position in an option or futures contract having the same deliverable or cash-settled underlying interest and the same expiry.

**Corporate Approved Participant** means an Approved Participant approved as such by the Bourse and meeting the requirements set forth under article 3401 of the Rules.

**Current Index Value** means the current level of a particular underlying stock index established on the basis of the reported prices of the component stocks comprising such index.

**Cycle** means a combination of months including the expiration dates (e.g. February/May/August/November).

**Dealer** means a person or company that trades in options, futures contracts or options on futures contracts in the capacity of principal or agent.

**Debt** is an investment which provides its holder with a legal right, in specified circumstances, to demand payment of the amount owed; this term is used to include debtor-creditor relationships whether or not represented by a written instrument or security.

**Defaulter** means a person declared a defaulter pursuant to article 4306 of Rule Four of the Bourse.

**Delivery** means the voluntary transfer of possession of securities or the making of appropriate entries in respect of securities in the records of the clearing corporation.

**Delivery or Settlement Month** means the calendar month in which a futures contract may be settled by making or taking delivery or by making or receiving a cash settlement of the contract.

**Derivative Instrument** means a financial instrument, the value of which derives from the value of an underlying interest. Without limiting the foregoing, this underlying interest may be a commodity or a financial instrument such as a stock, a bond, a currency, a stock or economic index or any other asset.

**Designated Representative** means a physical person appointed to represent an approved participant in accordance with article 3501 of the Rules.

**Director** means a physical person who is a member of the Board of Directors of Bourse de Montréal Inc.

**Disciplinary Committee** means the committee constituted by the Bourse in order to hear complaints brought under Rule Four of the Bourse.

**Escrow Receipt** means a document issued by a financial institution, approved by the clearing corporation, certifying that the underlying interest, or its direct substitute approved by the Bourse and the clearing corporation, is held by such financial institution to guarantee a specified option of a particular client of an approved participant .

**Exchange Contract** means a) any contract between approved participants for the purchase or sale of any exchange listed product and b) any contract between approved participants for delivery or payment of any listed product (or product which was listed when the contract was made) arising from settlement through the clearing corporation.

**Exercise** means, in the case of a call option settled by the delivery of the underlying interest, means to submit an exercise notice in order to take delivery of and pay for or, in the case of a put option, to sell and receive payment for the underlying interest which is the object of the option;

in the case of a cash settlement option, means to submit an exercise notice in order to receive the cash value amount by which the option is in-the-money.

**Exercise Price** means, in the case of a delivery settlement option, the specified price per unit at which the underlying interest may be purchased, in the case of a call, or sold, in the case of a put, upon exercise of the option, plus accrued interest in the case of options on debt instruments;

in the case of a cash settlement option, the specified price per unit against which the marking price is compared in the event of an exercise to determine the amount by which the contract is in-the-money.

**Financial institution** means any entity engaged in the banking, loan, trust, pension fund, mutual fund or life insurance businesses.

**Firm Account** or **Approved Participant Account** means an account established by an approved participant which is confined to securities or futures contracts transactions executed by the approved participant and positions carried by the approved participant on its own behalf.

**Foreign Approved Participant** means an approved participant approved as such by the Bourse, pursuant to article 3004 of the Rules.

**Futures Contract** means the obligation incurred to make or receive delivery or a cash settlement of the value of an underlying asset during specified months, which obligation may be satisfied by offset, by delivery or by cash settlement during such months.

**Futures Contract on Index** means a futures contract whose underlying interest is an index.

**Guaranteeing** means being liable for, ensuring the delivery of a security for or entering into an agreement (contingent or otherwise) having the effect or result of so becoming liable or ensuring the delivery of a security for a person, including any agreement to purchase an investment, property or services, to supply funds, property or services or to make an investment for the purpose of directly or indirectly enabling such person to perform its obligations in respect of such security or investment or assuring the investor of such performance.

**Hedger** means a person or company who carries on activities in a particular field and, as a necessary part of these activities, becomes exposed from time to time to risk attendant upon fluctuations in the price of goods which are related to such activities and offsets that risk through trading in options, futures contracts or options on futures contracts on these goods or on related goods whether or not any particular trade is effected for that purpose.

**Holding company** means, in respect of any corporation, any other corporation which owns more than 50% of each class of voting securities and more than 50% of each class of participating securities of the first-mentioned corporation or of any other corporation which is a holding company of the first-mentioned corporation, but an industry investor shall not be considered to be a holding company by reason of the ownership of securities in its capacity as an industry investor.

