

Section 7201 - 7250
Margins

7202 Listed Securities

(15.12.86, 30.09.87, 18.06.88, 01.04.93, 11.02.00, 29.04.02, 16.09.02, 01.05.03, 17.05.04, 01.01.05)

- 1) The margins required on securities including rights and warrants (other than bonds and debentures) listed on any of the recognized exchanges in Canada and in the United States, on the stock list of The London Stock Exchange and on the first section of the Tokyo Stock Exchange are as follows:

Long Positions	Margin Required
a) Securities trading at \$2.00 or more	50% of market value
b) Securities trading between \$1.75 and \$1.99	60% of market value
c) Securities trading between \$1.50 and \$1.74	80% of market value
d) Securities selling under \$1.50, securities of companies designated as Capital Pool Companies on the TSX Venture Exchange and securities of companies classified as Tier 3 or inactive Tier 2 issuers on the TSX Venture Exchange may not be carried on margin.	

Short Positions	Credit Required
a) Securities trading at \$2.00 or more	150% of market value
b) Securities trading between \$1.50 and \$1.99	\$3.00 per share
c) Securities trading between \$0.25 and \$1.49	200% of market value
d) Securities trading at less than \$0.25	Market value plus \$0.25 per share

2) Index products

For the purpose of this article, the terms “floating margin rate”, “incremental basket margin rate”, “index”, “qualifying basket of index securities” and “tracking error margin rate” are defined in article 9001.

A) Long qualifying basket of index securities or long index participation units

The minimum margin required, must be the sum of:

- i) the floating margin rate of the qualifying basket of index securities (or index participation units); and
- ii) in the case of a qualifying basket of index securities, the calculated incremental basket margin rate;

multiplied by the market value of the qualifying basket of index securities (or index participation units).

B) Short qualifying basket of index securities or short index participation units

The minimum margin required must be the sum of:

- i) 100%; and
- ii) the floating margin rate of the qualifying basket of index securities (or index participation units); and
- iii) in the case of a qualifying basket of index securities, the calculated incremental basket margin rate;

multiplied by the market value of the qualifying basket of index securities (or index participation units).

C) Long qualifying basket of index securities offset with short index participation units

Where a position in a qualifying basket of index securities is carried long in an account and the account is also short an equivalent number of index participation units, the margin required must be the sum of the published tracking error margin rate and the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the index participation units.

D) Short qualifying basket of index securities offset with long index participation units

Where a position in a qualifying basket of index securities is carried short in an account and the account is also long an equivalent number of index participation units, the margin required must be the sum of:

- i) the tracking error margin rate, unless the short basket of index securities is of a size sufficient to comprise a basket of securities or multiple thereof required to obtain the index participation units;

and

- ii) the calculated incremental basket margin rate for the qualifying basket of index securities;

multiplied by the market value of the index participation units.

E) Long qualifying basket of index securities – short index participation units – commitment to purchase index participation units

Where an approved participant has a commitment pursuant to an underwriting agreement to purchase a new issue of index participation units, and holds an equivalent long position in a qualifying basket of index securities and also holds an equivalent number of short index participation units, no capital is required, provided the long basket:

- i) is of size sufficient to comprise a basket of securities or multiple thereof required to obtain the index participation units; and
- ii) does not exceed the approved participant's underwriting commitment to purchase the index participation units.

3) Securities eligible to a reduced margin rate

The margin required is 30% of the market value on long positions and the credit required is 130% of the market value on short positions if such securities are:

- i) on the list of securities eligible to a reduced margin rate as approved by a recognized self-regulatory organization and such securities continue to be traded at \$2.00 or more;
- ii) securities against which options issued by the Options Clearing Corporation are traded;
- iii) convertible into securities that qualify under subparagraph i) or subparagraph ii);
- iv) non-convertible preferred and senior shares of an issuer any of whose securities qualify under subparagraph i); or
- v) securities whose original issuance generated Tier 1 capital for a financial institution any of whose securities qualify under subparagraph i) and the financial institution is under the regulatory oversight of the Office of the Superintendent of Financial Institutions of Canada.

For the purpose of the present paragraph 3) the Bourse and the Investment Dealers Association of Canada are designated as recognized self-regulatory organizations.

- 4) The margin required in respect of positions in warrants issued by a Canadian chartered bank and which are listed on any recognized stock exchange or other listing organization referred to above and which entitle the holder to purchase securities issued by the Government of Canada or any province thereof must be the greater of:
 - a) The margin otherwise required by paragraph 1) of the present article according to the market value of the warrant; or
 - b) 100% of the margin required in respect of the security to which the holder of the warrant is entitled upon exercise of the warrant. However, in the case of a long position, the amount of margin need not exceed the market value of the warrant.
- 5) For the purpose of the present article, "inactive Tier 2" securities are securities of companies classified as Tier 2 issuers that are considered to be inactive by the TSX Venture Exchange. Such securities are identifiable through the use of unique trading symbols.

7204A Margin offsets

(09.10.91, 27.05.97, 18.02.98, 19.08.98, 17.12.02, 01.01.05)

1) Where an approved participant

- a) owns securities described in Group I or II of article 7204 whose maturity is over one year, and
- b) has a short position in securities
 - i) issued or guaranteed by the same issuer of the securities referred to in a) (provided that for these purposes each of the Provinces of Canada must be regarded as the same issuer as any other Province);
 - ii) maturing over one year; and
 - iii) maturing within the same periods for the purpose of determining margin rates for the securities referred to in a); and
 - iv) with a market value equal to the securities referred to in paragraph a) (with the intent that no offset is permitted in respect of the market value of a long [or short] position which is in excess of the market value of the short [or long] position);

the two positions may be offset and the required margin must be computed with respect to the net long or net short position only. This rule also applies to future purchase and sale commitments.

2) Where an approved participant

- a) owns securities described in Group I or II of article 7204 maturing within one year, and
- b) has a short position in securities
 - i) issued or guaranteed by the same issuer of the securities referred to in a) (provided that for these purposes, each of the Provinces of Canada must be regarded as the same issuer as any other Province),
 - ii) maturing within one year, the margin required must be the excess of the margin on the long (or short) position over the margin required on the short (or long) position. This rule also applies to future purchase and sale commitments.

3) A) Where an approved participant has a short and long position in the following groups of securities of article 7204:

<u>Short (Long)</u>	<u>Long (Short)</u>
a) Group I (Canada and U.S. Government only)	<u>and</u> Group II (Province of Canada)
b) Group I (as above)	<u>and</u> Group III (Municipality of Canada only)

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|--|------------|---|
| c) Group I
(Canada Government
only) | <u>and</u> | Group I
(U.S. Government only) |
| d) Group I
(Canada and
U.S. Government only) | <u>and</u> | Group V
(corporate) |
| e) Group II
(Province of Canada) | <u>and</u> | Group III
(Municipality of Canada only) |
| f) Group II
(as above) | <u>and</u> | Group V
(corporate) |
| g) Group V
(corporate) | <u>and</u> | Group V
(corporate of the same issuer) |

The margin required in respect of both positions must be the greater of the margin required on the long or short position.

For the purposes of the present paragraph, securities described in article 7205 are eligible for an offset identical to the one applicable to securities described in Group V of article 7204.

- B) Furthermore, the offsets described above in paragraph A) may only apply if the following requirements are complied with:
- i) securities described in Group V (corporate) of article 7204 are eligible for offset only if they are not convertible and have a single A or higher rating by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poors Bond Record;
 - ii) securities in offsetting positions must be denominated in the same currency;
 - iii) securities in offsetting positions must mature within the same periods referred to in article 7204 for the purpose of determining margin rates;
 - iv) the market value of the offsetting positions is equal and no offset is permitted in respect of the market value of the short (or long) position which is in excess of the market value of the long (or short) position; and
 - v) securities in offsetting positions used in the calculation must represent an equivalent maturity value.

7213 Exceptions to Margin Rules

(30.11.86, 15.12.86, 01.06.88, 01.01.92, 15.01.93, 10.05.93, 01.04.93, 25.02.94, 12.03.97, 21.12.98, 29.08.01, 18.07.03, 01.01.04, 17.05.04, 01.01.05)

The following are exceptions to the margin rules as set out in this section:

- 8) a) For the purposes of sub-paragraphs b) to f) of this paragraph, the term "floating rate preferred share" means a preferred share, by the terms of which the rate of dividend fluctuates at least quarterly, in tandem with a prescribed short-term interest rate. The sub-paragraphs b) to f) of this paragraph are applicable only to an account of a market-maker, specialist, a restricted trading permit holder or inventory account of an approved participant.
- b) Margin on floating rate preferred shares of companies with securities which are eligible to a reduced margin rate under paragraph 3 of article 7202 of the Rules of the Bourse must be provided at the rate of 10% of the market value of such securities.
- c) The margin rate which must be provided on floating rate preferred shares which qualify for margin under this paragraph but which are of companies which do not have securities which are eligible to a reduced margin rate under paragraph 3 of article 7202 of the Rules of the Bourse, is 25% of the market value of such securities.
- d) Where the issuer is in default of payment of a dividend due on floating rate preferred shares which qualify for margin under this paragraph, margin must be provided at the rate of 50% of the market value of such securities.
- e) Where the floating rate preferred shares of companies with securities which are eligible to a reduced margin rate under paragraph 3 of article 7202 of the Rules of the Bourse are convertible and are selling over par, margin must be provided at the rate of 10% of the par value of such securities plus 25% of the excess of market value of such securities over par.
- f) Where the floating rate preferred shares of companies which do not have securities which are eligible to a reduced margin rate under paragraph 3 of article 7202 of the Rules of the Bourse, but are convertible and are selling over par, margin must be provided at the rate of 25% of the par value of such securities plus 50% of the excess of market value of such securities over par.

**RULE NINE
MARGIN AND CAPITAL REQUIREMENTS
FOR OPTIONS, FUTURES CONTRACTS AND
OTHER DERIVATIVE INSTRUMENTS**

**Section 9001 – 9100
General Provisions**

9001 Definitions
(01.01.05)

For the purpose of the present Rule:

- a) **“approved participant account”** means all non-client accounts including firm accounts, market maker accounts, restricted trading permit holder accounts for which a clearing approved participant has issued a letter of guarantee and sponsor accounts;
- b) **“client account”** means an account for a client of an approved participant, but does not include account in which a member of a self-regulatory organization, or a related firm, approved person or employee of such an approved participant, member or related firm, as the case may be, has a direct or indirect interest, other than an interest in a commission charged;
- c) **“escrow receipt”** means:
 - i) in the case of an equity, participation unit or bond option, a document issued by a financial institution approved by the Canadian Derivatives Clearing Corporation certifying that a security is held and will be delivered upon exercise by such financial institution in respect of a specified option of a particular client of an approved participant; or
 - ii) in the case of an OCC option, a document issued by a depository approved by the clearing corporation, after executing and delivering agreements required by The Options Clearing Corporation, certifying that a security is held and will be delivered upon exercise by such financial institution in respect of a specified OCC option of a particular client of an approved participant;
- d) **“firm account”** means an account established by an approved participant, which is confined to positions carried by the approved participant on its own behalf;
- e) **“floating margin rate”** means:
 - i) the last calculated regulatory margin interval, effective for the regular reset period or until a violation occurs, such rate to be reset on the regular reset date, to the calculated regulatory margin interval determined at that date; or
 - ii) where a violation has occurred, the last calculated regulatory margin interval determined at the date of the violation, effective for a minimum of twenty trading days, such rate to be reset at the close of the twentieth trading day, to the calculated regulatory margin interval determined at that date, where a reset results in a lower margin rate.

For the purposes of this definition, the term “regular reset date” is the date subsequent to the last reset date where the maximum number of trading days in the regular reset period has passed.

For the purposes of this definition, the term “regular reset period” is the normal period between margin rate resets. This period must be determined by the Canadian self-regulatory organizations with member regulation responsibilities and must not be no longer than sixty trading days.

For the purpose of this definition, the term “regulatory margin interval”, when calculated, means the product of:

- i) the maximum standard deviation of percentage changes in daily closing prices over the most recent 20, 90 and 260 trading days; and
- ii) 3 (for a 99% confidence interval); and
- iii) the square root of 2 (for two days coverage);

rounded up to the next quarter percent.

For the purpose of this definition, the term "violation" means the circumstance where the maximum 1 or 2 day percentage change in the daily closing prices is greater than the margin rate;

- f) **“incremental basket margin rate”** means for a qualifying basket of index securities:
 - i) 100%, less the cumulative relative weight percentage (determined by calculating for each security the actual basket weighting in relation to the latest published relative weighting in the index and then determining an overall relative weight percentage) for the qualifying basket of index securities; multiplied by
 - ii) the weighted average margin rate for those equity securities comprising the basket for which the actual weighting is less than the latest published relative weight for the index (weighted by the percentage weighting deficiency for each security (i.e., the published relative weighting minus the actual weighting, if applicable));
- g) **“index”** means an equity index where:
 - i) the basket of equity securities underlying the index is comprised of eight or more securities;
 - ii) the weight of the single largest security position in the basket of equity securities underlying the index represents no more than 35% of the overall market value of the basket;
 - iii) the average market capitalization for each security position in the basket of equity securities underlying the index is at least \$50 million; and
 - iv) in the case of foreign equity indices, the index is both listed and traded on an exchange that meets the criteria for being considered a recognized exchange as set out in the definition of “regulated entities” included in the General Notes and Definitions to Policy C-3 of the Bourse;

- h) “**market maker account**” means a firm account of an approved participant that is confined to transactions initiated by a market maker;
- i) “**non-client account**” means an account established with an approved participant by another member of a self-regulatory organization, or related firm, approved person or employee of an approved participant, member or related firm, as the case may be, in which the approved participant does not have an interest, direct or indirect, other than an interest in fees or commissions charged;
- j) “**OCC option**” means a call option or a put option issued by The Options Clearing Corporation;
- k) “**qualifying basket of index securities**” means a basket of equity securities:
 - i) all of which are included in the composition of the same index;
 - ii) which comprises a portfolio with a market value equal to the market value of the securities underlying the index;
 - iii) where the market value of each of the equity securities comprising the portfolio proportionally equals or exceeds the market value of its relative weight in the index, based on the latest published relative weights of securities comprising the index;
 - iv) where the required cumulative relative weighting percentage of all equity securities comprising the portfolio:
 - A) equals 100% of the cumulative weighting of the corresponding index, where the basket of equity securities underlying the index is comprised of less than twenty securities;
 - B) equals or exceeds 90% of the cumulative weighting of the corresponding index, where the basket of equity securities underlying the index is comprised of twenty or more securities but less than one hundred securities; and
 - C) equals or exceeds 80% of the cumulative weighting of the corresponding index, where the basket of equity securities underlying the index is comprised of one hundred or more securities;based on the latest published relative weightings of the equity securities comprising the index;
 - v) where, in the circumstance where the cumulative relative weighting of all equity securities comprising the portfolio equals or exceeds the required cumulative relative weighting percentage and is less than 100% of the cumulative weighting of the corresponding index, the deficiency in the basket is filled by other equity securities included in the composition of the index;
- l) “**tracking error margin rate**” means the last calculated regulatory margin interval for the tracking error resulting from a particular offset strategy. The method of calculation and the margin rate policy is the same as that used for the floating margin rate.

9002 Risk Margining Systems
(01.01.05)

- a) With respect to an approved participant account constituted exclusively of positions in derivative instruments listed -on the Bourse, the capital required may be the one calculated, as the case may be, by the Standard Portfolio Analysis (SPAN) methodology or by the Theoretical Intermarket Margin System (TIMS) methodology, using the margin interval calculated and the assumptions used by the Canadian Derivatives Clearing Corporation. All changes to the assumptions used by the Canadian Derivatives Clearing Corporation must be approved by the Bourse prior to implementation to ensure that the continued use of SPAN and TIMS methodologies for regulatory purposes is appropriate.

The selected methodology (either SPAN or TIMS) must be used consistently and cannot be changed without the prior consent of the Bourse. If the approved participant selects the SPAN methodology or the TIMS methodology, the capital requirements calculated under those methodologies will supersede the provisions stipulated in the Rules.

