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February 18, 2019

REQUEST FOR COMMENTS

AMENDMENTS TO THE RULES OF BOURSE DE MONTREAL INC. TO INCREASE THE S&P/TSX 60 INDEX OPTION (SXO) CONTRACT SIZE

The Rules and Policies Committee and the Special Committee of Bourse de Montréal Inc. (the “**Bourse**”) approved amendments to articles 6.309 and 6.500, and to Part 11 of the Rules of the Bourse in order to increase the multiplier of the S&P/TSX 60 index option contract (“SXO”) from 10 per S&P/TSX 60 index point to 100 per S&P/TSX 60 index point and to amend the relevant position limits, reporting requirements and the nominal value of the minimum price fluctuations of the SXO. The proposed modifications to Part 11 also maintain within the Rules a mini SXO contract with a multiplier of 10 per S&P/TSX 60 index point, which contract will be maintained in the Bourse’s trading environment over a transition period.

Comments on the proposed amendments must be submitted at the latest on **March 22, 2019**. Please submit your comments to:

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A copy of these comments shall also be forwarded to the *Autorité des marchés financiers* (the “**Autorité**”) to:

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Corporate Secretary
Autorité des marchés financiers
800 Victoria Square, 22nd Floor
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Please note that comments received by one of these recipients will be transferred to the other recipient and that the Bourse may publish a summary of such comments as part of the self-certification process concerning this file. Unless specified otherwise, comments will be published anonymously by the Bourse.

Appendices

You will find in the appendices an analysis as well as the text of the proposed amendments. The implementation date of the proposed amendments will be determined by the Bourse, in accordance with the self-certification process as established by the *Derivatives Act* (CQLR, chapter I-14.01).

Process for Changes to the Rules

The Bourse is authorized to carry on business as an exchange and is recognized as a self-regulatory organization ("**SRO**") by the Autorité. The Board of Directors of the Bourse has delegated to the Rules and Policies Committee of the Bourse its powers to approve and amend the Rules, the Policies and the Procedures, which are thereafter submitted to the Autorité in accordance with the self-certification process as determined by the *Derivatives Act* (CQLR, chapter I-14.01).

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.

The Division is under the authority of a Special Committee (the "**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 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 upon recommendation from the Special Committee.



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INDEX OPTION (SXO) CONTRACT SIZE**

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SUMMARY

Bourse de Montréal Inc. (hereinafter the “Bourse”) proposes to increase the multiplier of the S&P/TSX 60 index option contract (“SXO”) from 10 per S&P/TSX 60 index point to 100 per S&P/TSX 60 index point. In light of this change, the Bourse also proposes to consistently amend the relevant position limits, reporting requirements and the nominal value of the minimum price fluctuations of the SXO. In an effort to ensure a fluid transition period, the Bourse will maintain a mini SXO contract for a certain period of time within its trading ecosystem to allow participants to offset their positions under the 10x multiplier contract with new positions under the 100x multiplier contract.

In 2012, the Bourse reduced the option’s multiplier from 100 to 10 per S&P/TSX 60 index point. This initiative aimed at improving the liquidity of the contract, by both keeping it cost efficient for institutional investors and making it attractive for smaller investors, while supporting the VIXC index (the Bourse’s S&P/TSX 60 VIX[®] volatility index).

The intended objectives did not materialize. Given the interest shown by market participants to keep an option on the S&P/TSX 60, but recognizing that retail investors’ interest did not rise, the Bourse proposes to reverse its 2012 decision and bring the SXO multiplier back to 100, bringing it back to a level at par with similar contracts on other exchanges and more directly tailored to institutional investors’ needs.

ANALYSIS

a. Background

First listed in 2000, the SXO option has always been an institutional product with very little retail activity. The size of the contract appealed to institutional clients but at the same time, the option needed the support of market makers in order to have a reliable and continuous on screen market activity.

In its analysis published for comments in December 2011, the Bourse stated:

“To encourage greater use of the SXO contract, brokers, end users and market makers consulted by the Bourse indicated that lowering the contract size would help enhance liquidity by improving investor accessibility and providing more precise hedging and trading opportunities. A reduced notional size is also expected to encourage narrower bid-ask spreads and hence result in better market quality.”

Unfortunately, these goals did not materialize and despite the 2012 split, the liquidity of the contract further decreased.

Chart 1 shows that the proportion of retail clients versus institutional clients has not improved with the reduction of the multiplier of the contract. In fact, the trend shows that the proportion of retail clients has significantly decreased over the last five years.

Furthermore, Table 1 below shows that the traded volume on SXO after the multiplier reduction in 2012 has steadily decreased, while volume on iShares S&P/TSX 60 ETF (XIU) options has seen a significant increase.

As a consequence, market makers lost interest in supporting the product due to the lack of retail activity, directly impacting the quality of the posted market and consequently creating a challenge for the calculation of the VIXC. Based on recent market participants' feedback, the decrease in the volume and open interest in the SXO contract is attributed to the size of the contract notional post-split. As a result of the 2012 split, SXO became misaligned with other international equivalent products, creating an additional difficulty for institutional participants.

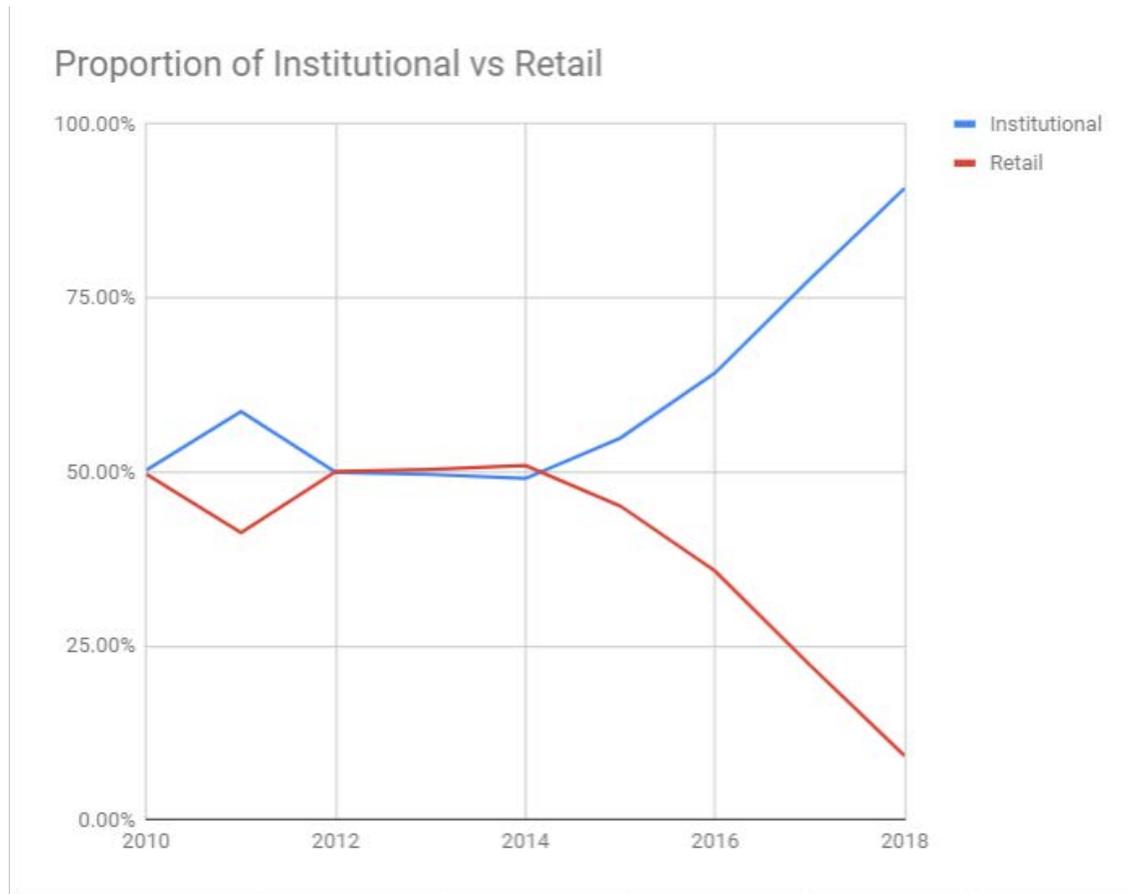


Chart 1

Year	SXO Volume	Yearly SXO Notional Volume	XIU options volume	Yearly XIU Notional Volume
2010	778,200*	\$5 981 634 300.00	2 333 095	\$ 4 500 540 200.00
2011	926,910*	\$6 311 052 117.00	2 473 873	\$ 4 225 375 084.00
2012	314,631	\$2 245 584 373.20	3 297 970	\$ 5 909 962 240.00
2013	511,384	\$4 007 972 100.00	2 188 991	\$ 4 312 312 270.00
2014	428,590	\$3 663 801 615.00	1 831 194	\$ 3 935 693 705.00
2015	541,759	\$4 141 964 258.60	6 751 025	\$ 12 975 470 050.00
2016	671,462	\$6 043 513 874.86	8 836 430	\$ 20 005 677 520.00
2017	193,038	\$1 852 579 894.86	8 166 706	\$ 19 722 594 990.00
2018	198,698	\$1 845 865 835.33	11 418 446	\$ 27 001 704 402.00

