☒	**Trading – Interest Rate Derivatives**	☒	**Back-office - Options**
☒	**Trading – Equity and Index Derivatives**	☒	**Technology**
☒	**Back-office – Futures**	☒	**Regulation**

CIRCULAR
February 8, 2007

REQUEST FOR COMMENTS

CHANGES TO THE DEFINITIONS OF "ACCEPTABLE CLEARING CORPORATIONS" AND "ACCEPTABLE SECURITIES LOCATIONS"

AMENDMENTS TO THE GENERAL NOTES AND DEFINITIONS OF THE "JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT" – POLICY C-3 OF THE BOURSE

Summary

The Rules and Policies Committee of Bourse de Montréal Inc. (the Bourse) has approved amendments to the General Notes and Definitions of the Joint Regulatory Financial Questionnaire and Report (Policy C-3 of the Bourse). The purpose of these amendments is to make certain changes to the definitions of "acceptable clearing corporations" and "acceptable securities locations". These amendments are also aimed at facilitating the process for updating the lists of entities who qualify as "acceptable clearing corporation" and "acceptable securities location".

Process for Changes to the Rules

Bourse de Montréal Inc. is recognized as a self-regulatory organization (SRO) by the Autorité des marchés financiers (the Autorité). In accordance with this recognition, the Bourse carries on activities as an exchange and as a SRO in Québec. In its SRO capacity, the Bourse assumes market regulation and supervision responsibilities of its approved participants. The responsibility for regulating the market and the approved participants of the Bourse comes under the Regulatory Division of the Bourse (the Division). The Division carries on its activities as a distinct business unit separate from the other activities of the Bourse.

Circular no.: 026-2007

Tour de la Bourse
P.O. Box 61, 800 Victoria Square, Montréal, Quebec H4Z 1A9
Telephone: (514) 871-2424
Toll-free within Canada and the U.S.A.: 1 800 361-5353
Website: www.m-x.ca

The Division is under the authority of a Special Committee appointed by the Board of Directors of the Bourse. The Special Committee is empowered to recommend to the Board of Directors the approval or amendment of some aspects of the Rules and Policies of the Bourse governing approved participants. The Board of Directors has delegated to the Rules and Policies Committee of the Bourse its powers to approve or amend these Rules and Policies with recommendation from the Special Committee. These changes are submitted to the Autorité for approval.

Comments on the proposed amendments to the definitions of "acceptable clearing corporations" and "acceptable securities locations" contained in the General Notes and Definitions of Policy C-3 of the Bourse must be submitted within 30 days following the date of publication of the present notice in the bulletin of the Autorité. Please submit your comments to:

Ms. Joëlle Saint-Arnault
Vice-President, Legal Affairs and Secretary
Bourse de Montréal Inc.
Tour de la Bourse
P.O. Box 61, 800 Victoria Square
Montréal, Quebec H4Z 1A9
E-mail: legal@m-x.ca

A copy of these comments shall also be forwarded to the Autorité to:

Ms. Anne-Marie Beaudoin
Director – Secretariat of L'Autorité
Autorité des marchés financiers
800 Victoria Square, 22nd Floor
P.O. Box 246, Tour de la Bourse
Montréal (Quebec) H4Z 1G3
E-mail: consultation-en-cours@lautorite.qc.ca

Appendices

For your information, you will find in appendices an analysis document of the proposed rule amendments as well as the proposed regulatory text. The implementation date of the proposed amendments will be determined, if applicable, with the other Canadian self-regulatory organizations following approval by the "Autorité des marchés financiers".

CHANGES TO THE DEFINITIONS OF "ACCEPTABLE CLEARING CORPORATIONS" AND "ACCEPTABLE SECURITIES LOCATIONS"

– AMENDMENTS TO THE GENERAL NOTES AND DEFINITIONS OF THE "JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT" – POLICY C-3 OF THE BOURSE

I OVERVIEW

Bourse de Montréal Inc. (the Bourse) proposes to make certain changes to the definitions of "acceptable clearing corporations" and "acceptable securities locations" that currently exist in the General Notes and Definitions of Policy C-3 of the Bourse (Joint Regulatory Financial Questionnaire and Report" – JRFQR).