For the purpose of the present article, “margin interval” means the product of the three following elements:

- i) the maximum standard deviation of percentage fluctuations in daily settlement values over the most recent 20, 90 and 260 business days; multiplied by
 - ii) 3 (for a 99% confidence interval); and multiplied by
 - iii) the square root of 2 (for two days coverage).
- b) With respect to a client account, it is prohibited to use SPAN methodology or TIMS methodology to determine margin requirements.

9003 Inter-Commodity Combinations
(01.01.05)

Unless otherwise specified, offsets are currently not available for positions in client accounts or approved participant accounts involving derivative instruments based on two different underlying interests.

Section 9101 – 9200
Margin Requirements on Equity-Related Derivatives

9101 Exchange Traded Options – General Provisions
(01.01.05)

- a) The Bourse shall establish margin requirements applicable to options positions held by clients and no approved participant shall effect an option transaction or carry an account for a client without proper and adequate margin, which must be obtained as promptly as possible and maintained in conformity with the provisions of this section;
- b) all opening selling transactions and resulting short positions must be carried in a margin account;
- c) each option must be margined separately and any difference between the market price or the current value of the underlying interest and the exercise price of the option must be considered to be of value only in providing the amount of margin required on that particular option;
- d) where a client account holds both CDCC options and OCC options that have the same underlying interest, the OCC options may be considered to be options for the purposes of the calculation of the margin requirements for the account under the provisions of this section;
- e) from time to time the Bourse may impose special margin requirements with respect to particular options or particular positions in options.

9102 Long Option Positions
(01.01.05)

- a) Subject to paragraph b), the margin requirement for long options must be the sum of:
 - i) where the period to expiry is greater or equal to 9 months, 50% of the option's time value, 100% of the option's time value otherwise; and
 - ii) the lesser of:
 - A) the normal margin required on the underlying interest; or
 - B) if any, the in-the-money value associated with the option.

For the purpose of the present article, "the option's time value" means any excess of the market value of the option over the in-the-money value of the option.

- b) where, in the case of equity options, the underlying security in respect of a long call option is the subject of a legal and binding cash take-over bid for which all conditions have been met, the margin required on such call option must be the market value of the call option, less the amount by which the amount offered exceeds the exercise price of the call option. Where such a take-over bid is made for less than 100% of the issued and outstanding securities, the margin requirement must be applied pro-rata in the same proportion as the offer and paragraph a) must apply to the balance.

9103 Short Option Positions

(01.01.05)

- a) The minimum margin requirement which must be maintained in respect of an option carried short in a client account must be:
- i) 100% of the market value of the option; plus
 - ii) a percentage of the market value of the underlying interest determined using the following percentages:
 - A) for equity options or equity participation unit options, 25%;
 - B) for index options or index participation unit options, the published floating margin rate for the index or index participation unit;
- minus
- iii) any out-of-the-money amount associated with the option;
- b) paragraph a) notwithstanding, the minimum of margin requirement which must be maintained and carried in a client account trading in options must not be less than:
- i) 100% of the market value of the option; plus
 - ii) an additional requirement determined by multiplying:
 - A) in the case of a short call option, the market value of the underlying interest; or
 - B) in the case of a short put option, the aggregate exercise value of the option;
- by one of the following percentages:
- C) for equity options or equity participation unit options, 5%; or
 - D) for index options or index participation unit options, 2%.

9104 Covered Option Positions

(01.01.05)

- a) No margin is required for a call option carried short in a client's account which is covered by the deposit of an escrow receipt. The underlying interest deposited in respect of such option shall not be deemed to have any value for margin purposes.

Evidence of a deposit of the underlying interest shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation;

b) no margin is required for a put option carried short in a client's account which is covered by the deposit of an escrow receipt which certifies that acceptable government securities are being held by the issuer of the escrow receipt for the account of the client. The acceptable government securities held on deposit:

- i) must be government securities:
 - A) which are acceptable forms of margin for the clearing corporation; and
 - B) which mature within one year of their deposit, and
- ii) shall not be deemed to have any value for margin purposes.

The aggregate exercise value of the short put option must not be greater than 90% of the aggregate par value of the acceptable government securities held on deposit. Evidence of the deposit of the acceptable government securities shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse on request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation; and

c) no margin is required for a put option carried short in a client's account if the client has delivered to the approved participant with which such position is maintained a letter of guarantee, issued by a financial institution which has been authorized by the clearing corporation to issue escrow receipts, in a form satisfactory to the Bourse, and is:

- i) a bank which is a Canadian chartered bank or a Quebec savings bank; or
- ii) a trust company which is licensed to do business in Canada, with a minimum paid-up capital and surplus of \$5,000,000,

provided that the letter of guarantee certifies that the bank or trust company,

- iii) holds on deposit for the account of the client cash in the full amount of the aggregate exercise value of the put option and that such amount will be paid to the clearing corporation against delivery of the underlying interest covered by the put option; or
- iv) unconditionally and irrevocably guarantees to pay to the clearing corporation the full amount of the aggregate exercise value of the put option against delivery of the underlying interest covered by the put option;

and further provided that the approved participant has delivered the letter of guarantee to the clearing corporation and the clearing corporation has accepted it as margin.

9105 Options Spreads and Combinations
(01.01.05)**a) Call spreads and put spreads**

Where a client account contains one of the following spread pairings:

- long call option and short call option; or
- long put option and short put option;

and the short option expires on or before the date of expiration of the long option, the minimum margin required for the spread pairing must be the lesser of:

- i) the margin required on the short option; or
- ii) the spread loss amount, if any, that would result if both options were exercised.

b) Short call – short put spreads

Where a call option is carried short for a client's account and the account is also short a put option on the same number of units of trading on the same underlying interest, the minimum margin required must be the greater of:

- i) the greater of:
 - A) the margin required on the call option; or
 - B) the margin required on the put option;

and

- ii) the excess of the aggregate exercise value of the put option over the aggregate exercise value of the call option.

c) Long call – long put spreads

Where a call option is carried long for a client's account and the account is also long a put option on the same number of units of trading on the same underlying interest, the minimum margin required must be the lesser of:

- i) the sum of:
 - A) the margin required for the call option; and
 - B) the margin required for the put option;

and

- ii) the sum of:
 - A) 100% of the market value of the call option; plus
 - B) 100% of the market value of the put option; minus
 - C) the amount by which the aggregate exercise value of the put option exceeds the aggregate exercise value of the call option.

d) Long call – short call – long put

Where a call option is carried long for a client's account and the account is also short a call option and long a put option on the same number of units of trading on the same underlying interest, the minimum margin required must be:

- i) 100% of the market value of the long call option; plus
- ii) 100% of the market value of the long put option; minus
- iii) 100% of the market value of the short call option; plus
- iv) the greater of:
 - A) any excess of the aggregate exercise value of the long call option over the aggregate exercise value of the short call option; or
 - B) any excess of the aggregate exercise value of the long call option over the aggregate exercise value of the long put option.

Where the amount calculated in iv) is negative, this amount may be applied against the margin charge.

e) Short call – long warrant

Where a call option is carried short for a client's account and the account is also long a warrant on the same number of units of trading on the same underlying interest, the minimum margin required must be the sum of:

- i) the lesser of:
 - A) the margin required for the call option; or
 - B) the spread loss amount, if any, that would result if both the option and the warrant were exercised;

and

- ii) the excess of the market value of the warrant over the in-the-money value of the warrant multiplied by 25%; and

- iii) the in-the-money value of the warrant, multiplied by:
 - A) 50%, where the expiration date of the warrant is 9 months or more away; or
 - B) 100%, where the expiration date of the warrant is less than 9 months away.

The market value of the short call option may be used to reduce the margin required on the long warrant, but cannot reduce the margin required to less than zero.

9106 Option and Security Combinations
(01.01.05)

a) Short call – long underlying (or convertible) combination

Where, in the case of equity or equity participation unit options, a call option is carried short in a client's account and the account is also long an equivalent position in the underlying interest or, in the case of equity options in a security readily convertible or exchangeable (without restrictions other than the payment of consideration and within a reasonable time provided such time must be prior to the expiration of the call option) into the underlying interest, or in the case of equity participation unit options in securities readily exchangeable into the underlying interest, the minimum margin required must be the sum of:

- i)
 - A) the normal margin required on the underlying interest; minus
 - B) if any, the in-the-money amount associated with the call option;

and

- ii) where a convertible security or exchangeable security is held, any excess of the market value of the convertible or exchangeable security over the market value of the equivalent number of underlying securities.

In the case of exchangeable or convertible securities, the right to exchange or convert the long security must not expire prior to the expiration date of the short call option. If the expiration of the right to exchange or convert is accelerated (whether by reason of redemption or otherwise), then such short call option must be considered uncovered after the date on which such right to exchange or convert expires.

b) Short put – short underlying combination

Where, in the case of equity or equity participation unit options, a put option is carried short in a client's account and the account is also short an equivalent position in the underlying interest, the minimum margin required must be:

- i) the normal margin required on the underlying interest; minus
- ii) if any, the in-the-money value associated with the put option.

c) Long call – short underlying combination

Where, in the case of equity or equity participation unit options, a call option is carried long in a client's account and the account is also short an equivalent position in the underlying interest, the minimum margin required must be the sum of:

- i) 100% of the market value of the call option; and
- ii) the lesser of:
 - A) the aggregate exercise value of the call option; and
 - B) the normal credit required on the underlying interest.

d) Long put – long underlying combination

Where, in the case of equity or equity participation unit options, a put option is carried long in a client's account and the account is also long an equivalent position in the underlying interest, the minimum margin required must be the lesser of:

- i) the normal margin required on the underlying interest; and
- ii) the excess of the combined market value of the underlying interest and the put option over the aggregate exercise value of the put option.

e) Conversion or long tripo combination

Where, in the case of equity or equity participation unit options, a position in an underlying interest is carried long in a client's account and the account is also long an equivalent position in put options and short an equivalent position in call options, the minimum margin required must be:

- i) 100% of the market value of the long put options; minus
- ii) 100% of the market value of the short call options; plus
- iii) the difference, plus or minus, between the market value of the underlying interest and the aggregate exercise value of the long put options, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the call options.

f) Reconversion or short tripo combination

Where, in the case of equity or equity participation unit options, a position in an underlying interest is carried short in a client's account and the account is also long an equivalent position in call options and short an equivalent position in put options, the minimum margin required must be:

- i) 100% of the market value of the long call options; minus
- ii) 100% of the market value of the short put options; plus

- iii) the difference, plus or minus, between the aggregate exercise value of the long call options and the market value of the underlying interest, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the put options.

9107 Option Spreads Involving Index Products
(01.01.05)

In addition to the option spreads permitted in article 9105, the following additional option spread strategies are available for positions in index options and index participation unit options:

a) Box spread

Where a client account contains one of the following box spread combinations:

- box spread involving index options; or
- box spread involving index participation unit options;

such that a client holds a long and short call option and a long and short put option with the same expiry month and where the long call option and short put option, and short call option and long put option have the same strike price, the minimum margin required must be the lesser of:

- i) the greater of the margin requirements calculated for the component call and put spreads (paragraph a) of article 9105); and
- ii) the greater of the out-of-money amounts calculated for the component call and put spreads.

b) Long butterfly spread

Where a client account contains one of the following butterfly spread combinations:

- long butterfly spread involving index options; or
- long butterfly spread involving index participation unit options;

such that a client holds a short position in two call options (or put options) and the short call options (or short put options) are at a middle strike price and are flanked on either side by a long call option (or long put option) having respectively a lower and higher strike price, the minimum margin required must be the net market value of the short and long call options (or put options).

c) Short butterfly spread

Where a client account contains one of the following butterfly spread combinations:

- short butterfly spread involving index options; or
- short butterfly spread involving index participation unit options;

such that a client holds a long position in two call options (or put options) and the long call options (or long put options) are at a middle strike price and are flanked on either side by a short call option (or short put option) having respectively a lower and higher strike price, the minimum margin required must be the amount, if any, by which the exercise value of the long call options (or long put options) exceeds the exercise value of the short call options (or short put options).

9108 Index Option and Index Participation Unit Option Spread Combinations
(01.01.05)

a) Call spread combinations and put spread combinations

Where a client account contains one of the following spread combinations:

- long index call option and short index participation unit call option; or
- long index put option and short index participation unit put option; or
- long index participation unit call option and short index call option; or
- long index participation unit put option and short index put option;

and the short option expires on or before the date of expiration of the long option, the minimum margin required for the spread combination must be the lesser of:

- i) the margin required on the short option; and
- ii) the greater of:
 - A) the loss amount, if any, that would result if both options were exercised; and
 - B) the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.

b) Short call – short put spread combinations

Where a client account contains one of the following combinations:

- short index call option and short index participation unit put option; or
- short index participation unit call option and short index put option;

the minimum margin required must be the greater of:

- i) the greater of:
 - A) the margin required on the short call option; or
 - B) the margin required on the short put option;

and

- ii) the excess of the aggregate exercise value of the short put option over the aggregate exercise value of the short call option;

and

- iii) the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.

9109 Index Option Combinations with Qualifying Baskets of Index Securities and Index Participation Units
(01.01.05)

a) Short call option combinations with long qualifying baskets of index securities or long index participation units

Where a client account contains one of the following option related combinations:

- short index call options and long an equivalent number of qualifying baskets of index securities; or
- short index call options and long an equivalent number of index participation units (note: subject to tracking error minimum margin); or
- short index participation unit call options and long an equivalent number of qualifying baskets of index securities (note: subject to tracking error minimum margin); or
- short index participation unit call options and long an equivalent number of index participation units;

the minimum margin required must be the greater of:

- i) A) the normal margin required on the qualifying basket of index securities (or index participation units); minus
- B) if any, the in-the-money value associated with the call option;

and

- ii) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.

b) Short put option combinations with short qualifying baskets of index securities or short index participation units

Where a client account contains one of the following option related combinations:

- short index put options and short an equivalent number of qualifying baskets of index securities; or
- short index put options and short an equivalent number of index participation units (note: subject to tracking error minimum margin); or
- short index participation unit put options and short an equivalent number of qualifying baskets of index securities (note: subject to tracking error minimum margin); or
- short index participation unit put options and short an equivalent number of index participation units;

the minimum margin required must be the greater of:

- i) A) the normal margin required on the qualifying basket of index securities (or participation units); minus
- B) if any, the in-the-money value associated with the put option;

and

- ii) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.

c) Long call option combinations with short qualifying baskets of index securities or short index participation units

Where a client account contains one of the following option related combinations:

- long index call options and short an equivalent number of qualifying baskets of index securities; or
- long index call options and short an equivalent number of index participation units (note: subject to tracking error minimum margin); or
- long index participation unit call options and short an equivalent number of qualifying baskets of index securities (note: subject to tracking error minimum margin); or
- long index participation unit call options and short an equivalent number of index participation units;

the minimum margin required must be the sum of:

- i) 100% of the market value of the call options; and
- ii) the greater of:
 - A) the lesser of:
 - I) the aggregate exercise value of the call options; and
 - II) the normal credit required on the qualifying basket of index securities (or index participation units);

and

- B) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.

d) Long put option combinations with long qualifying baskets of index securities or long index participation units

Where a client account contains one of the following option related combinations:

- long index put options and long an equivalent number of qualifying baskets of index securities; or
- long index put options and long an equivalent number of index participation units (note: subject to tracking error minimum margin); or
- long index participation unit put options and long an equivalent number of qualifying baskets of index securities (note: subject to tracking error minimum margin); or
- long index participation unit put options and long an equivalent number of index participation units;

the minimum margin required must be the greater of:

- i) the lesser of:
 - A) the normal margin required on the qualifying basket of index securities (or index participation units); and
 - B) the excess of the combined market value of the qualifying basket of index securities (or index participation units) and the put option over the aggregate exercise value of the put option;

and

- ii) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.

e) Conversion or long tripo combinations

Where a client account contains one of the following option related combinations:

- long a qualifying basket of index securities, long an equivalent number of index put options and short an equivalent number of index call options (note: subject to incremental basket margin where qualifying basket is imperfect); or
- long index participation units, long an equivalent number of index put options and short an equivalent number of index call options (note: subject to tracking error minimum margin); or
- long a qualifying basket of index securities, long an equivalent number of index participation unit put options and short an equivalent number of index participation unit call options (note: subject to incremental basket margin where qualifying basket is imperfect and subject to tracking error minimum margin); or
- long index participation units, long an equivalent number of index participation unit put options and short an equivalent number of index participation unit call options;

the minimum margin required must be the sum of:

- i) where applicable, the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket;

and

- ii) the greater of:

A) the sum of:

I) 100% of the market value of the long put options; minus

II) 100% of the market value of the short call options; plus

III) the difference, plus or minus, between the market value of the qualifying basket of index securities (or index participation units) and the aggregate exercise value of the long put options, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the call options;

and

- B) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.

f) Reconversion or short tripo combinations

Where a client account contains one of the following option related combinations:

- short a qualifying basket of index securities, short an equivalent number of index put options and long an equivalent number of index call options (note: subject to incremental basket margin where qualifying basket is imperfect); or
- short index participation units, short an equivalent number of index put options and long an equivalent number of index call options (note: subject to tracking error minimum margin); or
- short a qualifying basket of index securities, short an equivalent number of index participation unit put options and long an equivalent number of index participation unit call options (note: subject to incremental basket margin where qualifying basket is imperfect and subject to tracking error minimum margin); or
- short index participation units, short an equivalent number of index participation unit put options and long an equivalent number of index participation unit call options;

the minimum margin required must be the sum of:

- i) where applicable, the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket;

and

- ii) the greater of:

A) the sum of:

I) 100% of the market value of the long call options; minus

II) 100% of the market value of the short put options; plus

III) the difference, plus or minus, between the aggregate exercise value of the long call options and the market value of the qualifying basket of index securities (or index participation units), where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the put options;

and

- B) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.