**In-the-money** in respect of an option means the market price of the underlying interest is above, in the case of a call, or below, in the case of a put, the exercise price of the option.

**Index Option** means an option contract traded on the Bourse whose underlying interest is an index. In the case of the exercise of an index option, the seller pays to the buyer via the clearing corporation a cash amount equivalent to the amount by which the exercised option contract is in-the-money on the date of exercise.

**Index Participation Unit (IPU)** means a unit of beneficial interest in the assets of a fund established under a trust agreement, the underlying assets of which are securities underlying an index.

**Industry Investor** means, in respect of any approved participant or holding company of an approved participant, any of the following who owns a beneficial interest in an investment in the approved participant or its holding company:

- i) the approved participant's full-time officers and employees;
- ii) spouses of individuals referred to in paragraph i);

- iii) a personal investment corporation, if:
  - a) a majority of each class of the voting shares is held by the persons referred to in paragraph i); and
  - b) all interests in all other equity shares of the personal investment corporation are beneficially owned by the persons referred to in paragraphs i) or ii) or by investors approved as industry investors with respect to the particular approved participant or its holding company;
- iv) a family trust established and maintained for the benefit of the children of the persons referred to in paragraph i) or ii) above, if:
  - a) these persons maintain full direction and control of the family trust, including, without limitation, its investment portfolio and the exercise of voting and other rights attaching to instruments and securities contained in the investment portfolio; and
  - b) all the beneficiaries of the family trust are children of the persons referred to in paragraph i) or ii) above or are investors approved as industry investors with respect to the particular approved participant or its holding company;
- v) a registered retirement savings plan established under the Income Tax Act (Canada) (or pursuant to equivalent provisions) by one of the persons referred to in paragraph i) if control over the investment policy of the registered retirement savings plan is held by that person and if no other person has any beneficial interest in the registered retirement savings plan;
- vi) a pension fund established by an approved participant for the benefit of its officers and employees, if the pension fund is organized so that full power over its investment portfolio and the exercise of voting and other rights attaching to instruments and securities contained in the investment portfolio is held by persons referred to in paragraph i);
- vii) the estate of one of the persons referred to in paragraph i) or ii), for a period of one year after the death of such person or such longer period as may be permitted by the applicable board of directors and the Bourse;

but, any of the foregoing is an industry investor only if an approval for purposes of this definition has been given, and not withdrawn, by:

- a) the board or directors of the approved participant or of its holding company, as the case may be; and
- b) the Bourse.

**Industry Member** means, in respect of any approved participant, a physical person who has been approved by the Bourse for purposes of this definition and is actively engaged in the business of the approved participant and devotes a major part of his or her time to that business; to determine whether or not a person may be approved as an industry member, the Bourse shall take into account whether the person:

- i) has experience acceptable to the Bourse as a broker or dealer in securities or futures contracts for a period of five years or such lesser period as may be approved by the Bourse;

- ii) to an extent acceptable to the Bourse, is actively engaged in the business of the approved participant and devotes the major portion of his or her time thereto; and
- iii) has successfully completed such training or such course as may from time to time be required by the Bourse.

**Intercommodity Spread (futures contracts)** means the purchase and sale of futures contracts with different but related underlying interests in the same or different markets in the same or different delivery months.

**Intermarket Spread (futures contracts)** means the purchase and sale of futures contracts with the same or substantially similar underlying interests in the same or different delivery months in two different markets.

**Introducing Broker** means a broker for whom clients' accounts are recorded in the books of another broker as if the clients were those of the latter.

**Investment** means, in respect of any person, any security or debt obligation issued, assumed or guaranteed by such person, any loan to such person, and any right to share or participate in the assets, profit or income of such person.

**Jitney** means an approved participant or an employee of an approved participant who, under a contractual agreement, executes trades for another approved participant.

**Listed Product** means any derivative instrument listed for trading on the Bourse.

**Long Position (futures contracts)** means, in the case of a futures contract with a delivery feature, to take delivery of the underlying interest or, in the case of a futures contract with a cash settlement feature, to make or receive a cash settlement as per the futures contract specifications.