Table 1

**The volume has been adjusted to take the multiplier split in consideration*

b. Description and Analysis of Market Impacts

The Bourse is proposing to bring the option's multiplier from its current 10x level back to the 100x level in force before the split implemented in 2012. Upon request, the Canadian Derivatives Clearing Corporation (CDCC) will facilitate the offsetting of clients' positions under the 10x multiplier to new positions under the 100x multiplier, when eligible.

In order to proceed with the multiplier change in an orderly fashion, the Bourse will maintain a mini SXO contract with a 10x multiplier throughout a transition period to allow the market to adjust and market participants to offset their positions with the new SXO with a 100x multiplier. After CDCC has offset eligible clients' positions to the new instrument with a 100x multiplier, certain clients may hold odd lots that cannot be offset on a 10 to 1 basis. Clients holding 10 options with a 10x multiplier will be able to offset it with 1 option under the 100x multiplier. However, participants who hold less than 10 options contracts under the 10x multiplier won't be able to directly offset their positions with the new contract with a 100x multiplier. Participants holding odd lots will have two solutions: either round their position by buying or selling some of their contracts to make it divisible by 10 or hold their position until expiration when it will be cash settled. Clients who continue to hold odd lots will not be able to offset their options with the new 100x multiplier SXO without rounding their position beforehand. At the end of the transition period, the Bourse will delist the mini SXO with a 10x multiplier and solely maintain the standard SXO with a 100x multiplier within its trading environment.

The Bourse’s goal with this initiative is to bring back the institutional participants that have left the space due to the notional misalignment highlighted in Table 2. The Bourse will be discussing with market participants about a potential market making program to support and stimulate the SXO liquidity.

The Bourse is committed to fostering the right conditions to maintain a viable and reliable options contract on the S&P/TSX 60 index as long as market participants see the need for such a product.

c. Comparative Analysis

Table 2 presents the notional of the index options traded on the principal exchanges in the world. This comparison evidences that the SXO notional is not aligned with international equivalents. Under the current contract specifications, the SXO notional is about 7% of the average notional of comparative benchmarks. Increasing the multiplier to 100 will bring the SXO notional back to 71% of the average notional across the landscape.

Option	Index	Index Level	Multiplier	Notional in Cad*
SXO	S&P/TSX 60 Index	918.96	10	\$9,189.60
ODAX	DAX index	12339.55	5	\$98,716.40
OESX	Stoxx 50 index	3410.39	10	\$54,566.24
SPX	S&P 500 Index	2730.21	100	\$352,197.09
ESX	FTSE 100 INDEX OPTION	7203.24	10	\$128,938.00
Average Notional				\$128,721.47

Table 2¹

**The notional is adjusted according to the FX rate*

d. Changes to the Contract specifications

The new SXO contract multiplier will be C\$100 per S&P/TSX 60 index point, amounting to a contract value of approximately C\$92,000 (as of January 2019) compared to a contract value of C\$9,200 for the current SXO contract. For reference, please see below the upcoming changes to the contract specifications of SXO.

¹ Sources:

CBOE. *SPX Options Product Specifications* [Online] available at: <http://www.cboe.com/products/stock-index-options-spx-rut-msci-ftse/s-p-500-index-options/s-p-500-options-with-a-m-settlement-spx/spx-options-specs> [Accessed Jun. 2018]

Eurex Frankfurt AG. *DAX® Options (ODAX)* [Online] available at: <http://www.eurexchange.com/exchange-en/products/idx/dax/DAX--Options/17252> [Accessed Jun. 2018]

Eurex Frankfurt AG. *EURO STOXX 50® Index Options (OESX)* [Online] available at: <http://www.eurexchange.com/exchange-en/products/idx/stx/blc/EURO-STOXX-50--Index-Options/19066> [Accessed Jun. 2018]

Intercontinental Exchange. *FTSE 100 Index Option* [Online] available at: <https://www.theice.com/products/38716770/FTSE-100-Index-Option> [Accessed Jun. 2018]

	Current SXO with 10x Multiplier	SXO with 100x Multiplier
Multiplier	C\$10 per S&P/TSX 60 index point	C\$100 per S&P/TSX 60 index point
Minimum price fluctuation (tick)	0.01 index points = C\$0.10 per contract, for premiums of less than 0.10 index points 0.05 index points = C\$0.50 per contract, for premiums of 0.10 index points and over	0.01 index points = C\$1 per contract, for premiums of less than 0.10 index points 0.05 index points = C\$5 per contract, for premiums of 0.10 index points and over
Expiry months	Nearest three months plus the next two months in the designated quarterly cycle March, June, September and December	
Daily settlement	Same as present procedures	
Final settlement	Same as present: cash settled against the opening level of underlying S&P/TSX 60 Index on the third Friday of the expiration month. The opening level of the S&P/TSX 60 (spot index) is provided by Standard and Poor's	
Positions limits	500,000 contracts	50,000 contracts
Reporting level	15,000 contracts on the same side of the market in all contract months combined	1,500 contracts on the same side of the market in all contract months combined

The current specifications of the SXO contract (10x multiplier) will remain unchanged and be reassigned to the mini SXO during the transition period.

e. Proposed changes

The Bourse proposes to amend Chapter B of Part 11 of its rules in order to set the option's multiplier to C\$100 per S&P/TSX 60 index point. Position limits on SXO (standard) would decrease tenfold in direct relation to the tenfold multiplier in the contract (article 6.309). The same principle would be applied to reporting requirements (article 6.500). The minimum price fluctuation nominal value shall also be increased proportionally (article 11.105).

The Bourse also temporarily introduces a new Chapter B.1 within Part 11 of its rules in order to allow the listing of a mini SXO while adapting its article regarding reporting thresholds (article 6.500) to introduce the concept of aggregation of positions between the standard SXO and mini SXO.

The proposed changes are attached for reference.

AMENDMENT PROCESS

The amendment process was initiated by the need for the Bourse to foster the enhancement of the liquidity of the options contract on the S&P/TSX 60 index. Based on market participants' feedback, and in light of the data regarding retail participation in the contract, bringing the multiplier of the contract to a level at par with similar contracts on other exchanges and more directly tailored to institutional investors' needs is part of the solution in the Bourse's opinion.

IMPACTS ON TECHNOLOGICAL SYSTEMS

The increase of the contract's multiplier is expected to have no impact on the Bourse's technological systems infrastructure.

The Canadian Derivatives Clearing Corporation has planned simple configuration changes to its systems in order to take into account the proposed changes to the SXO contract.

The Bourse will invite market participants to raise any system impact they may foresee as part of the request for comments process, in order for the Bourse to take those into account in its transition plan.

OBJECTIVES OF THE PROPOSED AMENDMENTS

The objectives of this proposal is to bring back the SXO multiplier to 100, realigning the product notional with international benchmarks, in order to attract more institutional investors to the product.

Also, given the importance of having an option on the S&P/TSX 60 index with a cash settlement to respond to the demand of certain participants that are more inclined to trade this type of option, the Bourse will be implementing a market making program and will therefore be seeking market participants interested in supporting the product in order to foster a better market and make SXO a more liquid product.

PUBLIC INTEREST

The Bourse considers these amendments to be in the interest of the public as they aim at fostering a better market for Index options, bringing more liquidity to the SXO product hence indirectly improving SXO price and the quality of VIXC calculation.

EFFICIENCY

The Bourse's proposal to increase the S&P/TSX 60 index option (SXO) contract size aims at improving the efficiency of SXO's market by bringing more institutional participants interest in the product, and through a key market making program with committed participants to support it, the Bourse believes that this initiative will improve the liquidity of the SXO contract, and overall market efficiency.