A) Current Rules

The current General Notes and Definitions of the JRFQR contain a list of qualified entities within the definitions of "acceptable clearing corporations" and "acceptable securities locations". Any changes made to this list require going through a regulatory amendment process that can prove to be lengthy and cumbersome.

B) The Issue

To better reflect possible changes affecting depositories or clearing agencies, a more efficient process to allow for updates of the current list of these entities is necessary.

As mentioned previously, the current situation allows updates only by going through a regulatory amendment process that is too cumbersome.

The current regulatory amendment process requires submitting the proposed amendments to various subcommittees and/or committees of both the Bourse and the Investment Dealers Association of Canada (IDA). Once the necessary approvals have been obtained from the appropriate internal authorities, the proposed amendments must then be published for a period of comments and submitted to securities regulators for approval. Proposed amendments can be implemented only once final approval has been obtained from the regulators.

This can be a quite lengthy process and, currently, any updates pertaining to the list of entities that qualify as "acceptable clearing corporations" and/or "acceptable securities locations" must go through it.

C) Objectives

The objective of the proposed amendments to Policy C-3 of the Bourse is to change the current process for updating the list of entities that is embedded within the definitions of "acceptable clearing corporations" and "acceptable securities locations" by replacing such embedded list by a reference to separately published lists of these entities. It will be the responsibility of the IDA to maintain and regularly update such lists of entities that qualify as "acceptable clearing corporations" and "acceptable securities locations".

D) Consequences of the proposed amendments

It is considered that the proposed amendments to Policy C-3 of the Bourse will have no effect on market structure or on competition between firms that are approved participants of the Bourse and those that are not approved participants. The purpose of the proposed amendments is to facilitate the updating process

of the lists of acceptable clearing corporations and acceptable securities locations.

E) Other alternatives considered

No other alternative was considered.

F) Comparison with similar provisions

As far as we know, foreign SROs do not have in their regulations and policies embedded lists of entities as the ones that are found in the definitions of "acceptable clearing corporations" and "acceptable securities locations" of Policy C-3 of the Bourse. In the United Sates, the New York Stock Exchange (NYSE) and the NASD rules refer to a separate list from the definitions of "acceptable clearing corporations" and "acceptable securities locations"[1].

G) Impact of proposed amendments on systems

There will be, for approved participants and for the public, no system impacts associated with the implementation of the proposed regulatory amendments.

H) Interests of financial markets

It is considered that the proposed regulatory amendments will not affect the interests of financial markets.

I) Public Interest

The purpose of the proposed regulatory amendments is to facilitate the process for updating the lists of entities qualifying as "acceptable clearing corporations" and "acceptable securities locations".

The proposed amendments will not result in unfair discrimination between clients, issuers, dealers, approved participants or other intermediaries.

[1] NYSE Rule 132 and NASD Reference List – Registered Clearing Agencies and Depositories

II COMMENTS

A) Efficiency

As indicated above, the objective of the proposed regulatory amendments is to facilitate the process for updating the lists of "acceptable clearing corporations" and "acceptable securities locations". It is estimated that the proposed amendments will be efficient for the purpose to regularly update these lists without having to go through the usual regulatory amendment process.

B) Process

The first step of the approval process for the regulatory amendments proposed in the present document consists in having the proposed amendments approved by the Special Committee – Regulatory Division of the Bourse. The proposed amendments are then submitted to the approval of the Rules and Policies Committee of the Bourse. Once the approval of the Rules and Policies Committee is obtained, the project is published by the Bourse for a 30-day comment period and submitted to the Autorité des marchés financiers for approval and to the Ontario Securities Commission for information.