**Long Position (options)** means a person's interest as the holder of one or more option contracts.

**Major Position** means having the power to direct or cause the direction of the management or policies of a person whether through ownership of securities, by contract or otherwise. A person is considered to hold a major position in the capital of another person if such person, directly or indirectly:

- a) has the right to vote 10% or more of the voting securities; or
- b) is entitled to receive 10% or more of the net profits of the other person.

**Margin** means the minimum deposit required for each listed product in accordance with the Rules of the Bourse.

**Market-Maker Account** means an account established by an approved participant which is confined to exchange transactions executed by and positions carried by the approved participant on behalf of a market-maker.

**Officer** means any person exercising the functions of a president, vice-president, chief executive officer, chief financial officer, chief operating officer, secretary, any other person designated an officer of an approved participant by law or similar authority, or any person acting in a similar capacity on behalf of an approved participant.



**Omnibus Account** means an account held in the name of an entity or person which may be utilized for recording and clearing the trades of two or more undisclosed customers of the account holder.

**Open Interest** means the total outstanding long or short positions for each series and in aggregate, in options, futures contracts or options on futures contracts relating to a particular underlying interest.

**Open Position** means the position of a buyer or seller of a futures contract.

**Opening Purchase Transaction (options and futures contracts)** means an exchange transaction in which the result is to create or increase a long position in options or futures contracts involved in such transaction.

**Opening Trade** means a trade in a futures contract that is not a liquidating trade.

**Opening Writing Transaction (options and futures contracts)** means an exchange transaction in which the result is to create or increase a short position in options or futures contracts involved in such transaction.

**Option Contract** means, in the case of settlement by delivery of the underlying interest, a contract guaranteed by a designated clearing corporation granting to the holder a right to sell (put) or a right to buy (call) a unit of trading of the underlying interest at a fixed price during a predetermined period, in the case of an American option or at the end of this predetermined period in the case of a European option; in the case of cash settlement, a contract guaranteed by a designated clearing corporation granting to the holder a right to receive a cash payment equivalent to the in-the-money amount of the option at the time of exercise or expiry (e.g. index options).

**Out-of-the-money** in respect of an option, means the market price of the underlying interest is below, in the case of a call, or above, in the case of a put, the exercise price of the option.

**Outside investor** means, in respect of an approved participant or a holding company of an approved participant, a person who is not:

- i) an approved lender with respect to that approved participant or holding company of an approved participant;
- ii) an industry investor with respect to that approved participant or holding company of an approved participant;

but an outside investor who becomes an industry member shall cease to be an outside investor only six months after becoming an industry member or on such earlier date as he obtains the requisite approvals to become an industry member.

**Outstanding**, in respect of an option, means that the option is duly recorded and guaranteed by the Clearing Corporation and has neither been exercised, assigned or the subject of a closing transaction nor has expired.

**Over-the-counter Trade** means a trading of a derivative instrument, or of a security, by mutual agreement between two parties without the use of an organized market.

**Parent Company** means a corporation that has another corporation as a subsidiary.

**Participating Securities** of an organization, whether incorporated or unincorporated, are those of its securities outstanding from time to time which entitle the holders thereof to a participation, limited or

unlimited, in the earnings or profits of the issuing organization, either alone or in addition to a claim for interest or dividends at a fixed rate, and includes, except where the reference is to outstanding participating securities, those securities which entitle the holders thereof, on conversion, exchange, the exercise of rights under a warrant, or otherwise, to acquire participating securities.

**Partnership** means an enterprise in which two or more persons (the partners) put assets, their credit and their expertise in common with the view of sharing the benefits that may result from such pooling.

**Partnership Approved Participant** means an Approved Participant approved as such by the Bourse and meeting the requirements set forth under article 3301 of the Rules.

**Permit Holder** means the holder of a trading permit granted pursuant to the Regulations of the Bourse.

**Person** means an individual, a partnership, a corporation, a government or any department or agency thereof, a court, a trustee, any unincorporated organization and the heirs, executors, administrators or other legal representatives of an individual.

**Premium** means the price of the option, per unit of the underlying interest, agreed upon between the purchaser and seller in a transaction on the option market.

**Professional Account** means an account in which a direct or indirect beneficial interest is held by an approved participant, a related firm, an approved person or a permit holder.

**Put** means an option by the terms of which the holder has the right in accordance therewith, to:

in the case of a delivery settlement option, sell to the clearing corporation the number of units of the underlying interest covered by the option contract;

in the case of cash settlement option, require from the clearing corporation a cash payment corresponding to the amount by which the contract is in-the-money.