PROCESS

The proposed amendments, including this analysis, must be approved by the Special Committee and the Rules and Policies Committee of the Bourse. The amendments will thereafter be submitted to the Autorité des marchés financiers in accordance with the self-certification process and to the Ontario Securities Commission for information purposes.

ATTACHED DOCUMENTS

Proposed rule changes, including proposed modifications to the modernized version of the Bourse's rules.

PART 6 - TRADING RULES

[...]

Article 6.309 Position Limits for Options and Share Futures Contracts

- (a) Except for those limits specified in Article 6.309, no Approved Participant shall make, for any account in which it has an interest or for the account of any client, a Transaction in a Listed Product if the Approved Participant has reason to believe that as a result of such Transaction the Approved Participant or its client would, acting alone or in concert with others, directly or indirectly, hold or control a position in excess of the position limit established by the Bourse.
- (b) Except otherwise indicated, the applicable position limits for options, share futures contracts or aggregated options and share futures contracts (as defined under paragraph c) iii)) are as follows:
 - (i) Share Futures Contracts, aggregated Options and Share Futures Contracts positions as well as Options on stocks, exchange-traded funds or trust units
 - (1) 25,000 Contracts where the underlying security does not meet the requirements set out in sub-paragraphs b)(i)2) and b)(i)3) of the present Article;
 - (2) 50,000 contracts, where either the most recent interlisted six-month trading volume of transactions on the underlying stock, exchange-traded fund or trust unit totals at least 20 million shares or units, or the most recent interlisted six-month trading volume of transactions totals at least 15 million shares or units of the Underlying Interest and at least 40 million shares or units of this Underlying Interest are currently outstanding;
 - (3) 75,000 contracts, where either the most recent interlisted six-month trading volume of transactions on the underlying stock, exchange-traded fund or trust unit totals at least 40 million shares or units, or the most recent interlisted six-month trading volume on the Underlying Interest totals at least 30 million shares or units of the Underlying Interest and at least 120 million shares or units of this Underlying Interest are currently outstanding;
 - (4) 200,000 contracts, where either the most recent interlisted six-month trading volume of transactions on the underlying stock, exchange-traded fund or trust unit totals at least 80 million shares or units, or the most recent interlisted six-month trading volume on the Underlying Interest totals at least 60 million shares or units

of the Underlying Interest and at least 240 million shares or units of this Underlying Interest are currently outstanding;

- (5) 250,000 contracts, where either the most recent interlisted six-month trading volume of transactions on the underlying stock, exchange-traded fund or trust unit totals at least 100 million shares or units of the Underlying Interest or the most recent interlisted six month trading volume on the Underlying Interest totals at least 75 million shares or units of the Underlying Interest and at least 300 million shares or units of this Underlying Interest are currently outstanding;
- (6) 600,000 contracts on the following exchange-traded funds: units of the iShares S&P/TSX 60 Index Fund (XIU);
- (7) except for the specific limits provided for under paragraph b)(i)6) above, for Contracts where the underlying security is an equity holding exchange-traded fund, defined as an exchange-traded fund for which all of the components are exchange-traded stocks, the position limits shall be equal to twice the limit levels provided for under paragraphs b)(i)1) to 5) above.

(ii) Debt options

8,000 contracts.

(iii) Index options

500,000 standard Options contracts on the S&P/TSX 60 Index.

(iv) Sector index options

40,000 contracts.

(v) Options on futures

The number of contracts established as the position limits for the underlying Futures Contract.

For the purpose of this Article, Options Contract positions are aggregated with the underlying Futures Contract positions. For aggregation purposes, the Futures equivalent of one In-the-money option contract is one Futures Contract and the Futures equivalent of one at-the-money or Out-of-the-money Option Contract is half a Futures Contract.

(vi) Currency options

40,000 contracts when the trading unit is 10,000 units of foreign currency. The limit will be adjusted to obtain the same notional amount if the trading unit is amended or if the Bourse introduces new trading units.

- (c) For the purpose of this article:
 - (i) Calls written, Puts held, a net short share futures position, and short Underlying Interest are on the same side of the market and Puts written, Calls held, a net long Share Futures position, and long Underlying Interest are on the same side of the market;
 - (ii) the Bourse may, by notice, change the position limits. A change in the position limit will be effective on the date set by the Bourse and reasonable notice shall be given of each new position limit;
 - (iii) the “aggregated options and share futures contracts position” is obtained by first netting share Futures Contracts positions relating to the same Underlying Interest and subsequently adding the net Futures Contracts position (net long or net short) to Options positions relating to the same Underlying Interest on a per side basis (whether long or short) to determine the aggregate per side quantity held; one Option Contract being equal to one share Futures Contract for purposes of this calculation
- (d) Conversions, reverse conversions, long and short hedges
 - (i) For the purposes of this Article the following defined hedges are approved by the Bourse:
 - (1) conversion: where an opening long put Transaction in any Option is entirely offset by an opening short call Transaction having the same expiry month and Exercise Price in the same Option Class, either of which Option Transaction is effectively hedged by a Long Position in the Underlying Interest of the Option;
 - (2) reverse conversion: where an opening short put Transaction in any Option is entirely offset by an opening long call Transaction having the same expiry month and Exercise Price in the same Option class, either of which Option Transaction is effectively hedged by a Short Position in the Underlying Interest of the Option;
 - (3) short hedge: where an opening long call Transaction or an opening short put Transaction in any Option is entirely offset by a Short Position in the Underlying Interest of the Option;

- (4) long hedge: where an opening short call Transaction or an opening long put Transaction in any Option is entirely offset by a Long Position in the Underlying Interest of the Option.
- (ii) In addition to the position limits set out in paragraph b), any one account may hold an amount of options not exceeding the applicable paragraph b) limit of any combination of the approved hedge positions defined in subparagraphs d (i)1) to d)(i)4), inclusive.
- (iii) For all position limits set out in this article, in the case of conversion and reverse conversion as defined in paragraph (d)(i)(1) and (2), such limits shall apply as if calls written and puts held, or puts written and calls held, as the case may be, were not on the same side of the market.
- (e) Exemption

As described in Policy C-1, an Approved Participant or a client may file, in the form prescribed, an application with the Bourse to obtain on behalf of a bona fide hedger or for risk management purposes an exemption from the position limits prescribed by the Bourse. The application must be filed on the appropriate form, no later than the next business day after the limit has been exceeded. If the application is rejected, the Approved Participant or client shall reduce the position below the prescribed limit within the period set by the Bourse. The Bourse may modify any exemption which has been previously granted.

[...]

Article 6.500 Reports of Accumulated Positions

- (a) Each Approved Participant must file daily with the Bourse, in the prescribed manner, a report detailing all gross positions held for its own account or for an account or group of accounts which are all owned by the same beneficial owner in Derivative Instruments listed on the Bourse when these gross positions exceed the reporting thresholds prescribed by the Bourse for each of these Derivative Instruments or a report confirming that there are no positions to be reported when none of the reporting thresholds prescribed by the Bourse have been exceeded for each of these Derivative Instruments.
- (b) Any report transmitted to the Bourse pursuant to this Article must be transmitted within the reporting hours prescribed by the Bourse and not later than 9:00 a.m. (ET) on the business day following the one for which positions must be reported.
- (c) For each account subject to a positions report to the Bourse, each Approved Participant must provide to the Bourse all the information necessary to the Bourse to allow it to adequately identify and classify this account. The information that must be provided to the Bourse is the following:
 - (i) the name and complete coordinates of the account beneficial owner;