III SOURCES

- Policy C-3 of Bourse de Montréal Inc. – Joint Regulatory Financial Questionnaire and Report – General Notes and Definitions
- Investment Dealers Association of Canada - Form 1 - Joint Regulatory Financial Questionnaire and Report
- New York Stock Exchange - Rule 132 - Comparison and Settlement of Transactions Through A Fully-Interfaced or Qualified Clearing Agency
- National Association of Securities Dealers (NASD) – Reference List - Registered Clearing Agencies and Depositories

APPENDIX A

Appendix 1

Proposed List of Acceptable Clearing Corporations [Draft]

LIST OF ACCEPTABLE CLEARING CORPORATIONS THAT QUALIFY UNDER THE DEFINITION OF "ACCEPTABLE CLEARING CORPORATIONS" SET OUT IN THE GENERAL NOTES AND DEFINITIONS TO THE JOINT REGULATORY FINANCIAL QUESTIONNAIRE & REPORT
[UPDATED AS AT JANUARY 9, 2007]

(a)	Canada	The Canadian Depository for Securities Limited Canadian Derivatives Clearing Corporation WCE Clearing Corporation
(b)	United States	National Securities Clearing Corporation Pacific Clearing Corporation Stock Clearing Corporation of Philadelphia Midwest Clearing Corporation Boston Stock Exchange Clearing Corporation Board of Trade Clearing Corporation Options Clearing Corporation Chicago Mercantile Exchange Clearing Corporation New York Commodity Exchange Clearing Corporation Fixed Income Clearing Corporation
(c)	Other Foreign	Euroclear Belgium Euroclear France SA Euroclear Nederlands CRESTCo Limited Clearstream International S.A. Iberclear – Spain Monte Titoli – Italy S.A. Caja de Valores (Stock Clearing Corporation – Argentina) SEGA (Swiss Securities Clearing Corporation) Hong Kong Securities Clearing Company"

APPENDIX A

Appendix 2

Proposed List of Depositories or Clearing Agencies [Draft]

LIST OF DEPOSITORIES OR CLEARING AGENCIES THAT QUALIFY AS "ACCEPTABLE SECURITIES LOCATIONS" SET OUT IN THE GENERAL NOTES AND DEFINITIONS TO THE JOINT REGULATORY FINANCIAL QUESTIONNAIRE & REPORT
[UPDATED AS AT JANUARY 9, 2007]

(a)	Canada	The Canadian Depository for Securities Limited Canadian Derivatives Clearing Corporation WCE Clearing Corporation
(b)	United States	Depository Trust Company Pacific Securities Depository Trust Company Midwest Securities Trust Company Stock Clearing Corporation of Philadelphia Options Clearing Corporation
(c)	Other Foreign	Euroclear Belgium Euroclear France SA Euroclear Nederlands CRESTCo Limited Clearstream International S.A. Iberclear – Spain Monte Titoli – Italy S.A. Caja de Valores (Stock Clearing Corporation – Argentina) SEGA (Swiss Securities Clearing Corporation) Hong Kong Securities Clearing Company"

APPENDIX B

JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT
GENERAL NOTES AND DEFINITIONS

1. Each Member shall comply in all respects with the requirements outlined in this prescribed Joint Regulatory Financial Questionnaire and Report as approved and amended from time to time by the Board of Directors of the Joint Regulatory Bodies and Canadian Investor Protection Fund.

   These statements are to be prepared in accordance with generally accepted accounting principles, except as modified by the requirements of the appropriate regulatory body.

   These statements and schedules are to be completed by members of the Joint Regulatory Bodies as follows:

   - The Canadian Venture Exchange
   - The Montreal Exchange
   - The Toronto Stock Exchange
   - Investment Dealers Association of Canada

   Firms may have multiple memberships in the above bodies. When this is the case and the requirements of such bodies are not consistent in a specific area, the firm must adhere to the most stringent requirement. The "appropriate Joint Regulatory Body" refers to the institution that maintains the primary audit jurisdiction for the firm and its affiliates under Canadian Investor Protection Fund rules.