**Recognized Exchange** means any exchange carrying on its activities within the territory of one of the Basle Accord Countries and of the countries that have adopted the banking and supervisory rules set out in that Accord, and any other exchange or group of exchanges with whom the Bourse has entered into a collaboration agreement.

**Regulations of the Bourse** means the Rules, Rulings and Policies of the Bourse, and the instructions, decisions and directions of the Bourse (including those of any committee or person so authorized) as amended, supplemented and in effect from time to time.

**Related Firm** means a sole proprietorship, partnership or corporation which is related with an approved participant in that either of them, together with the partners and directors, officers, shareholders and employees of it, collectively have at least a 20% ownership interest in the other of them, including an interest as a partner or shareholder, directly or indirectly, and whether or not through holding companies; which carries on as a substantial part of its business that of a broker, dealer or adviser in securities or futures contracts; which deals with or has obligations to any person other than such approved participant or for obligations to any person incurred through such approved participant; and which is under the audit jurisdiction of a self-regulatory organization which is a participant to the Canadian Investor Protection Fund.

**Restricted Trading Permit** means a permit to trade specific listed products issued to a physical person who is not an approved participant and who is qualified pursuant to the Regulations of the Bourse.

**Restricted Trading Permit Holder** refers to a physical person who is not an approved participant and who is authorized and registered as such by the Bourse to trade as a market maker, an independent trader or a jitney in accordance with the provisions of Rule Three of the Bourse.

**Rules** refers to those Regulations of the Bourse of general application to all approved participants or to a class of approved participants which the Bourse is empowered to adopt.

**Rulings** refer to those Regulations of the Bourse whose application is limited to one or more specific approved participants and which the Board of Directors of the Bourse or any other committee or person appointed by the Board is empowered to make, including without limitation all orders, decisions and adjudications.

**Securities** refer to forms of investment contemplated by section 1 of the Quebec Securities Act, R.S.Q., chapter V-1.1 and shall include, where the contract requires, futures contracts.

**Securities Act** means the Quebec Securities Act, R.S.Q. chapter V-1.1 as amended from time to time.

**Security Deposit** means the amount required to be deposited with a clearing corporation as security for obligations to such clearing corporation.

**Series of Options** means all options of the same class, the same type, covering the same quantity of an underlying interest and having the same exercise price and expiration date.

**Settlement Price** means the price which is used by the Bourse and the clearing corporation to determine daily the net gains or losses in the value of open positions in futures contracts;

**Share Futures Contract** means a futures contract whose underlying interest is a Canadian or a foreign share listed on a recognized exchange.

**Short Position (futures contracts)** where used in relation to a futures contract, means, in the case of a futures contract with a delivery feature, to be under an obligation to make delivery of the underlying interest or, in the case of a futures contract with a cash settlement feature, to make or receive a cash payment.

**Short Position (options)** means a person's obligation as the writer of one or more option contracts.

**Special Committee** means the Special Committee of the Regulatory Division appointed by the Board of Directors of Bourse de Montréal Inc. pursuant to the rules adopted in that regard.

**Spread Position (futures contracts)** means the assumption of a long and a short position in futures contracts having different expiry months in the same underlying interest for the same account.

**Trade** means a contract for the purchase or sale of a listed product.

**Trader** means a person approved as such by the Bourse.

**Trading Permit** means a permit issued by the Bourse to an approved participant and entitling its holder to the rights, privileges and obligations provided in the Regulations of the Bourse.

**Uncovered** in respect of a short position in an option, means that the short position is not covered.

**Underlying Index** means a stock index calculated by a calculation agent on which an option, a futures contract or an option on a futures contract is listed and which reflects representative stock market values of either a broad segment of the stock market (“broad market index”) or of a particular industry or group of related industries (“sectorial index”).

**Underlying interest** means an asset which underlies and determines the value of a derivative instrument. The underlying interest may be a commodity, a financial instrument, such as a stock, a currency, a stock or economic index or any other asset.

**Unit of Trading** means in respect of any series of derivative instrument, the number of units of the underlying interest which has been designated by the clearing corporation and the Bourse as the number to be the subject of a single derivative instrument contract.