- (ii) the full account number as it appears in the Approved Participant records;
 - (iii) the account type (Client Account, Firm Account, Market Maker Account, Professional Account or Omnibus Account);
 - (iv) the beneficial account owner classification according to the typology established by the Bourse; and
 - (v) the identification of the nature of Transactions made by the account (speculation or hedging). If it is impossible to clearly determine if the account is used for speculative or hedging purposes, it must then, by default, be identified as being a speculative account.
- (d) In addition to providing the above-mentioned information to the Bourse, each Approved Participant must provide, for each account being reported, a unique identifier complying with the following requirements:
- (i) for any account opened in the name of a natural person or of a corporation or other type of commercial entity wholly-owned by this natural Person:
 - (1) a unique identifier allowing to link together all the accounts having the same beneficial owner. The unique identifier used in such a case must be created by the Approved Participant in a format that it deems to be appropriate. This unique identifier, once created and used, must not be modified or replaced by a new identifier without having provided prior notice to the Bourse.
 - (ii) for any account owned by man natural Persons such as a joint account, an Investment club account, Partnership or Holding Company:
 - (1) if one of the natural Persons owning this account has an ownership interest of more than 50% in the account, the unique identifier used must be the identifier of this Person and must be set as specified in subparagraph (c)(1) above;
 - (2) if none of the persons owning the account has an ownership interest of more than 50%, the unique identifier must be the account name.
 - (iii) for any account opened in the name of a corporation other than a corporation wholly-owned by a natural person:
 - (1) if one of the natural persons owning shares of this corporation holds an ownership interest of more than 50% in the account, the unique identifier used must be the identifier of this person and must be set as specified in subparagraph (c)(i) above;

- (2) if more than 50% of the corporation shares are owned by another corporation, the unique identifier must be the Legal entity identifier of this other corporation as attributed by the organization responsible for the attribution of such an identifier;
 - (3) in all other cases, the unique identifier must be the legal entity identifier of the corporation in whose name the account has been opened;
 - (4) if, for corporations mentioned in subparagraphs (d)(iii)(2) and (3), no legal entity identifier is available, the identifier to be used shall be the incorporation number of the corporation as attributed by the government authority having issued the incorporation certificate of such corporation.
- (e) In the case where neither the legal entity identifier nor the incorporation number of a corporation are available or can be obtained or communicated by the Approved Participant in reason of legal or regulatory restrictions, the Approved Participant shall use a unique identifier that permits to link together all the accounts having the same corporation as beneficial owner. The unique identifier used in such a case can be either the name of the corporation owning the account or be created by the Approved Participant in a format that it deems appropriate.
- (f) Any unique identifier, be it or not created by the Approved Participant, must not be changed or replaced by a new identifier without prior notice having been given to the Bourse.
- (g) For the purposes of this subparagraph (d)(iii), the term “legal entity identifier” means the unique identification number attributed to a legal entity by any organization accredited to this effect pursuant to the ISO 17442 standard of the International Standardization Organization, as approved by the Financial Stability Board and the G-20 and aiming at implementing a universal and mandatory identification system for legal entities trading any type of Derivative Instrument.
- (h) In order to determine if the reporting thresholds are attained, Approved Participants must aggregate positions held or controlled by the same account beneficial owner. For the purposes of this Article, the term “control” means a beneficial ownership interest greater than 50%.
- (i) The reporting thresholds established by the Bourse are as follows:
 - (i) For each Options class, other than Options on Futures Contracts, and each Share Futures Contracts on a given Underlying Interest:
 - (1) 250 contracts, in the case of trust units Options and Share Futures Contracts (for all contract months combined of each Share Future Contract) having the same Underlying Interest, by aggregating positions on trust units options and Share Future Contracts, one

option contract being equal to one Share Future Contract. While options and Share Future Contracts must be considered in the aggregate for purposes of the reporting threshold (on a gross basis), positions in options and Share Future Contracts shall be reported each separately;

- (2) 250 contracts, in the case of stock Options and Share Futures Contracts (for all contract months combined of each share future contract) having the same Underlying Interest, by aggregating positions on stock Options and Share Futures Contracts, one Option Contract being equal to one Share Futures Contract. While Options and Share Futures Contracts must be considered in the aggregate for purposes of the reporting threshold (on a gross basis), positions in Options and Share Futures Contracts shall be reported each separately;
 - (3) 500 contracts, in the case of Options on exchange traded fund Options and Share Future Contracts (for all contract months combined of each Share Future Contract) having the same Underlying Interest, by aggregating positions on Exchange Traded Fund options and Share Future Contracts, one option contract being equal to one Share Future Contract. While options and Share Future Contracts must be considered in the aggregate for purposes of the reporting threshold (on a gross basis), positions in options and Share Future Contracts shall be reported each separately;
 - (4) 500 contracts, in the case of currency Options;
 - (5) 1,500~~15,000~~ contracts, in the case of Index standard Options on the S&P/TSX 60 Index and mini Options on the S&P/TSX 60 Index, by aggregating positions on both Options contracts. For the purposes of aggregating positions, one standard Options contract on the S&P/TSX 60 Index is equal to 10 mini Options contracts on the S&P/TSX 60 Index; and
 - (6) 1,000 contracts, in the case of sector Index Options.
- (ii) For Futures Contracts and the related Options on Futures Contracts:
- (1) 300 contracts, in the case of Futures Contracts and Options on Futures Contracts on Three-Month Canadian Bankers' Acceptance Futures (BAX and OBX), by aggregating positions on Options on Futures Contracts and positions in the underlying Futures Contract. In this case, one Options contract (OBX) is equal to one Futures Contract (BAX);

- (2) 250 contracts, in the case of 30-Year Government of Canada Bond Futures (LGB);
 - (3) 250 contracts, in the case of Futures and Options on Futures Contracts on Ten-Year Government of Canada Bond Futures (CGB and OGB), by aggregating positions on Options on Futures Contracts and positions in the underlying Futures Contract. For the purposes of aggregating positions, one Options contract (OGB) is equal to one Futures Contract (CGB);
 - (4) 250 contracts, in the case of Five-Year Government of Canada Bond Futures (CGF);
 - (5) 250 contracts, in the case of Two-Year Government of Canada Bond Futures (CGZ);
 - (6) 1,000 contracts, in the case of S&P/TSX 60 Index Standard Futures (SXF) and S&P/TSX 60 Index Mini Futures (SXM), by aggregating positions on both Futures Contracts. For the purposes of aggregating positions, one standard contract (SXF) is equal to one mini contract (SXM);
 - (7) 1,000 contracts, in the case of S&P/TSX Composite Index Mini Futures (SCF);
 - (8) 300 contracts, in the case of 30-Day Overnight Repo Rate Futures (ONX) and Overnight Index Swap Futures (OIS);
 - (9) 500 contracts, in the case of S&P/TSX Sector Index Futures (SXA, SXB, SXH, SXY, SXX, SXU); and
 - (10) 1,000 contracts, in the case of Futures Contracts on the FTSE Emerging Markets Index;
- (iii) The Bourse may, at its discretion, impose the application of any other reporting threshold that is more severe and lower than those provided in the Rules.
- (j) In addition to the reports required under the provisions of the present Article, each Approved Participant must report immediately to the Vice-President of the Regulatory Division any situation in which the Approved Participant has reason to believe that itself or a client, acting alone or in concert with others, has exceeded or is attempting to exceed the position limits established by the Bourse.
 - (k) An Approved Participant which does not trade or does not hold or manage any trading accounts for its clients or itself for the purposes of Transactions in any of the Derivative Instruments listed on the Bourse may be exempted from complying

with the requirements as provided for in paragraph (a), under the following conditions:

- (i) the Approved Participant must submit an exemption request in writing to the Regulatory Division, confirming that it has not traded any of the Derivative Instruments listed on the Bourse in the last calendar year and that it does not plan to Trade any of them in a foreseeable future;
 - (ii) all exemptions granted will be valid as long as all conditions relative to such exemptions are complied with; and
 - (iii) any exemption can be cancelled by the Regulatory Division at any time and, in any case, ends when an Approved Participant executes a Transaction on any of the Derivative Instruments listed on the Bourse.
- (l) An Approved Participant may, with prior approval of the Bourse, delegate to a third party the transmission of position reports required under the provisions of paragraph (a) of this Article. In order for such an exemption to be granted, the following conditions must be met:
- (i) the Approved Participant which wishes to delegate the task of producing and submitting position reports to a third party rather than doing so by itself must divulge to this third party all information necessary for the production of such reports, as is required by the Bourse;
 - (ii) any delegation established in accordance with the present paragraph must first be approved in writing by the Regulatory Division. An Approved Participant wishing to delegate the submission of positions reports required by the Bourse to a third party must therefore submit a request for approval in writing to the Regulatory Division;
 - (iii) all approvals of delegation granted by the Regulatory Division will be valid as long as all conditions relative to such approvals are complied with;
 - (iv) any approval of delegation can be cancelled by the Regulatory Division at any time and, in any case, ends when the third party delegate ceases to produce reports or is no longer able to submit position reports on behalf of the Approved Participant having delegated such task, pursuant to the requirements of the Bourse; and
 - (v) an Approved Participant having chosen to delegate the submission position reports to a third party nevertheless remains responsible for the obligations provided in the present Article and must ensure that all the information transmitted to the Bourse by the delagatee is complete and accurate.