2. These statements and schedules should be read in conjunction with the bylaws, rules and regulations of the Joint Regulatory Bodies and Canadian Investor Protection Fund including, but not limited to, Margin Rates, Early Warning System, Segregation, Free Credit Segregation, Insurance, Concentration of Securities and Audit Requirements.

3. For purposes of these statements and schedules, the accounts of related companies as defined by the appropriate Joint Regulatory Body may be consolidated as provided by the bylaws, rules and regulations of the Joint Regulatory Bodies. If consolidation is appropriate, the names of the companies consolidated must be provided.

4. FOR THE PURPOSES OF THESE CAPITAL CALCULATIONS REPORTING ON A TRADE DATE BASIS MUST BE USED UNLESS SPECIFIED OTHERWISE IN THE INSTRUCTIONS. THIS MEANS INCLUDING IN THE FOLLOWING PRESCRIBED STATEMENTS AND SCHEDULES, ALL ASSETS AND LIABILITIES RESULTING FROM SALES AND PURCHASES OF SECURITIES ON OR BEFORE THE REPORTING DATE, EVEN THOUGH THEY MAY BE FOR NORMAL SETTLEMENT AFTER THE REPORTING DATE.

5. Firms may determine margin deficiencies for clients, brokers and dealers on either a settlement date basis or trade date basis. Firms may also determine margin deficiencies for acceptable institutions, acceptable counterparties, regulated entities and investment counselors accounts as a block on either a settlement date basis or trade date basis and the remaining clients, brokers and dealer accounts on the other basis. In each case, firms must do so for all such accounts and consistently from period to period.

6. All statements and schedules must be filed. If a schedule is not applicable, a "NIL" return must be filed.

7. Comparative figures on all statements are only required at the audit date.

8. All statements and schedules must be expressed in Canadian dollars and must be rounded to the nearest thousand.

9. Schedules should be attached showing details of any significant amounts that have not been clearly described on the attached statements and schedules.

10. **Mandatory security counts.** All securities except those held in segregation or safe-keeping shall be counted once a month, or monthly on a cyclical basis. Those held in segregation and safekeeping must be counted once in the year in addition to the count as at the year-end audit date.

11. At the year-end, enclose a list of all brokers and dealers for which a confirmation has not been obtained after two requests. Such list should include the dollar balances in such accounts, as reflected in the firm's records.

12. At the year-end, enclose a list of guarantees that have been disallowed for margin purposes as a result of the lack of confirmation based on a positive request. Such list should disclose the names of the guarantor and guaranteed account involved, as well as the amount of margin relief that was disallowed. A copy should be provided to the Member firm.

13. At the year end, enclose a list of Other Acceptable Foreign Securities Locations, the market value of the securities held at each of these locations and whether a written custodial agreement is in place. In addition, include a list of those Other Acceptable Foreign Securities Locations for which a positive confirmation has not been received at the time of filing and the amount of margin provided on these positions.

DEFINITIONS:

(a) **"acceptable clearing corporations" means** ~~the following~~ those entities considered suitable to provide a Member with securities clearing and settlement services. The self regulatory organizations will maintain and regularly update a list of those acceptable clearing corporations~~:~~.

~~1. Canada~~	~~The Canadian Depository for Securities Limited~~
	~~Canadian Derivatives Clearing Corporation~~
	~~WCE Clearing Corporation~~
~~2. United States~~	~~National Securities Clearing Corporation~~
	~~Pacific Clearing Corporation~~
	~~Stock Clearing Corporation of Philadelphia~~
	~~Midwest Clearing Corporation~~
	~~Boston Clearing Corporation~~
	~~Board of Trade Clearing Corporation~~
	~~Options Clearing Corporation~~
	~~Chicago Mercantile Exchange Clearing Corporation~~
	~~New York Commodity Exchange Clearing Corporation~~
~~3. Other Foreign~~	~~Euroclear~~
	~~Cedel S.A.~~
	~~International Securities Clearing Corporation~~