**Voting securities** of an approved participant or its holding company means all securities of that approved participant or its holding company outstanding from time to time that carry the right to vote for the election of directors, and includes:

- i) except where the reference is to outstanding voting securities, those securities which entitle the holders thereof, on conversion, exchange, the exercise of rights under a warrant, or otherwise, to acquire voting securities; and
- ii) preferred shares which carry the right to vote for the election of directors only upon the occurrence of a specific event if such specific event has occurred.

**1103 Affiliated Corporations and subsidiaries**  
(17.12.81, 02.09.03)

For the purposes of this Rule:

- a) a corporation is deemed to be an affiliate of another corporation if one of them is the subsidiary of the other or if both are subsidiaries of the same corporation or if each of them is controlled, directly or indirectly by the same person or group of persons;
- b) a corporation shall be deemed to be controlled by another person or by a group of persons if:
  - i) voting securities of the corporation carrying more than 50% of the votes for the election of directors are held, otherwise than by way of security only, by or for the benefit of the other person or group of persons; and
  - ii) the votes carried by such securities are entitled, if exercised, to elect a majority of the board of directors of the corporation,

and where the Bourse determines that a person shall, or shall not, be deemed to be controlled by another person, then such determination shall be determinant as to their relationship in the application of this rule;

- c) a corporation shall be deemed to be a subsidiary of another corporation if:
  - i) it is controlled by:

- A) that other corporation; or
- B) that other corporation and one or more other corporations each of which is controlled by that other corporation; or
- C) two or more corporations each of which is controlled by that other corporation; or
- ii) it is a subsidiary of a corporation which is itself a subsidiary of that other corporation;
- d) a person, other than a corporation, shall be deemed to beneficially own securities held by a corporation controlled by him or by an affiliate of such corporation;
- e) a corporation shall be deemed to beneficially own securities held by its affiliates;

**1104 Exercise of Powers of the Bourse**  
(17.12.81, 02.09.03)

Whenever the Bourse is specified as having any powers, rights, discretion or is entitled to take any action, then such powers may be exercised on behalf of the Bourse by the Board of Directors of the Bourse, its designated officers or by any committee or person designated by the Board of Directors or the President, unless the subject matter or context otherwise requires.

**1105 Interpretation**  
(17.12.81, 02.09.03)

The division of the Regulations of the Bourse into separate parts, articles, paragraphs and clauses, the provision of a table of contents or of an index, the insertion of headings, indented notes and footnotes are for convenience of reference only and shall not affect the interpretation of the Regulations of the Bourse.

The interpretation of the Regulations of the Bourse made by the Board of Directors shall be final and conclusive.

**1106 Motion to Enact, Repeal or Amend**  
(17.12.81, abr. 01.10.00)

**1107 Amendment to Motion to Enact, Repeal or Amend**  
(17.12.81, abr. 01.10.00)

**1108 Publication**  
(17.12.81, 02.09.03)

Copies of the Regulations of the Bourse shall be made available to all approved participants in such form and at such cost as the Board of Directors of the Bourse may approve.

**1109 Notices**  
(17.12.81, 02.09.03)

Except where special provisions of the Regulations of the Bourse otherwise provide, any notice or communication of any proceeding, decision or ruling of the Bourse, whether or not such notice or communication is formally required, may be given on the authority of the committee or person empowered to hold such proceeding or make such decision or ruling, either in person or by telephone to the person

affected or a partner, director, officer or employee of the approved participant with whom such affected person is associated, provided that in all cases such notice is confirmed forthwith in writing and such confirmation mailed or delivered to such affected person at his last known address. Except where special provisions of the Regulations of the Bourse otherwise provide, only one hour's notice need be given of any proceeding when such notice is formally required or when the attendance of the affected person at such proceeding is ordered. A decision or ruling of the Bourse shall take effect according to its terms independent of any notice which may be given or which may be required to be given.

**1110 Citations**

(17.12.81, 02.09.03)

The grouping herein of articles is for convenience of consultation only, and any article of the rules may be cited by reference to the number of the article without it being necessary to refer to the number of the rule. When the word "article" is used in the Regulations of the Bourse, it shall mean an article of the rules, unless some other reference is expressly indicated.

A ruling shall be cited by naming the date it bears and the committee or person who made it, e.g. "Board of Directors Ruling dated August 1, 2001".

**1111 Transitional**

(17.12.81, abr. 01.10.00)

**1112 Transitional**

(17.12.81, abr. 01.10.00)