9110 – 9120 (reserved)

9121 Exchange Traded Futures Contracts – General
(01.01.05)

- a) The Bourse shall establish margin requirements applicable to futures contracts positions held by clients and no approved participant shall effect a futures contract transaction or carry an account for a client without proper and adequate margin, which must be obtained as promptly as possible and maintained in conformity with the provisions of this section;
- b) margin requirements established by the Bourse may be made applicable to one or more rather than all approved participants or clients if deemed necessary by the Bourse;
- c) for clients, the margin requirements will be satisfied by the deposit of cash, margin receipts or securities for which the loan value, as established pursuant to articles 7202 to 7206, equals or exceeds the margin required. In the case of a margin receipt, the receipt must certify that government securities are held for futures contracts positions of a named client. For the purposes of this receipt, the allowable government securities must mature within one year from the date of the deposit and the required margin covered by the receipt must not be greater than 90% of the par value of such securities held on deposit. All government securities which are an acceptable form of margin for the clearing corporation are acceptable;
- d) from time to time, the Bourse may impose special margin requirements with respect to particular futures contracts or particular positions in futures contracts.

9122 Simple or Spread Positions in Futures Contracts
(01.01.05)

a) Shares futures contracts positions

- i) For simple positions in share futures contracts held in a client's account, the margin required must be the sum of:
 - A) the floating margin rate of the underlying interest;and
 - B) the greater of:
 - I) 10% of the floating margin rate of the underlying interest; and

II) where the floating margin rate of the underlying interest is:

- a) less than 10%, 5%;
- b) less than 20% but greater or equal to 10%, 4%; or
- c) greater or equal to 20%, 3%;

multiplied by the daily settlement value of the futures contracts.

ii) For spread positions in share futures contracts held in a client's account, the margin requirements are determined by the Bourse in collaboration with the clearing corporation, from time to time.

b) Index futures contracts positions

The margin requirements which must be applied on all positions in index futures contracts held in a client's account are determined by the Bourse, in collaboration with the clearing corporation, from time to time.

9123 Share Futures Contracts and Security Combinations
(01.01.05)

a) Share futures contracts – underlying share combinations

Where a client account contains one of the following combinations:

- long share futures contract and short an equivalent position in the underlying share; or
- short share futures contract and long an equivalent position in the underlying share;

the minimum margin required must be the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share.

b) Short share futures contracts – long warrants, rights, instalment receipts combination

Where a client holds a short share futures contract on the shares of an issuer and a long position in warrants, rights, shares, instalment receipts or other securities pursuant to the terms of which the holder is entitled to acquire the same class and at least the same number of shares of the same issuer, the margin required must be equal to the difference between the market value of the long position and the settlement value of the short share futures contract, plus the aggregate of the subscription price or other cost or charge payable in connection with the acquisition of shares underlying to the relevant warrant, right, share, instalment receipt or other security.

c) Short share futures contracts – long capital shares

Where a client holds a long position in capital shares and a short share futures contract, the margin required is the margin as prescribed in article 7202 A) 2) a).

In no case the margin required may be less than 3% of the settlement value of the share futures contract.

The market value of the underlying security to be used for the calculation of the required margin pursuant to article 7202 A 2) a) is the settlement value of the share futures contract.

9124 Share Futures Contracts Combinations with Equity Options
(01.01.05)

With respect to equity options and share futures contracts held in clients accounts, where the option contracts and the futures contracts have the same settlement date, or can be settled in either of the two nearest contract months, the option contracts and the futures contracts may be offset as follows:

a) Short equity call options – long share futures contracts

Where a call option is carried short for a client's account and the account is also long a share futures contract on the same number of units of trading on the same underlying share, the minimum margin required must be the greater of:

- i) A) the margin required on the futures contract; less
- B) the aggregate market value of the call option;

and

- ii) the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share.

b) Short equity put options – short share futures contracts

Where a put option is carried short for a client's account and the account is also short a share futures contract on the same number of units of trading on the same underlying share, the minimum margin required must be the greater of:

- i) A) the margin required on the futures contract; less
- B) the aggregate market value of the put option;

and

- ii) the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share.

c) Long equity call options – short share futures contracts

Where a call option is carried long for a client's account and the account is also short a share futures contract on the same number of units of trading on the same underlying share, the minimum margin required must be the greater of:

- i) the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share;

and

- ii) A) *Out-of-the-money position*

The aggregate market value of the call option; plus the lesser of:

- I) the aggregate exercise value of the call option less the daily settlement value of the futures contract; or
- II) the margin required on the futures contract;

- B) *In-the-money or at-the-money position*

- I) the aggregate market value of the call option; less
- II) the aggregate in-the-money amount of the call option.

d) Long equity put options – long share futures contracts

Where a put option is carried long for a client's account and the account is also long a share futures contract on the same number of units of trading on the same underlying share, the minimum margin required must be the greater of:

- i) the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share;

and

- ii) A) *Out-of-the-money position*

The aggregate market value of the put option; plus the lesser of:

- I) the daily settlement value of the futures contract less the aggregate exercise value of the put option; or
- II) the margin required on the futures contract;

- B) *In-the-money or at-the-money position*

- I) the aggregate market value of the put option; less
- II) the aggregate in-the-money amount of the put option.

e) Conversion or long tripo combination involving equity options and share futures contracts

Where a put option is carried long for a client's account and the account is also short a call option and long a share futures contract on the same number of units of trading on the same underlying share with the same expiry date, the minimum margin required must be the greater of:

- i) A) the greater of the difference, plus or minus, between the daily settlement value of the long futures contract and the aggregate exercise value of the long put option or the short call option; plus
- B) the aggregate net market value of the put and call options;

and

- ii) the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share.

f) Reconversion or short tripo combination involving equity options and share futures contracts

Where a put option is carried short for a client's account and the account is also long a call option and short a share futures contract on the same number of units of trading on the same underlying share with the same expiry date, the minimum margin required must be the greater of:

- i) A) the greater of the difference, plus or minus, between the aggregate exercise value of the long call option or short put option and the daily settlement value of the short futures contract; plus
- B) the aggregate net market value of the put and call options;

and

- ii) the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share.

9125 Index Futures Contract Combinations with Qualifying Baskets of Index Securities and Index Participation Units
(01.01.05)

Where a client account contains one of the following futures contracts related combinations:

- long a qualifying basket of index securities and short an equivalent number of index futures contracts (note: subject to incremental basket margin where qualifying basket is imperfect); or

- long index participation units and short an equivalent number of index futures contracts; or
- short a qualifying basket of index securities and long an equivalent number of index futures contracts (note: subject to incremental basket margin where qualifying basket is imperfect); or
- short index participation units and long an equivalent number of index futures contracts;

the minimum margin required must be:

- i) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units; plus
- ii) where applicable, the calculated incremental basket margin rate for the qualifying basket of index securities;

multiplied by the market value of the qualifying basket of index securities (or index participation units).

9126 Index Futures Contract Combinations with Index Options (01.01.05)

With respect to offsets between index options, index participation unit options and index futures contracts held in client accounts, the option contracts and the futures contracts must have the same settlement date, or can be settled in either of the two nearest contract months, and no partial offsets are permitted.

a) Short index call options or short index participation unit call options – long index futures contracts

Where a client account contains one of the following futures contracts and options related combinations:

- short index call options and long index futures contracts; or
- short index participation unit call options and long index futures contracts;

the minimum margin required must be the greater of:

- i) A) the margin required on the futures contracts; less
 - B) the aggregate market value of the call options;

and

- ii) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units.

b) Short index put options or short index participation unit put options – short index futures contracts

Where a client account contains one of the following futures contracts and options related combinations:

- short index put options and short index futures contracts; or
- short index participation unit put options and short index futures contracts;

the minimum margin required must be the greater of:

- i) A) the margin required on the futures contracts; less
B) the aggregate market value of the put options;

and

- ii) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units.

c) Long index call options or long index participation unit call options – short index futures contracts

Where a client account contains one of the following futures contracts and options related combinations:

- long index call options and short index futures contracts; or
- long index participation unit call options and short index futures contracts;

the minimum margin required must be the greater of:

- i) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units;

and

- ii) A) *Out-of-the-money position*

The aggregate market value of the call options; plus the lesser of:

- I) the aggregate exercise value of the call options less the daily settlement value of the futures contracts; or

- II) the margin required on the futures contracts;
- B) *In-the-money or at-the-money position*
 - I) the aggregate market value of the call options; less
 - II) the aggregate in-the-money amount of the call options.

d) Long index put options or long index participation unit put options – long index futures contracts

Where a client account contains one of the following futures contracts and options related combinations:

- long index put options and long index futures contracts; or
- long index participation unit put options and long index futures contracts;

the minimum margin required must be the greater of:

- i) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units;

and

- ii) A) *Out-of-the-money position*

the aggregate market value of the put options; plus the lesser of:

- I) the daily settlement value of the futures contracts less the aggregate exercise value of the put options; or
- II) the margin required on the futures contracts;

- B) *In-the-money or at-the-money position*

- I) the aggregate market value of the put options; less
- II) the aggregate in-the-money amount of the put options.

e) Conversion or long tripo combination involving index options or index participation unit options and index futures contracts

Where a client account contains one of the following tripo combinations:

- long index futures contracts and long index put options and short index call options with the same expiry date; or
- long index futures contracts and long index participation unit put options and short index participation unit call options with the same expiry date;

the minimum margin required must be the greater of:

- i) A) the greater of the difference, plus or minus, between the daily settlement value of the long futures contracts and the aggregate exercise value of the long put options or the short call options; plus
B) the aggregate net market value of the put and call options;

and

- ii) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units.

f) Reconversion or short tripo combination involving index options or index participation unit options and index futures contracts

Where a client account contains one of the following tripo combinations:

- short index futures contracts and short index put options and long index call options with the same expiry date; or
- short index futures contracts and short index participation unit put options and long index participation unit call options with the same expiry date;

the minimum margin required must be the greater of:

- i) A) the greater of the difference, plus or minus, between the aggregate exercise value of the long call options or short put options and the daily settlement value of the short futures contracts; plus
B) the aggregate net market value of the put and call options;

and

- ii) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units.

9127 – 9150 (reserved)**9151 Margin Requirements for Positions in and Offsets Involving OCC Options**
(01.01.05)

The margin requirements for OCC options must be the same as set out in articles 9101 through 9150.

9152 Margin Requirements for Positions in and Offsets Involving Sponsored Options
(01.01.05)

The margin requirements for sponsored options are the same as the margin requirements for options set out in articles 9101 through 9150, with the following exceptions:

- a) in the case of pairings involving European-style or cash settlement sponsored options, the required margin must not be less than 5% of the underlying security market value;
- b) for pairings, the units of trading for call or put sponsored options must represent equivalent units of trading of any other options or an equivalent quantity of the underlying interest; and
- c) in the case of sponsored options, a client of an approved participant is prohibited to hold a short position with the exception of sponsors for whom the capital rules applicable are those defined in articles 9201 through 9300.

Section 9201 - 9300
Capital Requirements on Equity-Related Derivatives

9201 Exchange Traded Options – General
(01.01.05)

- a) With respect to an approved participant account, a market maker account, a restricted trading permit holder account for which a clearing approved participant has issued a letter of authorization or a sponsor account, the Bourse has established certain charges against capital;
- b) in the treatment of spreads, the long position may expire before the short position;
- c) for any short position carried for a client or non-client account where the account has not provided required margin, any shortfall must be charged against the approved participant's capital;
- d) where an approved participant account holds both CDCC options and OCC options that have the same underlying interest, the OCC options may be considered to be options for the purposes of the calculation of the capital requirements for the account under the provisions of this section;
- e) from time to time the Bourse may impose special capital requirements with respect to particular options or particular positions in options.

9202 Long Option Positions
(01.01.05)

- a) For approved participant accounts, subject to paragraph b), the capital required for long options must be the sum of:
 - i) where the period to expiry is greater or equal to 9 months, 50% of the option's time value, 100% of the option's time value otherwise; and
 - ii) the lesser of:
 - A) the normal margin required on the underlying interest; or
 - B) if any, the in-the-money value associated with the option.

For the purpose of the present article, "the option's time value" means any excess of the market value of the option over the in-the-money value of the option.

- b) where, in the case of equity options, the underlying security in respect of a long call option is the subject of a legal and binding cash take-over bid for which all the conditions have been met, the capital required on such call option must be the market value of the call option, less the amount by which the amount offered exceeds the exercise price of the call option. Where such a take-over bid is made for less than 100% of the issued and outstanding securities, the capital requirement must be applied pro-rata in the same proportion as the offer, and paragraph a) must apply to the balance.

9203 Short Option Positions
(01.01.05)

The minimum capital required which must be maintained in respect of an option carried short in an approved participant account must be:

i) a percentage of the market value of the underlying interest determined using the following percentages:

- A) for equity options or equity participation unit options, 15%;
- B) for index options or index participation unit options, the published floating margin rate for the index or index participation unit;

minus

ii) any out-of-the-money amount associated with the option.

9204 Covered Option Positions
(01.01.05)

a) No capital is required for a call option carried short in an approved participant account, which is covered by the deposit of an escrow receipt. The underlying interest deposited in respect of such options shall not be deemed to have any value for capital purposes.

Evidence of a deposit of the underlying interest shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation;

b) no capital is required for a put option carried short in an approved participant account which is covered by the deposit of an escrow receipt which certifies that acceptable government securities are being held by the issuer of the escrow receipt for the account of the approved participant. The acceptable government securities held on deposit:

i) must be government securities:

A) which are acceptable forms of margin for the clearing corporation; and

B) which mature within one year of their deposit; and

ii) shall not be deemed to have any value for capital purposes.

The aggregate exercise value of the short put options must not be greater than 90% of the aggregate par value of the acceptable government securities held on deposit. Evidence of the deposit of the acceptable government securities shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse on request. The issuer of the

escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation; and

- c) no capital is required for a put option carried short in an approved participant account if the approved participant has obtained a letter of guarantee, issued by a financial institution which has been authorized by the clearing corporation to issue escrow receipts, in a form satisfactory to the Bourse, and is:
- i) a bank which is a Canadian chartered bank or a Quebec savings bank; or
 - ii) a trust company which is licensed to do business in Canada, with a minimum paid-up capital and surplus of \$5,000,000;

provided that the letter of guarantee certifies that the bank or trust company:

- iii) holds on deposit for the account of the approved participant cash in the full amount of the aggregate exercise value of the put option and that such amount will be paid to the clearing corporation against delivery of the underlying interest covered by the put option; or
- iv) unconditionally and irrevocably guarantees to pay to the clearing corporation the full amount of the aggregate exercise value of the put option against delivery of the underlying interest covered by the put option;

and further provided that the approved participant has delivered the letter of guarantee to the clearing corporation and the clearing corporation has accepted it as margin.