(b) **"acceptable counterparties"** means those entities with whom a Member may deal on a value for value basis, with mark to market imposed on outstanding transactions. The entities are as follows:

1. Canadian banks, Quebec savings banks, trust companies and loan companies licensed to do business in Canada or a province thereof. Each of the aforementioned entities must have paid up capital and surplus on the last audited balance sheet (plus such other forms of capital recognized as such in their regulatory regime as well as in this capital formula, e.g. subordinated debt) in excess of $10 million and less than or equal to $100 million to qualify, provided acceptable financial information with respect to such entities is available for inspection.
2. Credit and central credit unions and regional caisses populaires with paid up capital and surplus or net worth (excluding appraisal credits but including general reserves) on the last audited balance sheet in excess of $10 million and less than or equal to $100 million, provided acceptable financial information with respect to such entities is available for inspection.
3. Insurance companies licensed to do business in Canada or a province thereof with paid up capital and surplus or net worth on the last audited balance sheet in excess of $10 million and less than or equal to $100 million, provided acceptable financial information with respect to such companies is available for inspection.
4. Canadian provincial capital cities and all other Canadian cities and municipalities, or their equivalents, with populations of 50,000 and over.
5. Mutual Funds subject to a satisfactory regulatory regime with total net assets in the fund in excess of $10 million.
6. Corporations (other than Regulated Entities) with a minimum net worth of $75 million on the last audited balance sheet, provided acceptable financial information with respect to such corporation is available for inspection.
7. Trusts and Limited Partnerships with minimum total net assets on the last audited balance sheet in excess of $100 million, provided acceptable financial information with respect to such trust or limited partnership is available for inspection.
8. Pension Funds subject to a satisfactory regulatory regime with total net assets on the last audited balance sheet in excess of $10 million, provided that in determining net assets the liability of a fund for future pension payments shall not be included.
9. Foreign banks and trust companies subject to a satisfactory regulatory regime with paid up capital and surplus on the last audited balance sheet in excess of $15 million and less than or equal to $150 million, provided acceptable financial information with respect to such entities is available for inspection.
10. Foreign insurance companies subject to a satisfactory regulatory regime with paid up capital and surplus or net worth on the last audited balance sheet in excess of $15 million, provided acceptable financial information with respect to such companies is available for inspection.
11. Federal governments of foreign countries which do not qualify as a Basle Accord country.

For the purposes of this definition, a satisfactory regulatory regime will be one within Basle Accord countries.

Subsidiaries (excluding Regulated Entities) whose business falls in the category of any of the above enterprises and whose parent or

affiliate qualifies as an acceptable counterparty may also be considered as an acceptable counterparty if the parent or affiliate provides a written unconditional irrevocable guarantee, subject to approval by the appropriate Joint Regulatory Body.

(c) **"acceptable institutions"** means those entities with which a Member is permitted to deal on an unsecured basis without capital penalty. The entities are as follows:

1. Government of Canada, the Bank of Canada and Provincial Governments.
2. All crown corporations, instrumentalities and agencies of the Canadian federal or provincial governments which are government guaranteed as evidenced by a written unconditional irrevocable guarantee or have a call on the consolidated revenue fund of the federal or provincial governments.
3. Canadian banks, Quebec savings banks, trust companies and loan companies licensed to do business in Canada or a province thereof. Each of the aforementioned entities must have paid up capital and surplus on the last audited balance sheet (plus such other forms of capital recognized as such in their regulatory regime as well as in this capital formula, e.g. subordinated debt) in excess of $100 million, provided acceptable financial information with respect to such entities is available for inspection.
4. Credit and central credit unions and regional caisses populaires with paid up capital and surplus (excluding appraisal credits but including general reserves) on the last audited balance sheet in excess of $100 million, provided acceptable financial information with respect to such entities is available for inspection.
5. Federal governments of Basle Accord Countries.
6. Foreign banks and trust companies subject to a satisfactory regulatory regime with paid up capital and surplus on the last audited balance sheet in excess of $150 million, provided acceptable financial information with respect to such entities is available for inspection.
7. Insurance companies licensed to do business in Canada or a province thereof with paid up capital and surplus or net worth on the last audited balance sheet in excess of $100 million, provided acceptable financial information with respect to such companies is available for inspection.
8. Canadian pension funds which are regulated either by the Office of Superintendent of Financial Institutions or a provincial pension commission, and with total net assets on the last audited balance sheet in excess of $200 million, provided that in determining net assets the liability of a fund for future pension payments shall not be included.