PART 11 - PRODUCT SPECIFICATIONS FOR EQUITY INDEX, EQUITY, ETF AND CURRENCY OPTIONS

Chapter B—Standard Options on the S&P/TSX 60 Index

Article 11.100 Underlying Interest

The Underlying Interest is the S&P/TSX 60 Index.

Article 11.101 Expiry Cycle

- (a) At a minimum, the nearest three expiries, plus the next two expiries in the quarterly Cycle March, June, September, December.
- (b) Annual expiry of December for long term Options.

Article 11.102 Trading Unit

The multiplier for one standard Option Contract shall be \$100 per Index point of the S&P/TSX 60 Index.

Article 11.103 Currency

Trading, clearing and settlement of standard Options on the S&P/TSX 60 Index are in Canadian dollars.

Article 11.104 Exercise Prices

- (a) Exercise Prices are set at a minimum of 2.5 Index point intervals.
- (b) At a minimum, there are five Exercise Prices bracketing the current Underlying Index's market level.

Article 11.105 Minimum Fluctuation of Option Premium

Unless determined otherwise by the Bourse, the minimum fluctuation of the Premium is:

- (a) 0.05 Index point representing ~~\$5.000~~50 per contract for Premiums of 0.10 Index points and over; and
- (b) 0.01 Index point representing ~~\$0.10~~1.00 per contract for Premiums of less than 0.10 Index points.

Article 11.106 Trading Halts

Trading halts on standard Options on the S&P/TSX 60 Index are coordinated with the trading halt mechanism of the S&P/TSX 60 Index (circuit-breaker).

Article 11.107 Position Limits

The position limit for standard Options on the S&P/TSX 60 Index is set pursuant Article 6.309.

Article 11.108 Position Reporting Threshold

The position reporting threshold is set pursuant Article 6.500.

Article 11.109 Nature of the Option/Settlement Type

- (a) A buyer of one standard Option on the S&P/TSX 60 Index may Exercise his Option only on the expiration date (“European style”) to receive a cash payment equal to the difference between the Exercise Price and the official opening level of the S&P/TSX 60 Index on the expiration date, as provided for in Article 6.407(a) of the Rules.
- (b) The seller of one standard Option on the S&P/TSX 60 Index has, if the Option is Exercised, the obligation of rendering payment equal to the difference between the Exercise Price and the official opening level of the S&P/TSX 60 Index on the expiration date, as provided for in Article 6.407(a) of the Rules.

Article 11.110 Reserved

Article 11.111 Last Trading Day

Standard Options on the S&P/TSX 60 Index cease trading on the first business day prior to the expiration day.

Article 11.112 Trading Hours

Trading hours will be determined and published by the Bourse.

Article 11.113 Expiration Day

The expiration day for standard Options on the S&P/TSX 60 Index is the third Friday of the Settlement Month, provided it is a business day. If it is not a business day, the expiration day is the first preceding business day.

Article 11.114 Final Settlement Price

- (a) Standard Options on the S&P/TSX 60 Index are cash-settled.
- (b) The final Settlement Price is the official opening level of the S&P/TSX 60 Index on the expiration day.

Article 11.115 Trading Halt or Suspension

- (a) Trading on the Bourse in a standard Option on the S&P/TSX 60 Index shall be halted whenever a Market Supervisor shall conclude, in his judgment, that such action is appropriate in the interests of a fair and orderly market. A Market Supervisor must take the following factors into account when deciding whether to halt or suspend trading in a Class of standard Options on the S&P/TSX 60 Index:
 - (i) the extent to which trading is not occurring in stocks comprising the Underlying Index;
 - (ii) whether the most current calculation of the Index derived from the current market prices of the stocks is available; and
 - (iii) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present.
- (b) Trading in standard Options on the S&P/TSX 60 Index of a Class of Options or a Series of Options that has been the subject of a halt or suspension by the Bourse may resume if a Market Supervisor determines that the interests of a fair and orderly market are served by a resumption of trading. Among the factors to be considered in making this determination are whether the conditions which led to the halt or suspension are no longer present and the extent to which trading is occurring in stocks comprising the Underlying Index.
- (c) Once trading resumes, the pre-opening stage shall be done in accordance with Article 6.109 of the Rules.

Chapter B.1—Mini Options on the S&P/TSX 60 Index

Article 11.116 Underlying Interest

The Underlying Interest is the S&P/TSX 60 Index.

Article 11.117 Expiry Cycle

- (a) At a minimum, the nearest three expiries, plus the next two expiries in the quarterly Cycle March, June, September, December.
- (b) Annual expiry of December for long term Options.

Article 11.118 Trading Unit

The multiplier for one mini Option Contract shall be \$10 per Index point of the S&P/TSX 60 Index.

Article 11.119 Currency

Trading, clearing and settlement of mini Options on the S&P/TSX 60 Index are in Canadian dollars.

Article 11.120 Exercise Prices

- (a) Exercise Prices are set at a minimum of 2.5 Index point intervals.
- (b) At a minimum, there are five Exercise Prices bracketing the current Underlying Index's market level.

Article 11.121 Minimum Fluctuation of Option Premium

Unless determined otherwise by the Bourse, the minimum fluctuation of the Premium is:

- (a) 0.05 Index point representing \$0.50 per contract for Premiums of 0.10 Index points and over; and
- (b) 0.01 Index point representing \$0.10 per contract for Premiums of less than 0.10 Index points.

Article 11.122 Trading Halts

Trading halts on mini Options on the S&P/TSX 60 Index are coordinated with the trading halt mechanism of the S&P/TSX 60 Index (circuit-breaker).

Article 11.123 Position Limits

- (a) There are no position limits for mini Options contracts on the S&P/TSX 60 Index.
- (b) Notwithstanding the above paragraph, the Bourse may, if it sees fit or deems necessary to ensure the integrity and fairness of the market, impose specific position limits to one or more Approved Participants or their clients. If such specific position limits are imposed, a standard Option contract on the S&P/TSX 60 Index is the equivalent of ten (10) mini Options contracts on the S&P/TSX 60 Index, for the purpose of calculating these position limits.

Article 11.124 Position Reporting Threshold

The position reporting threshold is set pursuant Article 6.500.

Article 11.125 Nature of the Option/Settlement Type

- (a) A buyer of one mini Option on the S&P/TSX 60 Index may Exercise his Option only on the expiration date ("European style") to receive a cash payment equal to the difference between the Exercise Price and the official opening level of the S&P/TSX 60 Index on the expiration date, as provided for in Article 6.407(a) of the Rules.

- (b) The seller of one mini Option on the S&P/TSX 60 Index has, if the Option is Exercised, the obligation of rendering payment equal to the difference between the Exercise Price and the official opening level of the S&P/TSX 60 Index on the expiration date, as provided for in Article 6.407(a) of the Rules.

Article 11.126 Last Trading Day

Mini Options on the S&P/TSX 60 Index cease trading on the first business day prior to the expiration day.

Article 11.127 Trading Hours

Trading hours will be determined and published by the Bourse.

Article 11.128 Expiration Day

The expiration day for mini Options on the S&P/TSX 60 Index is the third Friday of the Settlement Month, provided it is a business day. If it is not a business day, the expiration day is the first preceding business day.

Article 11.129 Final Settlement Price

- (a) Mini Options on the S&P/TSX 60 Index are cash-settled.
- (b) The final Settlement Price is the official opening level of the S&P/TSX 60 Index on the expiration day.

Article 11.130 Trading Halt or Suspension

- (a) Trading on the Bourse in a mini Option on the S&P/TSX 60 Index shall be halted whenever a Market Supervisor shall conclude, in his judgment, that such action is appropriate in the interests of a fair and orderly market. A Market Supervisor must take the following factors into account when deciding whether to halt or suspend trading in a Class of mini Options on the S&P/TSX 60 Index:
- (i) the extent to which trading is not occurring in stocks comprising the Underlying Index;
 - (ii) whether the most current calculation of the Index derived from the current market prices of the stocks is available; and
 - (iii) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present.
- (d)(b) Trading in mini Options on the S&P/TSX 60 Index of a Class of Options or a Series of Options that has been the subject of a halt or suspension by the Bourse may resume if a Market Supervisor determines that the interests of a fair and orderly market are served by a resumption of trading. Among the factors to be considered

in making this determination are whether the conditions which led to the halt or suspension are no longer present and the extent to which trading is occurring in stocks comprising the Underlying Index.