9205 Option Spreads and Combinations (01.01.05)

a) Call spreads and put spreads

Where an approved participant account contains one of the following spread pairings:

- long call option and short call option; or
- long put option and short put option;

the minimum capital required must be the lesser of:

- i) the capital required on the short option; or
- ii) the spread loss amount, if any, that would result if both options were exercised.

b) Short call – short put spreads

Where a call option is carried short for an approved participant's account and the account is also short a put option on the same number of units of trading on the same underlying interest, the minimum capital required must be the greater of:

- i) the greater of:
 - A) the capital required on the call option; or
 - B) the capital required on the put option;

and

- ii) the excess of the aggregate exercise value of the put option over the aggregate exercise value of the call option.

c) Long call – long put spreads

Where a call option is carried long for an approved participant's account and the account is also long a put option on the same number of units of trading on the same underlying interest, the minimum capital required must be the lesser of:

- i) the sum of:
 - A) the margin required for the call option; and
 - B) the margin required for the put option;

and

- ii) the sum of:
 - A) 100% of the market value of the call option; plus
 - B) 100% of the market value of the put option; minus
 - C) the amount by which the aggregate exercise value of the put option exceeds the aggregate exercise value of the call option.

d) Long call – short call – long put

Where a call option is carried long for an approved participant's account and the account is also short a call option and long a put option on the same number of units of trading on the same underlying interest, the minimum capital required must be:

- i) 100% of the market value of the long call option; plus
- ii) 100% of the market value of the long put option; minus
- iii) 100% of the market value of the short call option; plus
- iv) the greater of:
 - A) any excess of the aggregate exercise value of the long call option over the aggregate exercise value of the short call option; and
 - B) any excess of the aggregate exercise value of the long call option over the aggregate exercise value of the long put option.

Where the amount calculated in iv) is negative, this amount may be applied against the capital charge.

e) Short call – long warrant

Where a call option is carried short for an approved participant's account and the account is also long a warrant on the same number of units of trading on the same underlying interest, the minimum capital required must be the sum of:

i) the lesser of:

A) the capital required on the call option; or

B) the spread loss amount, if any, that would result if both the option and the warrant were exercised;

and

ii) the excess of the market value of the warrant over the in-the-money value of the warrant multiplied by 25%;

and

iii) the in-the-money value of the warrant, multiplied by:

A) 50%, where the expiration date of the warrant is 9 months or more away; or

B) 100%, where the expiration date of the warrant is less than 9 months away.

The market value of the short call option may be used to reduce the capital required on the long warrant, but cannot reduce the capital required to less than zero.

9206 Options and Security Combinations
(01.01.05)

a) Short call – long underlying (or convertible) combination

Where, in the case of equity or equity participation unit options, a call option is carried short in an approved participant's account and the account is also long an equivalent position in the underlying interest or in the case of equity options in a security readily convertible or exchangeable (without restrictions other than the payment of consideration and within a reasonable time provided such time must be prior to the expiration of the call option) into the underlying interest, or in the case of equity participation unit options in securities readily exchangeable into the underlying interest, the minimum capital required must be the sum of:

i) A) the normal capital required on the underlying interest; minus

B) if any, the in-the-money value associated with the call option;

and

- ii) where a convertible security or exchangeable security is held, any excess of the market value of the convertible or exchangeable security over the market value of the equivalent number of underlying securities.

The market value of the short call option may be used to reduce the capital required on the long security, but cannot reduce the capital required to less than zero.

b) Short put – short underlying combination

Where, in the case of equity or equity participation unit options, a put option is carried short in an approved participant's account and the account is also short an equivalent position in the underlying interest, the minimum capital required must be:

- i) the normal capital required on the underlying interest; minus
- ii) if any, the in-the-money value associated with the put option.

The market value of the short put option may be used to reduce the capital required on the short security, but cannot reduce the capital required to less than zero.

c) Long call – short underlying combination

Where, in the case of equity or equity participation unit options, a call option is carried long in an approved participant's account and the account is also short an equivalent position in the underlying interest, the minimum capital required must be the sum of:

- i) 100% of the market value of the call option; and
- ii) the lesser of:
 - A) any out-of-the-money value associated with the call option; or
 - B) the normal capital required on the underlying interest.

Where the call option is in-the-money, this in-the-money value may be applied against the capital required, but cannot reduce the capital required to less than zero.

d) Long put – long underlying combination

Where, in the case of equity or equity participation unit options, a put option is carried long in an approved participant's account and the account is also long an equivalent position in the underlying interest, the minimum capital required must be the lesser of:

- i) the normal capital required on the underlying interest; and

- ii) the excess of the combined market value of the underlying interest and the put option over the aggregate exercise value of the put option.

Where the put option is in-the-money, this in-the-money value may be applied against the capital required, but cannot reduce the capital required to less than zero.

e) Conversion or long tripo combination

Where, in the case of equity or equity participation unit options, a position in an underlying interest is carried long in an approved participant's account and the account is also long an equivalent position in put options and short an equivalent position in call options, the minimum capital required must be:

- i) 100% of the market value of the long put options; minus
- ii) 100% of the market value of the short call options; plus
- iii) the difference, plus or minus, between the market value of the underlying interest and the aggregate exercise value of the long put options, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the call options.

f) Reconversion or short tripo combination

Where, in the case of equity or equity participation unit options, a position in an underlying interest is carried short in an approved participant's account and the account is also long an equivalent position in call options and short an equivalent position in put options, the minimum capital required must be:

- i) 100% of the market value of the call options; minus
- ii) 100% of the market value of the short put options; plus
- iii) the difference, plus or minus, between the aggregate exercise value of the long call options and the market value of the underlying interest, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the put options.

9207 Option Spreads Involving Index Products
(01.01.05)

In addition to the option spreads permitted in article 9205, the following additional option spread strategies are available for positions in index options and index participation unit options:

a) Box spread

Where an approved participant account contains one of the following box spread combinations:

- box spread involving index options; or

- box spread involving index participation unit options;

such that an approved participant holds a long and short call option and a long and short put option with the same expiry month and where the long call option and short put option, and short call option and long put option have the same strike price, the minimum capital required must be the lesser of:

- i) the difference, plus or minus, between the aggregate exercise value of the long call options and the aggregate exercise value of the long put options; and
- ii) the net market value of the options.

b) Long butterfly spread

Where an approved participant account contains one of the following butterfly spread combinations:

- long butterfly spread involving index options; or
- long butterfly spread involving index participation unit options;

such that an approved participant holds a short position in two call options (or put options) and the short call options (or short put options) are at a middle strike price and are flanked on either side by a long call option (or long put option) having respectively a lower and higher strike price, the minimum capital required must be the net market value of the short and long call options (or put options).

c) Short butterfly spread

Where an approved participant account contains one of the following butterfly spread combinations:

- short butterfly spread involving index options; or
- short butterfly spread involving index participation unit options;

such that an approved participant holds a long position in two call options (or put options) and the long call options (or long put options) are at a middle strike price and are flanked on either side by a short call option (or short put option) having respectively a lower and higher strike price, the minimum capital required must be the amount, if any, by which the exercise value of the long call options (or long put options) exceeds the exercise value of the short call options (or short put options).

**9208 Index Options and Index Participation Unit Option Spread Combinations
(01.01.05)**

a) Call spread combinations and put spread combinations

Where an approved participant account contains one of the following spread combinations:

- long index call option and short index participation unit call option; or
- long index participation unit call option and short index call option; or
- long index put option and short index participation unit put option; or
- long index participation unit put option and short index put option;

the minimum capital required must be the lesser of:

- i) the capital required on the short option; and
- ii) the greater of:
 - A) the spread loss amount, if any, that would result if both options were exercised; and
 - B) the published tracking error margin rate for a spread between the index and the related participation units, multiplied by the market value of the underlying participation units.

b) Short call – short put spread combinations

Where an approved participant account contains one of the following spread combinations:

- short index call option and short index participation unit put option; or
- short index participation unit call option and short index put option;

the minimum capital required must be the greater of:

- i) the greater of:
 - A) the capital required on the short call option; or
 - B) the capital required on the short put option;

and

- ii) the excess of the aggregate exercise value of the short put option over the aggregate exercise value of the short call option;

and

- iii) the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.

9209 Index Option Combinations with Qualifying Baskets of Index Securities and Index Participation Units
(01.01.05)

a) Short call option combinations with long qualifying baskets of index securities or long index participation units

Where an approved participant account contains one of the following option related combinations:

- short index call options and long an equivalent number of qualifying baskets of index securities;
or
- short index call options and long an equivalent number of index participation units (note: subject to tracking error minimum margin); or
- short index participation unit call options and long an equivalent number of qualifying baskets of index securities (note: subject to tracking error minimum margin); or
- short index participation unit call options and long an equivalent number of index participation units;

the minimum capital required must be the greater of:

- i) A) the normal capital required on the qualifying basket of index securities (or index participation units); minus
B) if any, the in-the-money value associated with the call option;

and

- ii) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.

b) Short put option combinations with short qualifying index baskets or short index participation units

Where an approved participant account contains one of the following option related combinations:

- short index put options and short an equivalent number of qualifying baskets of index securities;
or
- short index put options and short an equivalent number of index participation units (note: subject to tracking error minimum margin); or
- short index participation unit put options and short an equivalent number of qualifying baskets of index securities (note: subject to tracking error minimum margin); or

- short index participation unit put options and short an equivalent number of index participation units;

the minimum capital required must be the greater of:

- i) A) the normal capital required on the qualifying basket of index securities (or index participation units); minus
B) if any, the in-the-money value associated with the put option;

and

- ii) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.

c) Long call option combinations with short qualifying baskets of index securities or short index participation units

Where an approved participant account contains one of the following option related combinations:

- long index call options and short an equivalent number of qualifying baskets of index securities; or
- long index call options and short an equivalent number of index participation units (note: subject to tracking error minimum margin); or
- long index participation unit call options and short an equivalent number of qualifying baskets of index securities (note: subject to tracking error minimum margin); or
- long index participation unit call options and short an equivalent number of index participation units;

the minimum capital required must be the sum of:

- i) 100% of the market value of the call options; and
- ii) the greater of:
 - A) the lesser of:
 - I) the aggregate exercise value of the call options less the market value of the qualifying basket of index securities (or index participation units); and
 - II) the normal capital required on the qualifying basket of index securities (or index participation units);

and

- B) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.

d) Long put option combinations with long qualifying baskets of index securities or long index participation units

Where an approved participant account contains one of the following option related combinations:

- long index put options and long an equivalent number of qualifying baskets of index securities; or
- long index put options and long an equivalent number of index participation units (note: subject to tracking error minimum margin); or
- long index participation unit put options and long an equivalent number of qualifying baskets of index securities (note: subject to tracking error minimum margin); or
- long index participation unit put options and long an equivalent number of index participation units;

the minimum capital required must be the greater of:

- i) the lesser of:
 - A) the normal capital required on the qualifying basket (or participation units); and
 - B) the excess of the combined market value of the qualifying basket (or participation units) and the put option over the aggregate exercise value of the put option;

and

- ii) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.

e) Conversion or long tripo combinations

Where an approved participant account contains one of the following option related combinations:

- long a qualifying basket of index securities, long an equivalent number of index put options and short an equivalent number of index call options (note: subject to incremental basket margin where qualifying basket is imperfect); or

- long index participation units, long an equivalent number of index put options and short an equivalent number of index call options (note: subject to tracking error minimum margin); or
- long a qualifying basket of index securities, long an equivalent number of index participation unit put options and short an equivalent number of index participation unit call options (note: subject to incremental basket margin where qualifying basket is imperfect and subject to tracking error minimum margin); or
- long index participation units, long an equivalent number of index participation unit put options and short an equivalent number of index participation unit call options;

the minimum capital required must be the sum of:

- i) where applicable, the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket;

and

- ii) the greater of:

A) the sum of:

I) 100% of the market value of the long put options; minus

II) 100% of the market value of the short call options; plus

III) the difference, plus or minus, between the market value of the qualifying basket of index securities (or index participation units) and the aggregate exercise value of the long put options, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the call options;

and

B) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.

f) Reconversion or short tripo combinations

Where an approved participant account contains one of the following option related combinations:

- short a qualifying basket of index securities, short an equivalent number of index put options and long an equivalent number of index call options (note: subject to incremental basket margin where qualifying basket is imperfect); or
- short index participation units, short an equivalent number of index put options and long an equivalent number of index call options (note: subject to tracking error minimum margin); or

- short a qualifying basket of index securities, short an equivalent number of index participation unit put options and long an equivalent number of index participation unit call options (note: subject to incremental basket margin where qualifying basket is imperfect and subject to tracking error minimum margin); or
- short index participation units, short an equivalent number of index participation unit put options and long an equivalent number of index participation unit call options;

the minimum capital required must be the sum of:

- i) where applicable, the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket;

and

- ii) the greater of:

- A) the sum of:

- I) 100% of the market value of the long call options; minus

- II) 100% of the market value of the short put options; plus

- III) the difference, plus or minus, between the aggregate exercise value of the long call options and the market value of the qualifying basket of index securities (or index participation units), where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the put options;

and

- B) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.

9210 Index Option Combinations with Qualifying Baskets of Index Securities and Commitment to Purchase Index Participation Units

(01.01.05)

- a) **Short index participation unit call options – long qualifying basket of index securities – commitment to purchase index participation units**

Where an approved participant holds a long position in a qualifying basket of index securities offset by an equivalent number of short index participation unit call options, and has a commitment to purchase a new issue of index participation units pursuant to an underwriting agreement and the underwriting period expires after the expiry date of the short call options, provided the size of the long qualifying basket does not exceed the size of the approved participant's underwriting commitment to purchase index participation units, the capital required must be the normal capital

required on the long qualifying basket less the market value of the short call options, but in no event must the capital required be less than zero.

b) Long index participation unit put options – long qualifying basket of index securities – commitment to purchase index participation units

Where an approved participant holds a long position in a qualifying basket of index securities offset by an equivalent number of long index participation unit put options, and has a commitment to purchase a new issue of index participation units pursuant to an underwriting agreement and the underwriting period expires after the expiry date of the long put options, provided the size of the long qualifying basket does not exceed the size of the approved participant's underwriting commitment to purchase index participation units, the capital required must be:

- i) 100% of the market value of the long put options; plus
- ii) the lesser of:
 - A) the normal capital required on the long qualifying basket; or
 - B) the market value of the qualifying basket less the aggregate exercise value of the put options.

A negative value calculated under ii) B) may reduce the capital required on the put options, but in no event must the capital required be less than zero.

9211 – 9220 (reserved)

9221 Exchange Traded Futures Contracts – General
(01.01.05)

- a) With respect to an account of an approved participant, market-maker, or restricted trading permit holder for which a clearing approved participant has issued a letter of guarantee, the Bourse may establish certain charges against the capital of the approved participant carrying the account, which charges may be less onerous than margin requirements applicable to clients but for which the approved participant must maintain adequate capital resources at all times;
- b) capital requirements established by the Bourse may be made applicable to one or more rather than all approved participants if deemed necessary by the Bourse;
- c) from time to time the Bourse may impose special capital requirements with respect to particular futures contracts or particular positions in futures contracts.

9222 Simple or Spread Positions in Futures Contracts
(01.01.05)**a) Share futures contracts positions**

- i) For simple positions in share futures contracts held in an approved participant's account, the capital required must be the floating margin rate of the underlying interest multiplied by the daily settlement value of the futures contracts;
- ii) for spread positions in shares futures contracts held in an approved participant's account, the capital requirements are determined by the Bourse, in collaboration with the clearing corporation, from time to time.

b) Index futures contracts positions

The capital requirements which must be applied on all positions in index futures contracts held in an approved participant's account are determined by the Bourse, in collaboration with the clearing corporation, from time to time.

9223 Share Futures Contracts and Security Combinations
(01.01.05)**a) Share futures contracts – underlying share combinations**

Where an approved participant account contains one of the following combinations:

- long share futures contract and short an equivalent position in the underlying share; or
- short share futures contract and long an equivalent position in the underlying share;

the minimum capital required must be the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share.

b) Short share futures contracts – long convertible security combination

Where an approved participant holds a short share futures contract on the shares of an issuer and a long position in securities which are currently convertible or exchangeable into the same class and at least the same number of shares of the same issuer, the capital required must be the excess of the market value of the long position over the settlement value of the short share futures contracts.

