

<input checked="" type="checkbox"/>	Trading – Interest Rate Derivatives	<input checked="" type="checkbox"/>	Back-office - Options
<input checked="" type="checkbox"/>	Trading – Equity and Index Derivatives	<input checked="" type="checkbox"/>	Technology
<input checked="" type="checkbox"/>	Back-office – Futures	<input checked="" type="checkbox"/>	Regulation

**CIRCULAR**  
February 15, 2007

## **REQUEST FOR COMMENTS**

### **EXCHANGE FOR PHYSICALS**

#### **AMENDMENTS TO ARTICLE 6815**

#### **Summary**

The Rules and Policies Committee of Bourse de Montréal Inc. (the Bourse) has approved amendments to article 6815 of Rule Six of the Bourse, which deals with exchange for physicals transactions (EFP). The objectives of the proposed modifications are:

- 1) to allow approved participants to better price the futures contracts leg of an EFP transaction within a context of evolving market conditions,
- 2) to allow approved participants the flexibility to facilitate an EFP transaction on behalf of parties that are under the same beneficial ownership or are part of the same legal entity when certain conditions are satisfied, and
- 3) to respond to market participants' requests for the Bourse to align its practices regarding EFP transactions with those of major foreign derivatives exchanges and the OTC market.

#### **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.: 028-2007

The Board of Directors of the Bourse has the power to approve the adoption or amendment of various Rules and Policies of the Bourse. 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. These changes are submitted to the Autorité for approval.

Comments on the proposed amendments to article 6815 of the Rules 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](mailto: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, 22<sup>nd</sup> Floor  
P.O. Box 246, Tour de la Bourse  
Montréal (Quebec) H4Z 1G3  
E-mail: [consultation-en-cours@lautorite.qc.ca](mailto: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”.



**BOURSE DE MONTRÉAL INC. -  
AMENDMENTS TO ARTICLE 6815 -  
EXCHANGES FOR PHYSICALS (EFP)**

**I OVERVIEW**

Bourse de Montréal Inc. (the Bourse) proposes to amend current article 6815 of Rule Six of the Bourse that relates to “Exchanges for Physicals” or “EFP” transactions.

**A) – Current Rules**

Under current article 6815 of Rule Six of the Bourse that deals with “Exchanges for Physicals” or “EFP’s”, approved participants can exchange a futures contract position against a position in the related physical cash instrument (normally a bond for a bond futures contract or a basket of securities for an index futures contract). Article 6815 further provides, in paragraph e), that if the EFP transaction is between two approved participants, the price at which the futures contract leg of the EFP is transacted must be within the high and the low prices of the trading session during which the EFP is reported to the Bourse.

In addition to the above-mentioned limitation, article 6815 needs to be updated and amended so that it better reflects the practices and requirements of major derivatives exchanges.

**B) - Objectives**

The objectives of the proposed modifications to article 6815 of the Rules of the Bourse that relate to “Exchanges for Physicals” are:

- 1) to allow approved participants to better price the futures contracts leg of an EFP transaction within the context of evolving market conditions,

- 2) to allow approved participants the flexibility to facilitate an EFP transaction on behalf of parties that are under the same beneficial ownership or are part of the same legal entity when certain conditions are satisfied, and
- 3) to respond to market participants’ requests for the Bourse to align its practices regarding EFP transactions with those of major foreign derivatives exchanges and the OTC market.

**C) – Summary of Proposed Amendments**

The Bourse proposes to amend article 6815 of Rule Six as follows:

- a) deleting the pricing restriction contained in paragraph e) when an EFP transaction is transacted between two different approved participants thus allowing them to price the futures contract leg of an EFP at prices that may fall outside the high and the low prices of the trading session;
- b) adding in this same paragraph e) a provision to the effect that the price at which an EFP transaction is made must be “fair and reasonable” and specifying some of the factors that should be considered in order to determine such price fairness and reasonableness;
- c) deleting the second subparagraph of paragraph e) regarding the pricing of the cash leg of an EFP transaction when such transaction involves securities underlying an index futures contract;
- d) amending paragraph f) that regards the reporting of EFP transactions to the Bourse so that reference be made to a prescribed reporting form and replacing references to specific information by a general reference to the information required by the Bourse on its prescribed form;
- e) deleting the second subparagraph of paragraph g) regarding the determination of the deadline before which an EFP transaction must be reported to the Bourse in order to be deemed to have been reported during a trading session;
- f) adding a new paragraph h) to provide for conditions that must be complied with in

- order to consider that counterparties to an EFP transaction are acceptable; and
- g) adding a new paragraph k) to incorporate in the EFP rule a prohibition to make an EFP transaction for the sole purpose of circumventing the contract month roll in the corresponding security or derivative instrument.