For the purposes of this definition, a satisfactory regulatory regime will be one within Basle Accord countries.

Subsidiaries (other than Regulated Entities) whose business falls in the category of any of the above enterprises and whose parent or affiliate qualifies as an acceptable institution may also be considered as an acceptable institution if the parent or affiliate provides a written unconditional irrevocable guarantee, subject to approval by the appropriate Joint Regulatory Body.

(d) **"acceptable securities locations"** means those entities considered suitable to hold securities on behalf of a Member, for both inventory and client positions, without capital penalty, given that the locations meet the requirements outlined in the segregation bylaws, rules or regulations of the Joint Regulatory Bodies including, but not limited to, the requirement for a written custody agreement outlining the terms upon which such securities are deposited and including provisions that no use or disposition of the securities shall be made without the prior written consent of the Member and the securities can be delivered to the Member promptly on demand. The entities are as follows:

1. Depositories or Clearing Agencies
   ~~(a) Canada — The Canadian Depository for Securities Limited~~
   ~~— Canadian Derivatives Clearing Corporation~~
   ~~— WCE Clearing Corporation~~
   ~~(b) United States — Depository Trust Company~~
   ~~— Pacific Securities Depository Trust Company~~
   ~~— Midwest Securities Trust Company~~
   ~~— Stock Clearing Corporation of Philadelphia~~
   ~~— Options Clearing Corporation~~
   ~~(c) Other Foreign~~
   ~~Foreign s~~Securities depositories or clearing agencies incorporated or organized under the laws of Canada, the United States or other ~~the~~ foreign countr~~y~~ies and operating a central system for handling securities or equivalent book-based entries in that country and subject to enabling legislation by a central government authority in the country of operation that provides for compliance and powers of enforcement over its members. The SROs will maintain and regularly update a list of those ~~foreign~~ depositories or clearing agencies that comply with these criteria.
2. (a) Acceptable Institutions which in their normal course of business offer custodial security services; or

(b) Subsidiaries of Acceptable Institutions provided that each such subsidiary, together with the Acceptable Institution, has entered into a custodial agreement with the member containing a legally enforceable indemnity by the Acceptable Institution in favour of the Member covering all losses, claims, damages, costs and liabilities in respect of securities and other property held for the Member and its clients at the subsidiary's location.

3. Acceptable Counterparties - with respect to security positions maintained as a book entry of securities issued by the Acceptable Counterparty and for which the Acceptable Counterparty is unconditionally responsible.

4. Banks and Trust Companies otherwise classified as Acceptable Counterparties - with respect to securities for which they act as transfer agent and for which custody services are not being provided (in such case, a written custody agreement is not required).

5. Mutual Funds or their Agents - with respect to security positions maintained as a book entry of securities issued by the mutual fund and for which the mutual fund is unconditionally responsible.

6. Regulated entities.

7. Foreign institutions and securities dealers that satisfy the following criteria:

(a) the paid-up capital and surplus according to its most recent audited balance sheet is in excess of Cdn. $150 million as evidenced by the audited financial statements of such entity;

(b) in respect of which a foreign custodian certificate has been completed and signed in the prescribed form by the Member's board of directors or authorized committee thereof;

provided that:

(c) a formal application in respect of each such foreign location is made by the Member to the relevant joint regulatory authority in the form of a letter enclosing the financial statements and certificate described above; and

(d) the Member reviews each such foreign location annually and files a foreign custodian certificate with the appropriate joint regulatory authority annually.

and such other locations which have been approved as acceptable securities locations by the Joint Regulatory Body having prime jurisdiction over the Member.