Any residual net credit money balance between the market value and settlement value of the positions which are paired cannot be used to reduce capital otherwise required on the long or short position remaining unhedged after applying the pairing described above.

Where the securities representing the long position held by the approved participant are not convertible or exchangeable until the expiry of a specific period of time but the approved participant has entered into a written, legally enforceable agreement, pursuant to which it has borrowed securities of the same class as those of the short position which do not have to be returned until the

expiration of the period of time until conversion or exchange, the above-mentioned pairing may be done as if the securities representing the long position were currently convertible or exchangeable.

c) Short share futures contracts – long warrants, rights, instalment receipts combination

Where an approved participant holds a short share futures contract on the shares of an issuer and a long position in warrants, rights, shares, instalment receipts or other securities pursuant to the terms of which the holder is entitled to acquire the same class and at least the same number of shares of the same issuer, the capital required must be equal to the aggregate of the subscription price or other cost or charge payable in connection with the acquisition of the underlying shares pursuant to the warrant, right, share, instalment receipt or other security plus (or minus, if the result is negative) the difference between the aggregate market value of the warrant, right, share, instalment receipt or other security and the settlement value of the share futures contracts.

d) Short share futures contracts – long capital shares

Where an approved participant holds a long position in capital shares and a short share futures contract, the capital required is the capital as prescribed in article 7202A 2) a).

In no case, the capital required shall be less than 3% of the settlement value of the share futures contract.

The market value of the underlying security to be used for the calculation of the required capital pursuant to article 7202A 2) a) is the settlement value of the share futures contract.

9224 Share Futures Contracts Combinations with Equity Options
(01.01.05)

With respect to equity options and share futures contracts held in approved participants accounts, where the option contracts and the futures contracts have the same settlement date, or can be settled in either of the two nearest contract months, the option contracts and the futures contracts may be offset as follows:

a) Short equity call options – long share futures contracts

Where a call option is carried short for an approved participant's account and the account is also long a share futures contract on the same number of units of trading on the same underlying share, the minimum capital required must be the greater of:

- i) A) the capital required on the futures contract; less
- B) the aggregate market value of the call option;

and

- ii) the published tracking error margin rate for a spread between the futures contract and the related share, multiplied by the market value of the underlying share.

b) Short equity put options – short share futures contracts

Where a put option is carried short for an approved participant's account and the account is also short a share futures contract on the same number of units of trading on the same underlying share, the minimum capital required must be the greater of:

- i) A) the capital required on the futures contract; less
- B) the aggregate market value of the put option;

and

- ii) the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share.

c) Long equity call options – short share futures contracts

Where a call option is carried long for an approved participant account and the account is also short a share futures contract on the same number of units of trading on the same underlying share, the minimum capital required must be the greater of:

- i) the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share;

and

- ii) A) *Out-of-the-money position*

The aggregate market value of the call option; plus the lesser of:

- I) the aggregate exercise value of the call option less the daily settlement value of the futures contract; or
- II) the capital required on the futures contract;

- B) *In-the-money or at-the-money position*

- I) the aggregate market value of the call option; less
- II) the aggregate in-the-money amount of the call option.

d) Long equity put options – long share futures contracts

Where a put option is carried long for an approved participant's account and the account is also long a share futures contract on the same number of units of trading on the same underlying share, the minimum capital required must be the greater of:

- i) the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share;

and

- ii) A) *Out-of-the-money position*

The aggregate market value of the put option; plus the lesser of:

- I) the daily settlement value of the futures contract less the aggregate exercise value of the put option; or
- II) the capital required on the futures contract;

- B) *In-the-money or at-the-money position*

- I) the aggregate market value of the put option; less
- II) the aggregate in-the-money amount of the put option.

e) Conversion or long tripo combination involving equity options and share futures contracts

Where a put option is carried long for an approved participant's account and the account is also short a call option and long a share futures contract on the same number of units of trading on the same underlying share with the same expiry date, the minimum capital required must be the greater of:

- i) A) the greater of the difference, plus or minus, between the daily settlement value of the long futures contract and the aggregate exercise value of the long put option or the short call option; plus
- B) the aggregate net market value of the put and call options;

and

- ii) the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share.

f) Reconversion or short tripo combination involving equity options and share futures contracts

Where a put option is carried short for an approved participant's account and the account is also long a call option and short a share futures contract on the same number of units of trading on the same underlying share with the same expiry date, the minimum capital required must be the greater of:

- i) A) the greater of the difference, plus or minus, between the aggregate exercise value of the long call option or short put option and the daily settlement value of the short futures contract; plus
- B) the aggregate net market value of the put and call options;

and

- ii) the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share.

9225 Index Futures Contract Combinations with Qualifying Baskets of Index Securities and Index Participation Units
(01.01.05)

Where an approved participant account contains one of the following futures contracts related combinations:

- long a qualifying basket of index securities and short an equivalent number of index futures contracts (note: subject to incremental basket margin where qualifying basket is imperfect); or
- long index participation units and short an equivalent number of index futures contracts; or
- short a qualifying basket of index securities and long an equivalent number of index futures contracts (note: subject to incremental basket margin where qualifying basket is imperfect); or
- short index participation units and long an equivalent number of index futures contracts;

the capital required must be:

- i) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units; plus
- ii) where applicable, the calculated incremental basket margin rate for the qualifying basket of index securities;

multiplied by the market value of the qualifying basket of index securities (or index participation units).

9226 Index Futures Contract Combinations with Index Options
(01.01.05)

With respect to offsets between index options, index participation unit options and index futures contracts held in approved participant accounts, the option contracts and the futures contracts must have the same settlement date, or can be settled in either of the two nearest contract months, and no partial offsets are permitted.

a) Short index call options or short index participation unit call options – long index futures contracts

Where an approved participant account contains one of the following futures contracts and options related combinations:

- short index call options and long index futures contracts; or
- short index participation unit call options and long index futures contracts;

the minimum capital required must be the greater of:

- i) A) the capital required on the futures contracts; less
B) the aggregate market value of the call options;

and

- ii) the published tracking error margin rate for a spread between the futures contracts and the related index or participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units.

b) Short index put options or short index participation unit put options – short index futures contracts

Where an approved participant account contains one of the following futures contracts and options related combinations:

- short index put options and short index futures contracts; or
- short index participation unit put options and short index futures contracts;

the minimum capital required must be the greater of:

- i) A) the capital required on the futures contracts; less
B) the aggregate market value of the put options;

and

- ii) the published tracking error margin rate for a spread between the futures contract and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units.

c) Long index call options or long index participation unit call options – short index futures contracts

Where an approved participant account contains one of the following futures contracts and options related combinations:

- long index call options and short index futures contracts; or
- long index participation unit call options and short index futures contracts;

the minimum capital required must be the greater of:

- i) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units;

and

- ii) A) *Out-of-the-money position*

The aggregate market value of the call options, plus the lesser of:

- I) the aggregate exercise value of the call options, less the daily settlement value of the futures contracts; or
- II) the capital required on the futures contracts;

- B) *In-the-money or at-the-money position*

- I) the aggregate market value of the call options; less
- II) the aggregate in-the-money amount of the call options.

d) Long index put options or long index participation unit put options – long index futures contracts

Where an approved participant account contains one of the following futures contracts and options related combinations:

- long index put options and long index futures contracts; or
- long index participation unit put options and long index futures contracts;

the minimum capital required must be the greater of:

- i) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units;

and

ii) A) *Out-of-the-money position*

The aggregate market value of the put options, plus the lesser of:

- I) the daily settlement value of the futures contracts, less the aggregate exercise value of the put options; or
- II) the capital required on the futures contracts;

B) *In-the-money or at-the-money position*

- I) the aggregate market value of the put options; less
- II) the aggregate in-the-money amount of the put options.

e) **Conversion or long tripo combination involving index options or index participation unit options and index futures contracts**

Where an approved participant account contains one of the following tripo combinations:

- long index futures contracts and long index put options and short index call options with the same expiry date; or
- long index futures contracts and long index participation unit put options and short index participation unit call options with the same expiry date;

the minimum capital required must be the greater of:

- i) A) the greater of the difference, plus or minus, between the daily settlement value of the long futures contracts and the aggregate exercise value of the long put options or the short call options; plus
- B) the aggregate net market value of the put and call options;

and

- ii) the published tracking error margin rate for a spread between the futures contract and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units.

f) **Reconversion or short tripo combinations involving index options or index participation unit options and index futures contracts**

Where an approved participant account contains one of the following tripo combinations:

- short index futures contracts and short index put options and long index call options with the same expiry date; or
- short index futures contracts and short index participation unit put options and long index participation unit call options with the same expiry date;

the minimum capital required must be the greater of:

- i) A) the greater of the difference, plus or minus, between the aggregate exercise value of the long call options or short put options and the daily settlement value of the short futures contracts; plus
B) the aggregate net market value of the put and call options;

and

- ii) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units.

9227 – 9250 (reserved)

9251 Capital Requirements for Positions In and Offsets Involving OCC Options
(01.01.05)

The capital requirements for OCC options must be the same as set out in articles 9201 through 9250.

9252 Capital Requirements for Positions In and Offsets Involving Sponsored Options
(01.01.05)

The capital requirements for sponsored options are the same as the capital requirements for options set out in articles 9201 through 9250, with the following exceptions:

- a) in the case of pairings involving European-style or cash settlement sponsored options, the required capital must not be less than 5% of the underlying security market value;
- b) for pairings, the units of trading for call or put sponsored options must represent equivalent units of trading of any other options or an equivalent quantity of the underlying interest.

Section 9301 – 9400
Margin Requirements on Interest Rate Related Derivatives

9301 Exchange Traded Options - General
(01.01.05)

- a) The Bourse shall establish margin requirements applicable to options positions held by clients and no approved participant shall effect an option transaction or carry an account for a client without proper and adequate margin, which must be obtained as promptly as possible and maintained in conformity with the provisions of this section;
- b) all opening selling transactions and resulting short positions must be carried in a margin account;
- c) each option must be margined separately and any difference between the market price of the underlying interest and the exercise price of the option must be considered to be of value only in providing the amount of margin required on that particular option;
- d) where a client account holds both options and OCC options that have the same underlying interest, the OCC options may be considered to be options for the purposes of the calculation of the margin requirements for the account under the provisions of this section;
- e) from time to time the Bourse may impose special margin requirements with respect to particular options or particular positions in options.

9302 Long Option Positions
(01.01.05)

All purchases of options must be for cash and long positions shall have no value for margin purposes.

9303 Short Option Positions
(01.01.05)

- a) The minimum margin requirement which must be maintained in respect of an option carried short in a client account must be:
 - i) 100% of the market value of the option; plus
 - ii) a percentage of the market value of the underlying interest, determined using the following percentages:
 - A) underlying interest maturing over 10 years, 3%;
 - B) underlying interest maturing over 3 years to 10 years, 1.75%; or
 - C) underlying interest maturing in 3 years or less, 1%;
- minus
- iii) any out-of-the-money amount associated with the option.

- b) Paragraph a) notwithstanding, the minimum margin requirement which must be maintained and carried in a client account trading in options must not be less than:
 - i) 100% of the market value of the option; plus
 - ii) an additional requirement determined by multiplying 0.50% by the market value of the underlying interest.

9304 Covered Option Positions
(01.01.05)

- a) No margin is required for a call option carried short in a client's account which is covered by the deposit of an escrow receipt. The underlying interest deposited in respect of such options shall not be deemed to have any value for margin purposes.

Evidence of a deposit of the underlying interest shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation;

- b) no margin is required for a put option carried short in a client's account which is covered by the deposit of an escrow receipt which certifies that acceptable government securities are being held by the issuer of the escrow receipt for the account of the client. The acceptable government securities held on deposit:
 - i) must be government securities:
 - A) which are acceptable forms of margin for the clearing corporation; and
 - B) which mature within one year of their deposit; and
 - ii) shall not be deemed to have any value for margin purposes.

The aggregate exercise value of the short put option must not be greater than 90% of the aggregate par value of the acceptable government securities held on deposit. Evidence of the deposit of the acceptable government securities shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse on request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation; and

- c) no margin is required for a put option carried short in a client's account if the client has delivered to the approved participant with which such position is maintained a letter of guarantee, issued by a financial institution which has been authorized by the clearing corporation to issue escrow receipts, in a form satisfactory to the Bourse, and is:

- i) a bank which is a Canadian chartered bank or a Quebec savings bank; or
- ii) a trust company which is licensed to do business in Canada, with a minimum paid-up capital and surplus of \$5,000,000;

provided that the letter of guarantee certifies that the bank or trust company,

- iii) holds on deposit for the account of the client cash in the full amount of the aggregate exercise value of the put option and that such amount will be paid to the clearing corporation against delivery of the underlying interest covered by the put option; or
- iv) unconditionally and irrevocably guarantees to pay to the clearing corporation the full amount of the aggregate exercise value of the put option against delivery of the underlying interest covered by the put option;

and further provided that the approved participant has delivered the letter of guarantee to the clearing corporation and the clearing corporation has accepted it as margin.

9305 Options Spreads and Combinations (01.01.05)

a) Call spreads and put spreads

Where a client account contains one of the following spread pairings:

- long call option and short call option; or
- long put option and short put option;

and the short option expires on or before the date of expiration of the long option, the minimum margin required for the spread pairing must be the lesser of:

- i) the margin required on the short option; or
- ii) the spread loss amount, if any, that would result if both options were exercised.

b) Short call – short put spreads

Where a call option is carried short for a client's account and the account is also short a put option on the same number of units of trading on the same underlying interest, the minimum margin required must be the sum of:

- i) the greater of:
 - A) the margin required on the call option; or

B) the margin required on the put option;

and

ii) the loss amount that would result if the option having the lesser margin required was exercised.

9306 Option and Security Combinations
(01.01.05)

a) Short call – long underlying combination

Where, in the case of bond options, a call option is carried short in a client's account and the account is also long an equivalent position in the underlying bond, the minimum margin required must be the lesser of:

- i) the margin required on the underlying bond; or
- ii) the margin required on the underlying bond based on the exercise price of the call option.

For purposes of this Rule, " underlying bond " includes any bond issue of the Government of Canada which:

- i) has a higher coupon rate than the underlying bond;
- ii) has an aggregate face value at maturity of at least \$1,000,000,000;
- iii) trades at a price of \$5 per \$100 face value greater than the underlying bond; and
- iv) matures no sooner than 2 years prior to the underlying bond.

b) Short put – short underlying combination

Where, in the case of bond options, a put option is carried short in a client's account and the account is also short an equivalent position in the underlying bond, the minimum margin required must be the greater of:

- i) the margin required on the underlying bond; or
- ii) the margin required on the underlying bond based on the exercise price of the put option.

c) Long call – short underlying combination

Where, in the case of bond options, a call option is carried long in a client's account and the account is also short an equivalent position in the underlying bond, the minimum margin required must be the sum of:

- i) 100% of the market value of the call option; and

- ii) the lesser of:
 - A) the aggregate exercise value of the call option; or
 - B) the normal margin required on the underlying bond.

d) Long put – long underlying combination

Where, in the case of bond options, a put option is carried long in a client's account and the account is also long an equivalent position in the underlying bond, the minimum margin required must be the sum of:

- i) 100% of the market value of the put option; and
- ii) 50% of the margin required on the underlying bond; and
- iii) any out-of-the-money value associated with the put option, up to the amount determined in ii) above.

9307 – 9310 (reserved)

9311 Long Option on Futures Contracts Positions
(01.01.05)

All purchases of options must be for cash and long positions shall have no loan value for margin purposes.

9312 Short Option on Futures Contracts Positions
(01.01.05)

The minimum margin requirement which must be maintained in respect of an option carried short in a client account must be:

- i) 100% of the market value of the option; plus
- ii) the greater of:
 - A) 50% of the normal margin required on the underlying futures contract; or
 - B) the normal margin required on the underlying futures contract less 50% of the amount by which the option is out-of-the-money.