(c) Once trading resumes, the pre-opening stage shall be done in accordance with Article 6.109 of the Rules.

PART 6 - TRADING RULES

[...]Position Limits for Options and Share Futures Contracts

- (a) Except for those limits specified in Article 6.309, no Approved Participant shall make, for any account in which it has an interest or for the account of any client, a Transaction in a Listed Product if the Approved Participant has reason to believe that as a result of such Transaction the Approved Participant or its client would, acting alone or in concert with others, directly or indirectly, hold or control a position in excess of the position limit established by the Bourse.
- (b) Except otherwise indicated, the applicable position limits for options, share futures contracts or aggregated options and share futures contracts (as defined under paragraph c) iii)) are as follows:
 - (i) Share Futures Contracts, aggregated Options and Share Futures Contracts positions as well as Options on stocks, exchange-traded funds or trust units
 - (1) 25,000 Contracts where the underlying security does not meet the requirements set out in sub-paragraphs b)(i)2) and b)(i)3) of the present Article;
 - (2) 50,000 contracts, where either the most recent interlisted six-month trading volume of transactions on the underlying stock, exchange-traded fund or trust unit totals at least 20 million shares or units, or the most recent interlisted six-month trading volume of transactions totals at least 15 million shares or units of the Underlying Interest and at least 40 million shares or units of this Underlying Interest are currently outstanding;
 - (3) 75,000 contracts, where either the most recent interlisted six-month trading volume of transactions on the underlying stock, exchange-traded fund or trust unit totals at least 40 million shares or units, or the most recent interlisted six-month trading volume on the Underlying Interest totals at least 30 million shares or units of the Underlying Interest and at least 120 million shares or units of this Underlying Interest are currently outstanding;
 - (4) 200,000 contracts, where either the most recent interlisted six-month trading volume of transactions on the underlying stock, exchange-traded fund or trust unit totals at least 80 million shares or units, or the most recent interlisted six-month trading volume on the Underlying Interest totals at least 60 million shares or units of the Underlying Interest and at least 240 million shares or units of this Underlying Interest are currently outstanding;

- (5) 250,000 contracts, where either the most recent interlisted six-month trading volume of transactions on the underlying stock, exchange-traded fund or trust unit totals at least 100 million shares or units of the Underlying Interest or the most recent interlisted six month trading volume on the Underlying Interest totals at least 75 million shares or units of the Underlying Interest and at least 300 million shares or units of this Underlying Interest are currently outstanding;
 - (6) 600,000 contracts on the following exchange-traded funds: units of the iShares S&P/TSX 60 Index Fund (XIU);
 - (7) except for the specific limits provided for under paragraph b)(i)6) above, for Contracts where the underlying security is an equity holding exchange-traded fund, defined as an exchange-traded fund for which all of the components are exchange-traded stocks, the position limits shall be equal to twice the limit levels provided for under paragraphs b)(i)1) to 5) above.
- (ii) Debt options
 - 8,000 contracts.
- (iii) Index options
 - 50,000 standard Options contracts on the S&P/TSX 60 Index.
- (iv) Sector index options
 - 40,000 contracts.
- (v) Options on futures
 - The number of contracts established as the position limits for the underlying Futures Contract.
 - For the purpose of this Article, Options Contract positions are aggregated with the underlying Futures Contract positions. For aggregation purposes, the Futures equivalent of one In-the-money option contract is one Futures Contract and the Futures equivalent of one at-the-money or Out-of-the-money Option Contract is half a Futures Contract.
- (vi) Currency options
 - 40,000 contracts when the trading unit is 10,000 units of foreign currency. The limit will be adjusted to obtain the same notional amount if the trading unit is amended or if the Bourse introduces new trading units.

- (c) For the purpose of this article:
- (i) Calls written, Puts held, a net short share futures position, and short Underlying Interest are on the same side of the market and Puts written, Calls held, a net long Share Futures position, and long Underlying Interest are on the same side of the market;
 - (ii) the Bourse may, by notice, change the position limits. A change in the position limit will be effective on the date set by the Bourse and reasonable notice shall be given of each new position limit;
 - (iii) the “aggregated options and share futures contracts position” is obtained by first netting share Futures Contracts positions relating to the same Underlying Interest and subsequently adding the net Futures Contracts position (net long or net short) to Options positions relating to the same Underlying Interest on a per side basis (whether long or short) to determine the aggregate per side quantity held; one Option Contract being equal to one share Futures Contract for purposes of this calculation
- (d) Conversions, reverse conversions, long and short hedges
- (i) For the purposes of this Article the following defined hedges are approved by the Bourse:
 - (1) conversion: where an opening long put Transaction in any Option is entirely offset by an opening short call Transaction having the same expiry month and Exercise Price in the same Option Class, either of which Option Transaction is effectively hedged by a Long Position in the Underlying Interest of the Option;
 - (2) reverse conversion: where an opening short put Transaction in any Option is entirely offset by an opening long call Transaction having the same expiry month and Exercise Price in the same Option class, either of which Option Transaction is effectively hedged by a Short Position in the Underlying Interest of the Option;
 - (3) short hedge: where an opening long call Transaction or an opening short put Transaction in any Option is entirely offset by a Short Position in the Underlying Interest of the Option;
 - (4) long hedge: where an opening short call Transaction or an opening long put Transaction in any Option is entirely offset by a Long Position in the Underlying Interest of the Option.
 - (ii) In addition to the position limits set out in paragraph b), any one account may hold an amount of options not exceeding the applicable paragraph b)

limit of any combination of the approved hedge positions defined in subparagraphs d (i)1 to d(i)4), inclusive.

- (iii) For all position limits set out in this article, in the case of conversion and reverse conversion as defined in paragraph (d)(i)(1) and (2), such limits shall apply as if calls written and puts held, or puts written and calls held, as the case may be, were not on the same side of the market.

(e) Exemption

As described in Policy C-1, an Approved Participant or a client may file, in the form prescribed, an application with the Bourse to obtain on behalf of a bona fide hedger or for risk management purposes an exemption from the position limits prescribed by the Bourse. The application must be filed on the appropriate form, no later than the next business day after the limit has been exceeded. If the application is rejected, the Approved Participant or client shall reduce the position below the prescribed limit within the period set by the Bourse. The Bourse may modify any exemption which has been previously granted.

[...]

Article 6.500 Reports of Accumulated Positions

- (a) Each Approved Participant must file daily with the Bourse, in the prescribed manner, a report detailing all gross positions held for its own account or for an account or group of accounts which are all owned by the same beneficial owner in Derivative Instruments listed on the Bourse when these gross positions exceed the reporting thresholds prescribed by the Bourse for each of these Derivative Instruments or a report confirming that there are no positions to be reported when none of the reporting thresholds prescribed by the Bourse have been exceeded for each of these Derivative Instruments.
- (b) Any report transmitted to the Bourse pursuant to this Article must be transmitted within the reporting hours prescribed by the Bourse and not later than 9:00 a.m. (ET) on the business day following the one for which positions must be reported.
- (c) For each account subject to a positions report to the Bourse, each Approved Participant must provide to the Bourse all the information necessary to the Bourse to allow it to adequately identify and classify this account. The information that must be provided to the Bourse is the following:
 - (i) the name and complete coordinates of the account beneficial owner;
 - (ii) the full account number as it appears in the Approved Participant records;
 - (iii) the account type (Client Account, Firm Account, Market Maker Account, Professional Account or Omnibus Account);