(e) **"Basle Accord Countries"** means those countries that are members of the Basle Accord and those countries that have adopted the banking and supervisory rules set out in the Basle Accord. [The Basle Accord, which includes the regulating authorities of major industrial countries acting under the auspices of the Bank for International Settlements (B.I.S.), has developed definitions and guidelines that have become accepted standards for capital adequacy.] A list of current Basle Accord countries is included in the most recent list of Foreign Acceptable Institutions and Foreign Acceptable Counterparties.

(f) **"market value of securities"** means:

1. <u>for listed securities</u>, the last bid price of a long security and, correspondingly, the last ask price of a short security, as shown on the exchange quotation sheets as of the close of business on the relevant date or last trading date prior to the relevant date, as the case may be, subject to an appropriate adjustment where an unusually large or unusually small quantity of securities is being valued. If not available, the last sale price of a board lot may be used. Where not readily marketable, no market value shall be assigned.

2. <u>for unlisted and debt securities,</u> a value determined as reasonable from published market reports or inter-dealer quotation sheets on the relevant date or last trading day prior to the relevant date, or based on a reasonable yield rate. Where not readily marketable, no market value shall be assigned.

3. <u>for commodity futures contracts</u>, the settlement price on the relevant date or last trading day prior to the relevant date.

4. <u>for money market fixed date repurchases</u> (no borrower call feature), the market price is the price determined by applying the current yield for the security to the term of maturity from the repurchase date. This will permit calculation of any profit or loss based on the market conditions at the reporting date. Exposure due to future changes in market conditions is covered by the margin rate.

5. <u>for money market open repurchases</u> (no borrower call feature), prices are to be determined as of the reporting date or the date the commitment first becomes open, whichever is the later. Market price is to be determined as in 4. and commitment price is to be determined in the same manner using the yield stated in the repurchase commitment.

6. <u>for money market repurchases with borrower call features</u>, the market price is the borrower call price.

(g) **"regulated entities"** means those entities with whom a Member may deal on a value for value basis, with mark to market imposed on outstanding transactions. The entities are participating institutions in the Canadian Investor Protection Fund or members of recognized exchanges and associations. For the purposes of this definition recognized exchanges and associations mean those entities that meet the following criteria:

1. the exchange or association maintains or is a member of an investor protection regime equivalent to the Canadian Investor Protection Fund;

GENERAL NOTES AND DEFINITIONS (Cont'd)

2. the exchange or association requires the segregation by its members of customers' fully paid for securities;
3. the exchange or association rules set out specific methodologies for the segregation of, or reserve for, customer credit balances;
4. the exchange or association has established rules regarding member firm and customer account margining;
5. the exchange or association is subject to the regulatory oversight of a government agency or a self-regulatory organization under a government agency which conducts regular examinations of its members and monitors member's regulatory capital on an ongoing basis; and
6. the exchange or association requires regular regulatory financial reporting by its members.

A list of current recognized exchanges and associations is included in the most recent list of Foreign Acceptable Institutions and Foreign Acceptable Counterparties.

(h) **"settlement date - extended"** shall mean a transaction (other than a mutual fund security redemption) in respect of which the arranged settlement date is a date after regular settlement date.

(i) **"settlement date - regular"** means the settlement date generally accepted according to industry practice for the relevant security in the market in which the transaction occurs, including foreign jurisdictions. For margin purposes, if such settlement date exceeds 15 business days past trade date, settlement date will be deemed to be 15 business days past trade date. In the case of **new issue trades**, regular settlement date means the contracted settlement date as specified for that issue.