9313 Options on Futures Contracts Spreads and Combinations
(01.01.05)

a) Call spreads and put spreads

i) Where a client account contains one of the following spread pairings:

- long call option and short call option with the same or higher exercise price; or
- long put option and short put option with the same or lower exercise price;

the minimum margin required for the spread pairing must be:

- A) 100% of the market value of the long option; minus
- B) 100% of the market value of the short option; plus
- C) where the long option expires before the short option, 50% of the normal margin required on the underlying futures contract.

ii) Where a client account contains one of the following spread pairings:

- long call option and short call option with a lower exercise price; or
- long put option and short put option with a higher exercise price;

the minimum margin required for the spread pairing must be the sum of:

- A) the lesser of:
 - I) the loss amount that would result if both options were exercised; or
 - II) a) where the long and short options have the same expiry date, the margin required on the short option; or
 - b) where the long and short options have different expiry dates, the normal margin required on the underlying futures contract;

and

- B) where the options have different expiry dates, the net market value of the long and short options.

b) Short call – short put spreads

Where a call option is carried short for a client's account and the account is also short a put option, the minimum margin required must be the sum of:

- i) the greater of:
 - A) the margin required on the call option ; or
 - B) the margin required on the put option;
- and
- ii) the loss amount that would result if the option having the lesser margin required was exercised.

9314 – 9320 (reserved)**9321 Exchange traded futures contracts – General**
(01.01.05)

- a) The Bourse shall establish margin requirements applicable to futures contracts positions held by clients and no approved participant shall effect a futures contract transaction or carry an account for a client without proper and adequate margin, which must be obtained as promptly as possible and maintained in conformity with the provisions of this section;
- b) margin requirements established by the Bourse may be made applicable to one or more rather than all approved participants or clients if deemed necessary by the Bourse;
- c) for clients, the margin requirements will be satisfied by the deposit of cash, margin receipt or securities for which the loan value, as established pursuant to articles 7202 to 7206, equals or exceeds the margin required. In the case of a margin receipt, the receipt must certify that government securities are held for futures contracts positions of a named client. For the purposes of this receipt, the allowable government securities must mature within one year from the date of the deposit and the required margin covered by the receipt must not be greater than 90% of the par value of such securities held on deposit. All government securities which are an acceptable form of margin for the clearing corporation are acceptable;
- d) from time to time, the Bourse may impose special margin requirements with respect to particular futures contracts or particular positions in futures contracts.

9322 Simple or Spread Positions in Futures Contracts
(01.01.05)

The margin requirements which must be applied on all positions in futures contracts held in a client's account are determined by the Bourse, in collaboration with the clearing corporation, from time to time.

9323 Futures Contracts and Security Combinations
(01.01.05)

With respect to futures contracts and securities held in a client's account, the combinations described in paragraphs a) to c) may only apply if the following requirements are complied with:

- i) securities described in Group V (corporate) of article 7204 are eligible for offset only if they are not convertible and have a single A or higher rating by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record;
- ii) securities in offsetting positions must be denominated in the same currency;
- iii) securities in offsetting positions must mature within the same periods referred to in article 7204 for the purpose of determining margin rates;
- iv) the market value of the offsetting positions is equal and no offset is permitted in respect of the market value of the short (or long) position which is in excess of the market value of the long (or short) position; and
- v) securities in offsetting positions used in the calculation must represent an equivalent maturity value.

a) Bond futures contracts combinations with Group I securities

Where a client account contains one of the following combinations:

- long 5 year (CGF) or 10 year (CGB) notional Government of Canada bond futures contracts and short a position of Government of Canada securities (including future purchase and sale commitments), as described in Group I of article 7204; or
- short 5 year (CGF) or 10 year (CGB) notional Government of Canada bond futures contracts and long a position of Government of Canada securities (including future purchase and sale commitments) as described in Group I of article 7204;

and where the securities of the Government of Canada are maturing within 3 to 11 years, the two positions may be offset and the minimum margin required must be the margin required on the net long or short position.

b) Bond futures contracts combinations with Group II, Group III or Group V securities

Where a client account contains one of the following combinations:

- long 5 year (CGF) or 10 year (CGB) notional Government of Canada bond futures contracts and short a position of a Province of Canada securities as described in Group II, or of a municipality of Canada securities as described in Group III, or of a corporation securities as described in Group V of article 7204 (including future purchase and sale commitments); or
- short 5 year (CGF) or 10 year (CGB) notional Government of Canada bond futures contracts and long a position of a Province of Canada securities as described in Group II, or of a municipality of Canada securities as described in Group III, or of a corporation securities as described in Group V of article 7204 (including futures purchase and sale commitments);

and where the securities of the Province of Canada or the municipality of Canada or the corporation are maturing within 3 to 11 years, the minimum margin required in respect of both positions must be the greater of the margin required on the long or short position.

c) Canadian bankers' acceptance futures contracts combinations with bankers' acceptance

Where a client account contains one of the following combinations:

- long 3-month Canadian bankers' acceptance (BAX) futures contracts and short a position in a bankers' acceptance issued by a Canadian chartered bank; or
- short 3-month Canadian bankers' acceptance (BAX) futures contracts and long a position in a bankers' acceptance issued by a Canadian chartered bank;

the minimum margin required in respect of both positions must be the greater of the margin required on the long or short position.

9324 Bond Futures Contracts Combinations with Bond Options
(01.01.05)

With respect to bond options and bond futures contracts held in client accounts, where the option contracts and the futures contracts have the same settlement date, or can be settled in either of the two nearest contract months, and where the underlying interest of the bond options is a Government of Canada bond maturing or callable for redemption between 3 years 9 months and 10½ years, the option contracts and the futures contracts may be offset as follows:

a) Long bond options combinations with bond futures contracts

Where a client account contains one of the following combinations:

- long call options and short an equivalent face value at maturity of futures contracts; or
- long put options and long an equivalent face value at maturity of futures contracts;

the minimum margin required must be:

i) In-the-money or at-the-money position:

- A) \$500; plus
- B) the market value of the option; less
- C) the in-the-money amount of the option.

ii) Out-of-the-money position:

- A) the market value of the option; plus

- B) the margin required on the futures contract; less
- C) the excess of \$500 over the out-of-the-money amount of the option.

b) Short bond options combinations with bond futures contracts

Where a client account contains one of the following combinations:

- short call options and long an equivalent face value at maturity of futures contracts; or
- short put options and short an equivalent face value at maturity of futures contracts;

the minimum margin required must be the margin required on the futures contracts.

c) Conversion or long tripo combination involving bond options and bond futures contracts

Where a put option is carried long for a client's account and the account is also short a call option and long an equivalent face value at maturity of futures contracts, the minimum margin required must be the greater of:

- i) A) the greater of the difference, plus or minus, between the daily settlement value of the long futures contracts and the aggregate exercise value of the long put options or the short call options; plus
- B) the aggregate market value of the long put options;

and

- ii) \$500.

d) Reconversion or short tripo combination involving bond options and bond futures contracts

Where a put option is carried short for a client's account and the account is also long a call option and short an equivalent face value at maturity of futures contracts, the minimum margin required must be the greater of:

- i) A) the greater of the difference, plus or minus, between the aggregate exercise value of the long call options or the short put options and the daily settlement value of the short futures contracts; plus
- B) the aggregate market value of the long call options;

and

- ii) \$500.

9325 Futures Contracts Combinations with Options on Futures Contracts
(01.01.05)

a) Long options on futures contracts combinations with futures contracts

Where a client account contains one of the following combinations:

- long call options and short an equivalent position in futures contracts; or
- long put options and long an equivalent position in futures contracts;

the minimum margin required must be the greater of:

- i) the aggregate market value of the long options; or
- ii) the margin required on the futures contracts.

b) Short options on futures contracts combinations with futures contracts

Where a client account contains one of the following combinations:

- short call options and long an equivalent position in futures contracts; or
- short put options and short an equivalent position in futures contracts;

the minimum margin required must be:

- i) the aggregate market value of the short options; plus
- ii) the greater of:
 - A) 50% of the margin required on the futures contracts; or
 - B) the excess of the margin required on the futures contracts over 50% of the in-the-money amount of the option.

9326 – 9350 (reserved)

Section 9401 - 9500
Capital Requirements on Interest Rate Related Derivatives

9401 Exchange Traded Options – General
(01.01.05)

- a) With respect to an approved participant account or market maker account, or of a restricted trading permit holder account for which an approved participant (or a clearing firm) has issued a letter of authorization or of a sponsor account, the Bourse has established certain charges against capital;
- b) in the treatment of spreads, the long position may expire before the short position;
- c) for any short position carried for a client or non-client account where the account has not provided required margin, any shortfall will be charged against the approved participant's capital;
- d) where an approved participant account holds both options and OCC options that have the same underlying interest, the OCC options may be considered to be options for the purposes of the calculation of the capital requirements for the account under the provisions of this section;
- e) from time to time the Bourse may impose special capital requirements with respect to particular options or particular positions in options;
- f) in the pairing described in articles 9405, 9406 and 9424, options of different classes for which the underlying bonds have the same margin rate may be paired together provided that:
 - i) the exercise price of the option for which the market value of the underlying bond is the lowest must be increased by the difference between the market value of the underlying bonds; and
 - ii) to the capital required pursuant to articles 9405, 9406 and 9424 must be added an amount equal to the margin that would be required on the net bond position which would result if both options were exercised.

9402 Long Option Positions
(01.01.05)

For approved participant accounts, the capital required for a long option is the market value of the option. Where the option premium is \$1 or more, the capital required for the option may be reduced by 50% of any in-the-money amount associated with the option.

9403 Short Option Positions
(01.01.05)

The capital required which must be maintained in respect of an option carried short in an approved participant account must be:

- i) a percentage of the market value of the underlying interest determined using the following percentages:
 - A) underlying interest maturing over 10 years, 3%;
 - B) underlying interest maturing over 3 years to 10 years, 1.75%;
 - C) underlying interest maturing in 3 years or less, 0.50%;

minus

- ii) any out-of-the-money amount associated with the option.

9404 Covered Option Positions
(01.01.05)

- a) No capital is required for a call option carried short in an approved participant account, which is covered by the deposit of an escrow receipt. The underlying interest deposited in respect of such options shall not be deemed to have any value for capital purposes.

Evidence of a deposit of the underlying interest shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation;

- b) no capital is required for a put option carried short in an approved participant account which is covered by the deposit of an escrow receipt which certifies that acceptable government securities are being held by the issuer of the escrow receipt for the account of the approved participant. The acceptable government securities held on deposit:
 - i) must be government securities:
 - A) which are acceptable forms of margin for the clearing corporation; and
 - B) which mature within one year of their deposit; and
 - ii) shall not be deemed to have any value for capital purposes.

The aggregate exercise value of the short put options must not be greater than 90% of the aggregate par value of the acceptable government securities held on deposit. Evidence of the deposit of the acceptable government securities shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse on request. The issuer of the

escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation; and

- c) no capital is required for a put option carried short in an approved participant account if the approved participant has obtained a letter of guarantee, issued by a financial institution which has been authorized by the clearing corporation to issue escrow receipts, in a form satisfactory to the Bourse, and is:
- i) a bank which is a Canadian chartered bank or a Quebec savings bank; or
 - ii) a trust company which is licensed to do business in Canada, with a minimum paid-up capital and surplus of \$5,000,000;

provided that the letter of guarantee certifies that the bank or trust company:

- iii) holds on deposit for the account of the approved participant cash in the full amount of the aggregate exercise value of the put option and that such amount will be paid to the clearing corporation against delivery of the underlying interest covered by the put option; or
- iv) unconditionally and irrevocably guarantees to pay to the clearing corporation the full amount of the aggregate exercise value of the put option against delivery of the underlying interest covered by the put option;

and further provided that the approved participant has delivered the letter of guarantee to the clearing corporation and the clearing corporation has accepted it as margin.

9405 Options Spreads and Combinations
(01.01.05)

a) Call spreads and put spreads

Where an approved participant account contains one of the following spread pairings:

- long call option and short call option; or
- long put option and short put option;

the minimum capital required must be:

- i) 100% of the market value of the long option; minus
- ii) 100% of the market value of the short option; and
- iii) plus the loss (up to the amount of capital required on the short option) or less the gain (up to 50% of the amount by which the long option is in-the-money), that would result if both options were exercised.

b) Short call – short put spreads

Where a call option is carried short for an approved participant's account and the account is also short a put option on the same number of units of trading on the same underlying interest, the minimum capital required must be:

i) the greater of:

A) the capital required on the call option; or

B) the capital required on the put option;

plus

ii) the loss amount that would result if the option having the lesser capital required was exercised;

minus

iii) the aggregate market value of the short call and short put options.

c) Long call – long put spreads

Where a call option is carried long for an approved participant's account and the account is also long a put option on the same number of units of trading on the same underlying interest, the minimum capital required must be:

i) 100% of the market value of the call option; plus

ii) 100% of the market value of the put option; minus

iii) the greater of:

A) the amount by which the aggregate exercise value of the put option exceeds the aggregate exercise value of the call option; or

B) where the premium is equal or greater than \$1, 50% of the total amount by which each option is in-the-money.

d) Long call – short call – long put

Where a call option is carried long for an approved participant's account and the account is also short a call option and long a put option on the same number of units of trading on the same underlying and where the exercise price of the long put option is greater than the exercise price of the long call option, the minimum capital required must be:

i) 100% of the market value of the long call option; plus

- ii) 100% of the market of the long put option; minus
- iii) 100% of the market value of the short call option; and
- iv) less the gain or plus the loss if both call options were exercised (note: the exercise price of the short call option to be used is the lesser of the exercise price of the short call option or the exercise price of the long put option).

9406 Option and Security Combinations
(01.01.05)

a) Short bond options combinations with underlying interest

Where an approved participant account contains one of the following combinations:

- short call options and long an equivalent position in the underlying bond; or
- short put options and short an equivalent position in the underlying bond;

the minimum capital required must be:

- i) the normal capital required on the underlying bond; minus
- ii) 100% of the market value of the short option.

b) Long bond options combinations with underlying interest

Where an approved participant account contains one of the following combinations:

- long call options and short an equivalent position in the underlying bond; or
- long put options and long an equivalent position in the underlying bond;

the minimum capital required must be the sum of:

- i) 100% of the market value of the option; and
- ii) the lesser of:
 - A) any out-of-the-money value associated with the option; or
 - B) 50% of the normal capital required on the underlying bond.

Where the option is in-the-money, this in-the-money value may be applied against the capital required, up to the market value of the option.

c) Conversion or long tripo combination

Where, in the case of bond options, a position in an underlying bond is carried long in an approved participant's account and the account is also long an equivalent position in put options and short an equivalent position in call options, the minimum capital required must be:

- i) 100% of the market value of the long put options; minus
- ii) 100% of the market value of the short call options; plus
- iii) the difference, plus or minus, between the market value of the underlying bond and the aggregate exercise value of the long put options, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the call options.

d) Reconversion or short tripo combination

Where, in the case of bond options, a position in an underlying bond is carried short in an approved participant's account and the account is also long an equivalent position in call options and short an equivalent position in put options, the minimum capital required must be:

- i) 100% of the market value of the long call options; minus
- ii) 100% of the market value of the short put options; plus
- iii) the difference, plus or minus, between the aggregate exercise value of the long call options and the market value of the underlying bond, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the put options.

9407 – 9410 (reserved)**9411 Long Option on Futures Contract Positions**
(01.01.05)

The minimum capital required to carry a long call option or a long put option in an approved participant's account is the market value of the option, but this amount may be reduced by 50% of the amount by which the option is in-the-money when the premium is equal to or greater than 4 basis points in the case of options on Canadian bankers' acceptance futures contracts and 10 basis points in the case of options on bond futures contracts.

9412 Short Option on Futures Contracts Positions
(01.01.05)

The minimum capital required which must be maintained in respect of an option carried short in an approved participant account must be the greater of:

- i) 50% of the capital required on the underlying futures contract; or

- ii) the capital required on the futures contract less the amount by which the option is out-of-the-money.