- (iv) the beneficial account owner classification according to the typology established by the Bourse; and
 - (v) the identification of the nature of Transactions made by the account (speculation or hedging). If it is impossible to clearly determine if the account is used for speculative or hedging purposes, it must then, by default, be identified as being a speculative account.
- (d) In addition to providing the above-mentioned information to the Bourse, each Approved Participant must provide, for each account being reported, a unique identifier complying with the following requirements:
- (i) for any account opened in the name of a natural person or of a corporation or other type of commercial entity wholly-owned by this natural Person:
 - (1) a unique identifier allowing to link together all the accounts having the same beneficial owner. The unique identifier used in such a case must be created by the Approved Participant in a format that it deems to be appropriate. This unique identifier, once created and used, must not be modified or replaced by a new identifier without having provided prior notice to the Bourse.
 - (ii) for any account owned by man natural Persons such as a joint account, an Investment club account, Partnership or Holding Company:
 - (1) if one of the natural Persons owning this account has an ownership interest of more than 50% in the account, the unique identifier used must be the identifier of this Person and must be set as specified in subparagraph (c)(1) above;
 - (2) if none of the persons owning the account has an ownership interest of more than 50%, the unique identifier must be the account name.
 - (iii) for any account opened in the name of a corporation other than a corporation wholly-owned by a natural person:
 - (1) if one of the natural persons owning shares of this corporation holds an ownership interest of more than 50% in the account, the unique identifier used must be the identifier of this person and must be set as specified in subparagraph (c)(i) above;
 - (2) if more than 50% of the corporation shares are owned by another corporation, the unique identifier must be the Legal entity identifier of this other corporation as attributed by the organization responsible for the attribution of such an identifier;

- (3) in all other cases, the unique identifier must be the legal entity identifier of the corporation in whose name the account has been opened;
 - (4) if, for corporations mentioned in subparagraphs (d)(iii)(2) and (3), no legal entity identifier is available, the identifier to be used shall be the incorporation number of the corporation as attributed by the government authority having issued the incorporation certificate of such corporation.
- (e) In the case where neither the legal entity identifier nor the incorporation number of a corporation are available or can be obtained or communicated by the Approved Participant in reason of legal or regulatory restrictions, the Approved Participant shall use a unique identifier that permits to link together all the accounts having the same corporation as beneficial owner. The unique identifier used in such a case can be either the name of the corporation owning the account or be created by the Approved Participant in a format that it deems appropriate.
- (f) Any unique identifier, be it or not created by the Approved Participant, must not be changed or replaced by a new identifier without prior notice having been given to the Bourse.
- (g) For the purposes of this subparagraph (d)(iii), the term “legal entity identifier” means the unique identification number attributed to a legal entity by any organization accredited to this effect pursuant to the ISO 17442 standard of the International Standardization Organization, as approved by the Financial Stability Board and the G-20 and aiming at implementing a universal and mandatory identification system for legal entities trading any type of Derivative Instrument.
- (h) In order to determine if the reporting thresholds are attained, Approved Participants must aggregate positions held or controlled by the same account beneficial owner. For the purposes of this Article, the term “control” means a beneficial ownership interest greater than 50%.
- (i) The reporting thresholds established by the Bourse are as follows:
 - (i) For each Options class, other than Options on Futures Contracts, and each Share Futures Contracts on a given Underlying Interest:
 - (1) 250 contracts, in the case of trust units Options and Share Futures Contracts (for all contract months combined of each Share Future Contract) having the same Underlying Interest, by aggregating positions on trust units options and Share Future Contracts, one option contract being equal to one Share Future Contract. While options and Share Future Contracts must be considered in the aggregate for purposes of the reporting threshold (on a gross basis), positions in options and Share Future Contracts shall be reported each separately;

- (2) 250 contracts, in the case of stock Options and Share Futures Contracts (for all contract months combined of each share future contract) having the same Underlying Interest, by aggregating positions on stock Options and Share Futures Contracts, one Option Contract being equal to one Share Futures Contract. While Options and Share Futures Contracts must be considered in the aggregate for purposes of the reporting threshold (on a gross basis), positions in Options and Share Futures Contracts shall be reported each separately;
 - (3) 500 contracts, in the case of Options on exchange traded fund Options and Share Future Contracts (for all contract months combined of each Share Future Contract) having the same Underlying Interest, by aggregating positions on Exchange Traded Fund options and Share Future Contracts, one option contract being equal to one Share Future Contract. While options and Share Future Contracts must be considered in the aggregate for purposes of the reporting threshold (on a gross basis), positions in options and Share Future Contracts shall be reported each separately;
 - (4) 500 contracts, in the case of currency Options;
 - (5) 1,500 contracts, in the case of standard Options on the S&P/TSX 60 Index and mini Options on the S&P/TSX 60 Index, by aggregating positions on both Options contracts. For the purposes of aggregating positions, one standard Options contract on the S&P/TSX 60 Index is equal to 10 mini Options contracts on the S&P/TSX 60 Index; and
 - (6) 1,000 contracts, in the case of sector Index Options.
- (ii) For Futures Contracts and the related Options on Futures Contracts:
- (1) 300 contracts, in the case of Futures Contracts and Options on Futures Contracts on Three-Month Canadian Bankers' Acceptance Futures (BAX and OBX), by aggregating positions on Options on Futures Contracts and positions in the underlying Futures Contract. In this case, one Options contract (OBX) is equal to one Futures Contract (BAX);
 - (2) 250 contracts, in the case of 30-Year Government of Canada Bond Futures (LGB);
 - (3) 250 contracts, in the case of Futures and Options on Futures Contracts on Ten-Year Government of Canada Bond Futures (CGB and OGB), by aggregating positions on Options on Futures Contracts and positions in the underlying Futures Contract. For

the purposes of aggregating positions, one Options contract (OGB) is equal to one Futures Contract (CGB);

- (4) 250 contracts, in the case of Five-Year Government of Canada Bond Futures (CGF);
 - (5) 250 contracts, in the case of Two-Year Government of Canada Bond Futures (CGZ);
 - (6) 1,000 contracts, in the case of S&P/TSX 60 Index Standard Futures (SXF) and S&P/TSX 60 Index Mini Futures (SXM), by aggregating positions on both Futures Contracts. For the purposes of aggregating positions, one standard contract (SXF) is equal to one mini contract (SXM);
 - (7) 1,000 contracts, in the case of S&P/TSX Composite Index Mini Futures (SCF);
 - (8) 300 contracts, in the case of 30-Day Overnight Repo Rate Futures (ONX) and Overnight Index Swap Futures (OIS);
 - (9) 500 contracts, in the case of S&P/TSX Sector Index Futures (SXA, SXB, SXH, SXY, SXX, SXU); and
 - (10) 1,000 contracts, in the case of Futures Contracts on the FTSE Emerging Markets Index;
- (iii) The Bourse may, at its discretion, impose the application of any other reporting threshold that is more severe and lower than those provided in the Rules.
- (j) In addition to the reports required under the provisions of the present Article, each Approved Participant must report immediately to the Vice-President of the Regulatory Division any situation in which the Approved Participant has reason to believe that itself or a client, acting alone or in concert with others, has exceeded or is attempting to exceed the position limits established by the Bourse.
- (k) An Approved Participant which does not trade or does not hold or manage any trading accounts for its clients or itself for the purposes of Transactions in any of the Derivative Instruments listed on the Bourse may be exempted from complying with the requirements as provided for in paragraph (a), under the following conditions:
- (i) the Approved Participant must submit an exemption request in writing to the Regulatory Division, confirming that it has not traded any of the Derivative Instruments listed on the Bourse in the last calendar year and that it does not plan to Trade any of them in a foreseeable future;

- (ii) all exemptions granted will be valid as long as all conditions relative to such exemptions are complied with; and
 - (iii) any exemption can be cancelled by the Regulatory Division at any time and, in any case, ends when an Approved Participant executes a Transaction on any of the Derivative Instruments listed on the Bourse.
- (l) An Approved Participant may, with prior approval of the Bourse, delegate to a third party the transmission of position reports required under the provisions of paragraph (a) of this Article. In order for such an exemption to be granted, the following conditions must be met:
- (i) the Approved Participant which wishes to delegate the task of producing and submitting position reports to a third party rather than doing so by itself must divulge to this third party all information necessary for the production of such reports, as is required by the Bourse;
 - (ii) any delegation established in accordance with the present paragraph must first be approved in writing by the Regulatory Division. An Approved Participant wishing to delegate the submission of positions reports required by the Bourse to a third party must therefore submit a request for approval in writing to the Regulatory Division;
 - (iii) all approvals of delegation granted by the Regulatory Division will be valid as long as all conditions relative to such approvals are complied with;
 - (iv) any approval of delegation can be cancelled by the Regulatory Division at any time and, in any case, ends when the third party delegate ceases to produce reports or is no longer able to submit position reports on behalf of the Approved Participant having delegated such task, pursuant to the requirements of the Bourse; and
 - (v) an Approved Participant having chosen to delegate the submission position reports to a third party nevertheless remains responsible for the obligations provided in the present Article and must ensure that all the information transmitted to the Bourse by the delagatee is complete and accurate.