9413 Options on Futures Contracts Spreads and Combinations
(01.01.05)

a) Call spreads and put spreads

Where an approved participant account contains one of the following spread pairings:

- long call option and short call option; or
- long put option and short put option;

the minimum capital required must be:

- i) 100% of the market value of the long option; minus
- ii) 100% of the market value of the short option; and
- iii) plus the loss (up to the amount of capital required on the short option) or less the gain (up to 50% of the amount by which the long option is in-the-money) that would result if both options were exercised (note: to recognize an in-the-money amount, the premium should be equal or greater than 4 basis points in the case of options on Canadian bankers' acceptance futures contracts and 10 basis points in the case of options on bond futures contracts).

b) Short call – short put spreads

Where a call option is carried short for an approved participant account and the account is also short a put option, the minimum capital required must be the sum of:

- i) the greater of:
- A) the capital required on the call option; or
 - B) the capital required on the put option;

and

- ii) the loss that would result if the option having the lesser capital required was exercised.

c) Long call – long put spreads

Where a call option is carried long for an approved participant account and the account is also long a put option, the minimum capital required must be:

- i) 100% of the market value of the call option; plus

- ii) 100% of the market value of the put option; minus
- iii) the greater of:
 - A) the amount by which the aggregate exercise value of the put option exceeds the exercise value of the call option; or
 - B) 50 % of the total of the amount by which each option is in-the-money when the premium is equal to or greater than 4 basis points in the case of options on Canadian bankers' acceptance futures contracts and 10 basis points in the case of options on bond futures contracts.

9414 – 9420 (reserved)**9421 Exchange Traded Futures Contracts – General**
(01.01.05)

- a) With respect to an account of an approved participant, market-maker, or restricted trading permit holder account for which a clearing approved participant has issued a letter of guarantee, the Bourse has established certain charges against the capital of the approved participant carrying the account, which charges may be less onerous than margin requirements applicable to clients but for which the approved participant must maintain adequate capital resources at all times;
- b) capital requirements established by the Bourse may be made applicable to one or more rather than all approved participants or clients if deemed necessary by the Bourse;
- c) from time to time the Bourse may impose special capital requirements with respect to particular futures contracts or particular positions in futures contracts.

9422 Simple or Spread Positions in Futures Contracts
(01.01.05)

The capital requirements which must be applied on all positions in futures contracts held in an approved participant's account are determined by the Bourse, in collaboration with the clearing corporation, from time to time.

9423 Futures Contracts and Security Combinations
(01.01.05)

With respect to futures contracts and securities held in an approved participant's account, the combinations described in paragraphs a) to c) may only apply if the following requirements are complied with:

- i) securities described in Group V (corporate) of article 7204 are eligible for offset only if they are not convertible and have a single A or higher rating by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record;

- ii) securities in offsetting positions must be denominated in the same currency;
- iii) securities in offsetting positions must mature within the same periods referred to in article 7204 for the purpose of determining margin rates;
- iv) the market value of the offsetting positions is equal and no offset is permitted in respect of the market value of the short (or long) position which is in excess of the market value of the long (or short) position; and
- v) securities in offsetting positions used in the calculation must represent an equivalent maturity value.

a) Bond futures contracts combinations with Group I securities

Where an approved participant account contains one of the following combinations:

- long 5 year (CGF) or 10 year (CGB) notional Government of Canada bond futures contracts and short a position of Government of Canada securities (including future purchase and sale commitments), as described in Group I of article 7204; or
- short 5 year (CGF) or 10 year (CGB) notional Government of Canada bond futures contracts and long a position of Government of Canada securities (including future purchase and sale commitments) as described in Group I of article 7204;

and where the securities of the Government of Canada are maturing within 3 to 11 years, the two positions may be offset and the minimum capital required must be the capital required on the net long or short position.

b) Bond futures contracts combinations with Group II, Group III or Group V securities

Where an approved participant account contains one of the following combinations:

- long 5 year (CGF) or 10 year (CGB) notional Government of Canada bond futures contracts and short a position of a Province of Canada securities as described in Group II, or of a municipality of Canada securities as described in Group III, or of a corporation securities as described in Group V of article 7204 (including future purchase and sale commitments); or
- short 5 year (CGF) or 10 year (CGB) notional Government of Canada bond futures contracts and long a position of a Province of Canada securities as described in Group II, or of a municipality of Canada securities as described in Group III, or of a corporation securities as described in Group V of article 7204 (including future purchase and sale commitments);

and where the securities of the Province of Canada or the municipality of Canada or the corporation are maturing within 3 to 11 years, the minimum capital required in respect of both positions must be the greater of the capital required on the long or short position.

c) Canadian bankers' acceptance futures contracts combinations with bankers' acceptance

Where an approved participant account contains one of the following combinations:

- long 3-month Canadian bankers' acceptance (BAX) futures contracts and short a position in a bankers' acceptance issued by a Canadian chartered bank; or
- short 3-month Canadian bankers' acceptance (BAX) futures contracts and long a position in a bankers' acceptance issued by a Canadian chartered bank;

the minimum capital required in respect of both positions must be the greater of the capital required on the long or short position.

9424 Bond Futures Contract Combinations with Bond Options
(01.01.05)

With respect to bond options and bond futures contracts held in approved participant accounts, where, the option contracts and the futures contracts have the same settlement date, or can be settled in either of the two nearest contract months and where the underlying interest of the bond options is a Government of Canada bond maturing or callable for redemption in a period between 3 years 9 months and 10½ years, the option contracts and the futures contracts may be offset as follows:

a) Long bond options – position in bond futures contracts

Where an approved participant account contains one of the following combinations:

- long call options and short an equivalent face value at maturity of futures contracts; or
- long put options and long an equivalent face value at maturity of futures contracts;

the minimum capital required must be:

i) *In-the-money or at-the-money position:*

- A) \$500; plus
- B) 100% of the market value of the option; less
- C) the in-the-money amount of the option.

ii) *Out of the money position:*

- A) 100% of the market value of the option; plus
- B) the capital required on the futures contract; less
- C) the excess of \$500 over the out-of-the-money amount of the option.

b) Short bond options – position in bond futures contracts

Where an approved participant account contains one of the following combinations:

- short call options and long an equivalent face value at maturity of futures contracts; or
- short put options and short an equivalent face value at maturity of futures contracts;

the minimum capital required must be the greater of:

- i) A) the capital required on the futures contract; less
- B) 100% of the market value of the short option;

and

- ii) \$500.

c) Conversion or long tripo combination involving bond options and bond futures contracts

Where a put option is carried long for an approved participant's account and the account is also short a call option and long an equivalent face value at maturity of futures contracts, the minimum capital required must be the greater of:

- i) A) the greater of the difference, plus or minus, between the daily settlement value of the long futures contracts and the aggregate exercise value of the long put options or short the call options; plus
- B) the net market value of the long put and short call options;

and

- ii) \$500.

d) Reconversion or short tripo combination involving bond options and bond futures contracts

Where a put option is carried short for an approved participant's account and the account is also long a call option and short an equivalent face value at maturity of futures contracts, the minimum capital required must be the greater of:

- i) A) the greater of the difference, plus or minus, between the aggregate exercise value of the long call options or the short put options and the daily settlement value of the short futures contracts; plus
- B) the net market value of the long call and short put options;

and

- ii) \$500.

9425 Futures Contracts Combinations with Options on Futures Contracts
(01.01.05)

For the following combinations, the delivery months of the options and of the futures contracts have no importance.

a) Long options on futures contracts – position in futures contracts

Where an approved participant account contains one of the following combinations:

- long call options and short an equivalent position in futures contracts; or
- long put options and long an equivalent position in futures contracts;

the minimum capital required must be the greater of:

- i) the capital required on the long option;

and

- ii) A) the capital required on the futures contract; less
B) the amount by which the option is in-the-money.

b) Short options on futures contracts – position in futures contracts

Where an approved participant account contains one of the following combinations:

- short call options and long an equivalent position in futures contracts; or
- short put options and short an equivalent position in futures contracts;

the minimum capital required must be the greater of:

- i) 50% of the capital required on the futures contract;

and

- ii) A) the capital required on the futures contract; less
B) the amount by which the option is in-the-money.

c) Conversion or long tripo combination involving options on futures contracts and futures contracts

Where a position in a futures contract is carried long in an approved participant's account and the account is also long an equivalent position in put options and short an equivalent position in call options, the minimum capital required must be the greater of:

- i) A) the greater of the difference, plus or minus, between the daily settlement value of the long futures contracts and the exercise value of the long put options or short call options; plus
- B) the net market value of the long put and short call options;

and

- ii) 50% of the capital required on the futures contracts.

d) Reconversion or short tripo combination involving options on futures contracts and futures contracts

Where a position in a futures contract is carried short in an approved participant's account and the account is also short an equivalent position in put options and long an equivalent position in call options, the minimum capital required must be the greater of:

- i) A) the greater of the difference, plus or minus, between the exercise value of the long call options or short put options and the daily settlement value of the futures contracts; plus
- B) the net market value of the short put and long call options;

and

- ii) 50% of the capital required on the futures contracts.

9426 – 9450 (reserved)

Section –9501 – 9600
Over-the-counter (OTC) options

9501 Margin Requirements - General Provisions
(01.01.05)

a) Basis of valuation

Over-the-counter option positions in a client account must be marked to the market daily by calculating the value on a basis consistent with the valuation benchmark or mathematical model used in determining the premium at the time the contract was initially entered.

b) Margin accounts and agreements

- i) All opening short transactions in over-the-counter options must be carried in a margin account;
- ii) approved participants writing and issuing or guaranteeing over-the-counter options on behalf of a customer must have and maintain, with each customer, a written margin agreement defining the rights and obligations between them in regard to over-the-counter options or have and maintain supplementary over-the-counter option agreements with customers selling such options.

c) Counterparty as client

Where the approved participant is a party to an over-the-counter option, the counterparty to the option must be considered a client of the approved participant.

d) Financial Institutions

- i) No margin is required for over-the-counter options entered into by a client that is an acceptable institution, as such term is defined in Policy C-3 of the Bourse ("Joint Regulatory Financial Questionnaire and Report"), as amended from time to time;
- ii) where the client is an acceptable counterparty or a regulated entity, as such terms are defined in Policy C-3 of the Bourse, as amended from time to time, the required margin must be equal to the market value deficiency calculated in respect of the option position on an item-by-item basis;

for the purpose of this subparagraph, the market value deficiency means the amount by which the premium paid exceeds the market value of the option.

e) Terms of put and call options

An approved participant or *an approved person* must not make or participate in an over-the-counter trade in any put or call option, unless such option:

- i) does not relate to underlying securities which are the object of options issued by the Canadian Derivatives Clearing Corporation; or
- ii) does relate to underlying securities which are the object of options issued by the Canadian Derivatives Clearing Corporation, but whose terms are materially different from those of any series of options issued by the Canadian Derivatives Clearing Corporation.

For the purposes of the present section, writing over-the-counter options means the distribution of securities for which a prospectus may be required or for which specific or blanket exemptions may be necessary under the applicable securities legislation. The writer of over-the-counter options may, in effect, be an issuer distributing securities and so must, accordingly, ensure that such distribution complies with applicable securities legislation.

Furthermore, put and call options written, issued or guaranteed by an approved participant must be in the form prescribed by the Bourse.

f) Procedure

Put and call options must not be settled through a clearing corporation.

A put or call option, when exercised, becomes a contract for the sale or purchase of the securities covered by the put or call at the contract price for settlement within the time provided by the Bourse, provided, however, that settlement and delivery be over-the-counter and not through a clearing corporation.

The contract arising from the exercise of a put or call shall be deemed to be an exchange contract.

g) Confirmation, delivery and exercise

- i) Every over-the-counter option must be confirmed in writing as between the parties, such confirmation to be mailed or delivered on the day of the transaction;
- ii) payment, settlement, exercise and delivery of an over-the-counter option must be made in accordance with the terms of the over-the-counter option contract.

h) Semi-monthly returns

Approved participants are required to report as of the close of business on the fifteenth and last days of each month or, when either of these days is not a trading day, on the preceding trading day, the total puts and calls written and issued or guaranteed during the period which has ended.

9502 Margin requirements - Simple Long Positions
(01.01.05)

All purchases of over-the-counter options for clients accounts must be for cash.

9503 Margin Requirements - Simple Short Positions
(01.01.05)

Subject to articles 9501 e) and 9505, the margin requirements for short positions in over-the-counter options must be as follows:

- a) In the case of a short over-the-counter option position, the margin required is equal to:
 - i) 100% of the current premium of the short over-the-counter option;
 - ii) plus the product of multiplying the margin rate applicable to the underlying interest by the market value of the underlying interest; and
 - iii) less any out-of-the-money amount.
- b) Notwithstanding paragraph a), in the case of a short over-the-counter option position held in a client account, the minimum margin must not be less than:
 - i) 100% of the current premium of the option; and
 - ii) plus 25% of the product of multiplying the margin rate applicable to the underlying interest by the market value of the underlying interest.

9504 Margin Requirements - Paired Option Positions
(01.01.05)

- a) Except as otherwise provided in the present section, clients, as defined at article 9501 c), are permitted margin offsets for the purpose of hedging over-the-counter options in the same manner as set out in section 9101-9150 and in section 9301-9350, provided that the underlying interest is the same;
- b) in the case of spreads involving European exercise over-the-counter options, a margin offset is permitted only in the following cases:
 - i) where the spread consists of a long and a short European exercise options having the same expiration date; or
 - ii) where the spread consists of a short European exercise option and a long American exercise option;
- c) a margin offset is not permitted where the spread consists of a long European exercise option and a short American exercise option.

9505 Acceptable Forms of Margin
(01.01.05)

a) The following constitutes adequate margin for over-the-counter options:

- i) a specific deposit of the underlying interest, in a negotiable form, in the client's margin account with the approved participant;
- ii) a deposit with the approved participant of an escrow receipt, as defined in b), in respect of the underlying interest; or
- iii) a letter of guarantee issued by a bank or a trust company in virtue of which this institution undertakes to receive or deliver securities for a client account.

b) Escrow Receipt

The evidence of a deposit of an over-the-counter option's underlying interest shall be deemed an escrow receipt for the purposes hereof if the underlying interest is held by a custodian that is a depository approved by the clearing corporation pursuant to an escrow agreement, acceptable to the Bourse, between the approved participant with which the escrow receipt is deposited and the approved depository.

c) The requirements of this article apply, regardless of any otherwise available margin reduction or margin offset, in the following circumstances:

- i) where an over-the-counter option is written by a client that is not an acceptable institution, an acceptable counterparty or a regulated entity, as such terms are defined in the Joint Regulatory Financial Questionnaire and Report, as amended from time to time;
- ii) where the terms of the over-the-counter option require settlement by physical delivery of the underlying interest; and
- iii) where the Bourse has not established a margin rate less than 100% for the underlying interest.

9506 – 9510 (Reserved for future use)

9511 Capital Requirements - General Provisions
(01.01.05)

a) Basis of valuation

Over-the-counter option positions in inventory must be marked to the market daily by calculating the value on a basis consistent with the valuation benchmark or mathematical model used in determining the premium at the time the contract was initially entered.

b) Terms of put and call options

An approved participant or *an approved person* must not make or participate in an over-the-counter trade in any put or call option, unless such option:

- i) does not relate to underlying securities which are the object of options issued by the Canadian Derivatives Clearing Corporation; or
- ii) does relate to underlying securities which are the object of options issued by the Canadian Derivatives Clearing Corporation, but whose terms are materially different from those of any series of options issued by the Canadian Derivatives Clearing Corporation.

For the purposes of the present section, writing over-the-counter options means the distribution of securities for which a prospectus may be required or for which specific or blanket exemptions relief may be necessary under the applicable securities legislation. The writer of over-the-counter options may, in effect, be an issuer distributing securities and so must, accordingly, ensure that such distribution complies with applicable securities legislation.

Furthermore, put and call options written, issued or guaranteed by an approved participant must be in the form prescribed by the Bourse.

c) Procedure

Put and call options must not be settled through a clearing corporation.

A put or call option, when exercised, becomes a contract for the sale or purchase of the securities covered by the put or call at the contract price for settlement within the time provided by the Bourse, provided, however, that settlement and delivery be over-the-counter and not through a clearing corporation.

The contract arising from the exercise of a put or call must be deemed to be an exchange contract.

d) Confirmation, delivery and exercise

- i) Every over-the-counter option must be confirmed in writing as between the parties, such confirmation to be mailed or delivered on the day of the transaction.
- ii) Payment, settlement, exercise and delivery of an over-the-counter option must be made in accordance with the terms of the over-the-counter option contract.

e) Semi-monthly returns

Approved participants are required to report as of the close of business on the fifteenth and last days of each month or, when either of these days is not a trading day, on the preceding trading day, the total puts and calls written and issued or guaranteed during the period which has ended.

9512 Capital Requirements - Simple Long Positions

(01.01.05)

- a) The capital required for a long call and for a long put, where the over-the-counter option's premium is less than \$1, must be equal to the market value of the option;
- b) the capital required on a long call, where the over-the-counter option's premium is \$1 or more and which is not used to offset the capital required on any other position, must be equal to the market value of the call, less 50% of the excess of the market value of the underlying interest over the exercise price of the call;
- c) the capital required on a long put, where the over-the-counter option's premium is \$1 or more and which is not used to offset the capital required on any other position, must be equal to the market value of the put, less 50% of the excess of the exercise price of the put over the market value of the underlying interest.

9513 Capital Requirements - Simple Short Positions

(01.01.05)

The capital requirements for short positions in over-the-counter options in inventory must be as follows:

- a) In the case of a short over-the-counter option position, the capital required is equal to:
 - i) 100% of the current premium of the short over-the-counter option;
 - ii) plus the product of multiplying the margin rate applicable to the underlying interest by the market value of the underlying interest; and
 - iii) less any out-of-the-money amount.

9514 Capital Requirements - Paired Option Positions

(01.01.05)

- a) Except as otherwise provided in this section, approved participants are permitted capital offsets for the purpose of hedging over-the-counter options in the same manner as set out in section 9201-9150 and in section 9401-9450, provided that the underlying interest is the same.
- b) In the case of spreads involving European exercise over-the-counter options, capital offset is permitted only in the following cases:
 - i) where the spread consists of a long and a short European exercise options having the same expiration date; or
 - ii) where the spread consists of a short European exercise option and a long American style option.

- c) A capital offset is not permitted where the spread consists of a long European exercise option and a short American exercise option.

9515 Capital Reduction Allowed for Positions Held by Approved Participants
(01.01.05)

Consistent with listed options, approved participants are permitted to apply the premium credit generated on a short over-the-counter option against the capital required pursuant to this section.

However, the excess of the premium credit generated on a short over-the-counter option over the capital required on the subject position must not be used to reduce the capital required on another position.

**RULE ELEVEN
EXCHANGE-TRADED
OPTION CONTRACTS**

**Section 11201 - 11250
Margin/Capital Requirements
(abr. 01.01.05)**

- 11201 Options Margin – General**
(abr. 01.01.05)
- 11202 Long Positions in Options**
(28.01.02, abr. 01.01.05)
- 11203 Margin Required for Simple Short Position**
(08.08.86, 15.08.86, 01.01.87, 19.05.87, 30.09.87, 31.05.88, 24.11.92, 07.09.99, 11.02.00, abr. 01.01.05)
- 11204 Cover for a Short Index Call**
(abr. 01.01.05)
- 11205 Margin Required for Paired Option Positions (Spreads, etc.)**
(15.08.86, 28.01.02, abr. 01.01.05)
- 11206 Margin Required for Paired Positions in Underlying Securities and Short Options**
(08.08.86, 15.08.86, 01.01.92, abr. 01.01.05)
- 11207 Margin Required for Paired Positions in Underlying Securities and Long Options**
(08.08.86, 15.08.86, 30.09.87, 08.12.94, 28.01.02, abr. 01.01.05)
- 11208 Combination of Bond Options and Bond Futures or Treasury Bill Options and Treasury Bill Futures**
(08.08.86, 19.01.95, abr. 01.01.05)
- 11209 Margin Offsets – OCC Options**
(abr. 01.01.05)
- 11210 Marking Price for Underlying Bonds and Treasury Bills**
(28.09.82, 06.08.86, 15.08.86, abr. 01.01.05)
- 11211 Marking Price for Underlying Indexes**
(24.04.84, abr. 01.01.05)
- 11212 Margin required Bond Options paired with Bond Futures**
(15.09.89, 19.01.95, abr. 01.01.05)
- 11213 Long Positions on Options on Futures Contracts**
(20.03.91, abr. 01.01.05)

- 11214 Margin Required for Simple Short Positions on Option on Futures Contracts**
(20.03.91, 07.04.94, abr. 01.01.05)
- 11215 Margin Required for Paired Option Positions on Futures Contracts**
(20.03.91, 07.04.94, abr. 01.01.05)
- 11216 Margin Required for Paired Positions in Futures Contracts and Short Options on Futures Contracts**
(20.03.91, 07.04.94, abr. 01.01.05)
- 11217 Margin Required for Paired Positions on Futures Contracts and Long Options on Futures Contracts**
(20.03.91, abr. 01.01.05)
- 11218 – 11225 (reserved)**
(abr. 01.01.05)
- 11226 Charges Against Capital General**
(20.03.91, 28.01.02, abr. 01.01.05)
- 11227 Capital required - Unpaired long or short positions in options**
(08.08.86, 01.01.87, 30.09.87, 11.02.00, abr. 01.01.05)
- 11228 Capital Required for Paired Option Positions (Spreads)**
(15.08.86, 30.09.87, 01.01.89, 28.01.02, abr. 01.01.05)
- 11229 Capital Required for Paired Positions in Underlying Securities and Short Options**
(08.08.86, 15.08.86, 30.09.87, 01.01.92, 03.11.93, 28.01.02, abr. 01.01.05)
- 11230 Capital Required for Paired Positions in Underlying Securities and Long Options**
(am. 08.08.86, 15.08.86, am. eff. 30.09.87, 28.01.02, abr. 01.01.05)
- 11231 Capital Required on "Reconversions"**
(15.08.86, 28.01.02, abr. 01.01.05)
- 11232 Capital Required on "Conversions"**
(15.08.86, 28.01.02, abr. 01.01.05)
- 11233 Capital required - Bond Options paired with Bond Futures**
(08.08.86, 21.11.86, 15.09.89, 19.01.95, abr. 01.01.05)
- 11234 Trade Date, Settlement Date for Capital Requirements**
(abr. 01.01.05)
- 11235-39 (Reserved)**
(abr. 01.01.05)

- 11240 Capital Required**
(19.01.95, 28.01.02, abr. 01.01.05)
- 11241 et 11242 (reserved)**
(abr. 01.01.05)
- 11243 Capital Required - Unpaired Long or Short Positions in Options on Futures Contracts**
(20.03.91, 07.04.94, abr. 01.01.05)
- 11244 Capital Required - Paired Option Positions on Futures Contracts**
(20.03.91, 07.04.94, abr. 01.01.05)
- 11245 Capital Required for - Paired Positions in Futures Contracts and Short Options on Futures Contracts**
(20.03.91, 07.04.94, abr. 01.01.05)
- 11246 Capital Required for - Paired Positions in Futures Contract and Long Option on futures Contract**
(20.03.91, 07.04.94, abr. 01.01.05)
- 11247 Capital Required on "reconversion"**
(20.03.91, 07.04.94, abr. 01.01.05)
- 11248 Capital Required on "conversion"**
(20.03.91, 07.04.94, abr. 01.01.05)

Section 11251 - 11265
Over-the-counter (OTC) options
(abr. 01.01.05)

- 11251 Margin requirements - general provisions**
(24.12.98, abr. 01.01.05)
- 11252 Margin requirements - Simple long positions**
(24.12.98, abr. 01.01.05)
- 11253 Margin requirements - Simple short positions**
(24.12.98, abr. 01.01.05)
- 11254 Margin requirements - Paired option positions**
(24.12.98, abr. 01.01.05)
- 11255 Acceptable forms of margin**
(24.12.98, abr. 01.01.05)
- 11256 - 11260 (Reserved for future use)**
(abr. 01.01.05)

- 11261 Capital requirements - general provisions**
(24.12.98, abr. 01.01.05)
- 11262 Capital requirements - Simple long positions**
(24.12.98, abr. 01.01.05)
- 11263 Capital requirements - Simple short positions**
(24.12.98, abr. 01.01.05)
- 11264 Capital requirements - Paired option positions**
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- 11265 Capital reduction allowed for positions held by members**
(24.12.98, abr. 01.01.05)

SECTION 11280 - 11400

Margin requirements for offsets involving S&P/TSE 60 Stock Index products
(07.09.99, abr. 01.01.05)

- 11280 Basket**
(07.09.99, abr. 01.01.05)
- 11281 Multiple Option Combinations involving S&P/TSE 60 Stock Index Options**
(07.09.99, abr. 01.01.05)
- 11282 Multiple Option Combinations involving S&P/TSE 60 Stock Index Participation Unit Options**
(07.09.99, abr. 01.01.05)
- 11283 S&P/TSE 60 Stock Index Options offset with baskets of S&P/TSE 60 Stock Index securities**
(07.09.99, abr. 01.01.05)
- 11284 Baskets of S&P/TSE 60 Stock Index securities offset with S&P/TSE 60 Stock Index Participation Unit Options**
(07.09.99, abr. 01.01.05)
- 11285 S&P/TSE 60 Stock Index securities offset with S&P/TSE 60 Stock Index Participation Units**
(abr. 01.01.05)
- 11286 S&P/TSE 60 Stock Index Participation Unit Options offset with S&P/TSE 60 Stock Index Options**
(07.09.99, abr. 01.01.05)
- 11287 S&P/TSE 60 Stock Index Options offset with S&P/TSE 60 Stock Index Participation Units**
(07.09.99, abr. 01.01.05)

- 11288 S&P/TSE 60 Stock Index Futures contracts offset with S&P/TSE 60 Stock Index Participation Units**
(07.09.99, abr. 01.01.05)
- 11289 S&P/TSE 60 Stock Index Futures contracts offset with Toronto 35 Stock Index Futures contracts**
(07.09.99, abr. 01.01.05)
- 11290 S&P/TSE 60 Stock Index Futures contracts offset with a basket of Toronto 35 Stock index securities**
(07.09.99, abr. 01.01.05)
- 11291 Toronto 35 Stock Index Futures contracts offset with a basket of S&P/TSE 60 Stock Index securities**
(07.09.99, abr. 01.01.05)

SECTION 11501 - 11600
Capital requirements for offsets involving
S&P/TSE 60 Stock Index products
(07.09.99, abr. 01.01.05)

- 11501 Multiple Option Combinations involving S&P/TSE 60 Stock Index Options**
(07.09.99, abr. 01.01.05)
- 11502 Multiple Option Combinations involving S&P/TSE 60 Stock Index Participation Unit (IPU) Options**
(07.09.99, abr. 01.01.05)
- 11503 S&P/TSE 60 Stock Index Options offset with a basket of S&P/TSE 60 Stock Index securities**
(07.09.99, abr. 01.01.05)
- 11504 S&P/TSE 60 Stock IPU options offset with a basket of S&P/TSE 60 Stock Index securities**
(07.09.99, abr. 01.01.05)
- 11505 S&P/TSE 60 Stock IPUs offset with a basket of S&P/TSE 60 Stock Index securities**
(07.09.99, abr. 01.01.05)
- 11506 S&P/TSE 60 Stock IPU options offset with S&P/TSE 60 Stock Index options**
(07.09.99, abr. 01.01.05)
- 11507 S&P/TSE 60 Stock Index options offset with S&P/TSE 60 Stock IPUs**
(07.09.99, abr. 01.01.05)
- 11508 S&P/TSE 60 Stock Index Futures contracts offset with S&P/TSE 60 Stock IPUs**
(07.09.99, abr. 01.01.05)

- 11509 S&P/TSE 60 Stock Index options offset with S&P/TSE 60 Stock Index Futures contracts**
(07.09.99, abr. 01.01.05)
- 11510 S&P/TSE 60 Stock IPU options offset with S&P/TSE 60 Stock Index Futures contracts**
(07.09.99, abr. 01.01.05)
- 11511 S&P/TSE 60 Stock Index Futures contracts offset with a basket of S&P/TSE 60 Stock Index Securities**
(07.09.99, abr. 01.01.05)
- 11512 S&P/TSE 60 Stock Index Futures contracts offset with Toronto 35 Stock Index Futures contracts**
(07.09.99, abr. 01.01.05)
- 11513 S&P/TSE 60 Stock Index Futures contracts offset with a basket of Toronto 35 Stock Index securities.**
(07.09.99, abr. 01.01.05)
- 11514 Toronto 35 Stock Index Futures contracts offset with a basket of S&P/TSE 60 Stock Index securities**
(07.09.99, abr. 01.01.05)

Section 11601 – 11700

Margin required on pairings involving S&P/TSE Sectorial Stock Index products
(29.04.02, abr. 01.01.05)

- 11601 Sectorial Basket**
(29.04.02, abr. 01.01.05)
- 11602 Multiple Option Combinations involving S&P/TSE Sectorial Stock Index Options**
(29.04.02, abr. 01.01.05)
- 11603 Pairing of with S&P/TSE Sectorial Stock Index Options with baskets of S&P/TSE Sectorial Stock Index securities**
(29.04.02, abr. 01.01.05)

SECTION 11701 – 11800

**Capital requirements for pairings involving
S&P/TSE Sectorial Stock Index products**
(29.04.02, abr. 01.01.05)

- 11701 Multiple Option Combinations involving S&P/TSE Sectorial Stock Index Options**
(29.04.02, abr. 01.01.05)
- 11702 Pairing of S&P/TSE Sectorial Stock Index Options with a basket of S&P/TSE Sectorial Stock Index securities**
(29.04.02, abr. 01.01.05)

**11703 Pairing of S&P/TSE Sectorial Stock Index options with S&P/TSE Sectorial Stock Index
Futures contracts**
(29.04.02, abr. 01.01.05)

**RULE FIFTEEN
FUTURES CONTRACTS SPECIFICATIONS**

**Section 15501 -15600
Canadian Bankers' Acceptance Futures
Sub-section 15501 - 15550
Specific Trading Provisions
(01.01.05)**

- 15511 Margin Requirements**
(22.04.88, 13.07.92, 19.10.93, 09.03.99, abr. 01.01.05)

5-YEAR AND 10-YEAR GOVERNMENT OF CANADA BOND FUTURES

**Section 15601 - 15700
Specific Trading Provisions
(01.01.05)**

- 15611 Minimum Margin Requirements**
(08.09.89, 24.11.92, 19.01.95, 09.03.99, abr. 01.01.05)

**SECTION 15701 - 15750
Futures Contracts
on S&P/TSE 60 Stock Index
(07.09.99, 01.01.05)**

**Sub-section 15701 - 15720
Specific Trading Provisions**

- 15711 Margin Requirements**
(07.09.99, abr. 01.01.05)

- 15712 Margin offsets**
(07.09.99, abr. 01.01.05)

**SECTION 15751 - 15800
Futures Contracts
on S&P/TSE sectorial Stock Indexes
(31.01.01, 01.01.05)**

**Sub-section 15751 - 15770
Specific Trading Provisions**

- 15761 Margin Requirements for simple or spread positions**
(29.04.02, abr. 01.01.05)

- 15762 Margin offsets**
(29.04.02, abr. 01.01.05)

Subsection 15851 - 15900
Margin and Capital Requirements on Share Futures Contracts
(31.01.01, abr. 01.01.05)

- 15851 General Provisions**
(31.01.01, abr. 01.01.05)

- 15852 Margin Required for Simple or Spread Positions**
(31.01.01, 17.09.02, abr. 01.01.05)

- 15853 Margin Requirements for Paired Positions in Underlying Securities and Short Share Futures Contracts**
(31.01.01, abr. 01.01.05)

- 15854 Margin Requirements for Paired Positions in Underlying Securities and Long Share Futures Contracts**
(31.01.01, abr. 01.01.05)

- 15855 Combination of Stock Options and Share Futures Contracts**
(31.01.01, abr. 01.01.05)

- 15856 – 15874 (reserved)**
(abr. 01.01.05)

- 15875 Capital Requirements – General Provisions**
(31.01.01, abr. 01.01.05)

- 15876 Capital requirements**
(31.01.01, 17.09.02, 01.01.05)

- 15877 Capital Requirements for Paired Share Futures Contracts Positions with Stocks Options**
(31.01.01, abr. 01.01.05)

- 15878 Capital Requirements for Paired Positions in Underlying Securities and Share Futures Contracts**
(31.01.01, abr. 01.01.05)

Section 15901 – 15930
30-DAY OVERNIGHT REPO RATE FUTURES

Sub-section 15901 - 15920
Specific Trading Provisions
(01.01.05)

- 15911 Margin Requirements**
(14.06.02, abr. 01.01.05)