PART 11 - PRODUCT SPECIFICATIONS FOR EQUITY INDEX, EQUITY, ETF AND CURRENCY OPTIONS

Chapter B— Standard Options on the S&P/TSX 60 Index

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The Underlying Interest is the S&P/TSX 60 Index.

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- (a) At a minimum, the nearest three expiries, plus the next two expiries in the quarterly Cycle March, June, September, December.
- (b) Annual expiry of December for long term Options.

Article 11.102 Trading Unit

The multiplier for one standard Option Contract shall be \$100 per Index point of the S&P/TSX 60 Index.

Article 11.103 Currency

Trading, clearing and settlement of standard Options on the S&P/TSX 60 Index are in Canadian dollars.

Article 11.104 Exercise Prices

- (a) Exercise Prices are set at a minimum of 2.5 Index point intervals.
- (b) At a minimum, there are five Exercise Prices bracketing the current Underlying Index's market level.

Article 11.105 Minimum Fluctuation of Option Premium

Unless determined otherwise by the Bourse, the minimum fluctuation of the Premium is:

- (a) 0.05 Index point representing \$5.00 per contract for Premiums of 0.10 Index points and over; and
- (b) 0.01 Index point representing \$1.00 per contract for Premiums of less than 0.10 Index points.

Article 11.106 Trading Halts

Trading halts on standard Options on the S&P/TSX 60 Index are coordinated with the trading halt mechanism of the S&P/TSX 60 Index (circuit-breaker).

Article 11.107 Position Limits

The position limit for standard Options on the S&P/TSX 60 Index is set pursuant Article 6.309.

Article 11.108 Position Reporting Threshold

The position reporting threshold is set pursuant Article 6.500.

Article 11.109 Nature of the Option/Settlement Type

- (a) A buyer of one standard Option on the S&P/TSX 60 Index may Exercise his Option only on the expiration date (“European style”) to receive a cash payment equal to the difference between the Exercise Price and the official opening level of the S&P/TSX 60 Index on the expiration date, as provided for in Article 6.407(a) of the Rules.
- (b) The seller of one standard Option on the S&P/TSX 60 Index has, if the Option is Exercised, the obligation of rendering payment equal to the difference between the Exercise Price and the official opening level of the S&P/TSX 60 Index on the expiration date, as provided for in Article 6.407(a) of the Rules.

Article 11.110 Reserved

Article 11.111 Last Trading Day

Standard Options on the S&P/TSX 60 Index cease trading on the first business day prior to the expiration day.

Article 11.112 Trading Hours

Trading hours will be determined and published by the Bourse.

Article 11.113 Expiration Day

The expiration day for standard Options on the S&P/TSX 60 Index is the third Friday of the Settlement Month, provided it is a business day. If it is not a business day, the expiration day is the first preceding business day.

Article 11.114 Final Settlement Price

- (a) Standard Options on the S&P/TSX 60 Index are cash-settled.
- (b) The final Settlement Price is the official opening level of the S&P/TSX 60 Index on the expiration day.

Article 11.115 Trading Halt or Suspension

- (a) Trading on the Bourse in a standard Option on the S&P/TSX 60 Index shall be halted whenever a Market Supervisor shall conclude, in his judgment, that such action is appropriate in the interests of a fair and orderly market. A Market Supervisor must take the following factors into account when deciding whether to halt or suspend trading in a Class of standard Options on the S&P/TSX 60 Index:
 - (i) the extent to which trading is not occurring in stocks comprising the Underlying Index;
 - (ii) whether the most current calculation of the Index derived from the current market prices of the stocks is available; and
 - (iii) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present.
- (b) Trading in standard Options on the S&P/TSX 60 Index of a Class of Options or a Series of Options that has been the subject of a halt or suspension by the Bourse may resume if a Market Supervisor determines that the interests of a fair and orderly market are served by a resumption of trading. Among the factors to be considered in making this determination are whether the conditions which led to the halt or suspension are no longer present and the extent to which trading is occurring in stocks comprising the Underlying Index.
- (c) Once trading resumes, the pre-opening stage shall be done in accordance with Article 6.109 of the Rules.

Chapter B.1—Mini Options on the S&P/TSX 60 Index

Article 11.116 Underlying Interest

The Underlying Interest is the S&P/TSX 60 Index.

Article 11.117 Expiry Cycle

- (a) At a minimum, the nearest three expiries, plus the next two expiries in the quarterly Cycle March, June, September, December.
- (b) Annual expiry of December for long term Options.

Article 11.118 Trading Unit

The multiplier for one mini Option Contract shall be \$10 per Index point of the S&P/TSX 60 Index.

Article 11.119 Currency

Trading, clearing and settlement of mini Options on the S&P/TSX 60 Index are in Canadian dollars.

Article 11.120 Exercise Prices

- (a) Exercise Prices are set at a minimum of 2.5 Index point intervals.
- (b) At a minimum, there are five Exercise Prices bracketing the current Underlying Index's market level.

Article 11.121 Minimum Fluctuation of Option Premium

Unless determined otherwise by the Bourse, the minimum fluctuation of the Premium is:

- (a) 0.05 Index point representing \$0.50 per contract for Premiums of 0.10 Index points and over; and
- (b) 0.01 Index point representing \$0.10 per contract for Premiums of less than 0.10 Index points.

Article 11.122 Trading Halts

Trading halts on mini Options on the S&P/TSX 60 Index are coordinated with the trading halt mechanism of the S&P/TSX 60 Index (circuit-breaker).

Article 11.123 Position Limits

- (a) There are no position limits for mini Options contracts on the S&P/TSX 60 Index.
- (b) Notwithstanding the above paragraph, the Bourse may, if it sees fit or deems necessary to ensure the integrity and fairness of the market, impose specific position limits to one or more Approved Participants or their clients. If such specific position limits are imposed, a standard Option contract on the S&P/TSX 60 Index is the equivalent of ten (10) mini Options contracts on the S&P/TSX 60 Index, for the purpose of calculating these position limits.

Article 11.124 Position Reporting Threshold

The position reporting threshold is set pursuant Article 6.500.

Article 11.125 Nature of the Option/Settlement Type

- (a) A buyer of one mini Option on the S&P/TSX 60 Index may Exercise his Option only on the expiration date ("European style") to receive a cash payment equal to the difference between the Exercise Price and the official opening level of the S&P/TSX 60 Index on the expiration date, as provided for in Article 6.407(a) of the Rules.

- (b) The seller of one mini Option on the S&P/TSX 60 Index has, if the Option is Exercised, the obligation of rendering payment equal to the difference between the Exercise Price and the official opening level of the S&P/TSX 60 Index on the expiration date, as provided for in Article 6.407(a) of the Rules.

Article 11.126 Last Trading Day

Mini Options on the S&P/TSX 60 Index cease trading on the first business day prior to the expiration day.

Article 11.127 Trading Hours

Trading hours will be determined and published by the Bourse.

Article 11.128 Expiration Day

The expiration day for mini Options on the S&P/TSX 60 Index is the third Friday of the Settlement Month, provided it is a business day. If it is not a business day, the expiration day is the first preceding business day.

Article 11.129 Final Settlement Price

- (a) Mini Options on the S&P/TSX 60 Index are cash-settled.
- (b) The final Settlement Price is the official opening level of the S&P/TSX 60 Index on the expiration day.

Article 11.130 Trading Halt or Suspension

- (a) Trading on the Bourse in a mini Option on the S&P/TSX 60 Index shall be halted whenever a Market Supervisor shall conclude, in his judgment, that such action is appropriate in the interests of a fair and orderly market. A Market Supervisor must take the following factors into account when deciding whether to halt or suspend trading in a Class of mini Options on the S&P/TSX 60 Index:
 - (i) the extent to which trading is not occurring in stocks comprising the Underlying Index;
 - (ii) whether the most current calculation of the Index derived from the current market prices of the stocks is available; and
 - (iii) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present.
- (b) Trading in mini Options on the S&P/TSX 60 Index of a Class of Options or a Series of Options that has been the subject of a halt or suspension by the Bourse may resume if a Market Supervisor determines that the interests of a fair and orderly market are served by a resumption of trading. Among the factors to be considered

in making this determination are whether the conditions which led to the halt or suspension are no longer present and the extent to which trading is occurring in stocks comprising the Underlying Index.

- (c) Once trading resumes, the pre-opening stage shall be done in accordance with Article 6.109 of the Rules.