At the same time that the above-mentioned amendments are made, the Bourse also wishes to make some housekeeping amendments to article 6815. Such housekeeping amendments consist in adding references to the procedures of the Bourse regarding EFP transactions and clarifying the wording of the rule so that it is easier to understand and interpret.

## D) – Detailed Analysis

### 1) Deletion of the price restriction in paragraph e) of article 6815 and addition of a “fair and reasonable” pricing provision

The rationale to delete, in paragraph e) of article 6815, the current pricing restriction for the futures contract leg of an EFP transaction when such transaction is made between two different approved participants is that it may require a substantial amount of time (sometimes several trading days) for an approved participant or its client(s) to build a futures contracts position for the purpose of effecting an EFP transaction. In doing so, the prices at which the futures contract leg of the position is built may differ from those prices that are within the high and low prices recorded in the trading session when the EFP transaction is finally concluded and reported to the Bourse.

In today’s context, it is therefore not practical to restrict the pricing of the futures contract leg of an EFP transaction to a price that is between the high and the low prices of the trading session during which the transaction is reported to the Bourse.

However, the fact remains that the price of the futures contract leg of an EFP transaction must be within reasonable bounds when compared to the currently traded price of the futures contract. To

ensure such pricing fairness and reasonableness, the Bourse is proposing, consistent with the terminology used for block trades in article 6380 of Rule Six, to add to paragraph e) of article 6815 a provision requiring that the price of the futures contract leg of an EFP transaction be “fair and reasonable”. This proposed new provision also specifies some of the factors that must be considered in order to determine the fairness and reasonableness of the futures contract leg price.

These proposed amendments would allow the Bourse to align its regulations and practices regarding EFP transactions with those of major international futures contracts exchanges.

For illustrative purposes, the following table identifies some major exchanges that do not impose to their participants any price restriction on the futures contracts leg of an EFP transaction such as the one that currently exists in the Rules of the Bourse. For all these exchanges, the only requirement regarding the price of the futures contracts leg of an EFP transaction is that such price be “fair and reasonable”.

Exchange	Pricing the futures contract leg of an EFP at a “fair and reasonable price”
CBOT	√
CME	√
SFE	√

Source: Bourse de Montréal

### 2) Deletion of the second subparagraph of paragraph e) of article 6815 regarding the pricing of the “cash” leg of an EFP transaction when such transaction involves securities underlying an index futures contract.

In an EFP transaction, the futures contracts leg is executed on a futures contracts exchange, such as the Bourse, while the “cash” leg is executed on the cash market on which the underlying securities are traded. In the specific case of EFP transactions involving index futures contracts, the cash leg consists of a basket of securities that are components of the index and these securities trade on a stock exchange. Thus, for the S&P/TSX 60 and sectorial S&P/TSX index futures contracts

traded on the Bourse, the basket of securities that will be part of the EFP is traded on the Toronto Stock Exchange (TSX).

While it is the responsibility of the derivatives market to regulate the futures contract leg of an EFP transaction, in the case of an EFP involving index futures contracts it is the responsibility of the stock exchange on which the securities underlying the index are traded to regulate the cash leg of the EFP transaction. This means that the pricing of the futures contracts leg must be in compliance with the requirements of the futures contracts exchange (i.e. the Bourse) while the cash leg pricing must be in compliance with the requirement of the stock exchange (i.e. the TSX).

The TSX currently has in force Rule 4-1103 regarding EFP transactions. Subparagraph 3) f) of the TSX Policy for that Rule reads as follows:

*“(3) Procedure for Exchange for Physicals*

*If a person to whom this Policy applies seeks to exchange a futures contract for the equivalent number of listed securities underlying the futures contract (including an equivalent number of units of the applicable Index Participation Fund or mutual fund), the following provisions shall apply:*

*(...)*

*f) the trade in the listed securities made from 9:30 a.m. to 4:00 p.m. will be at the bid price of the listed securities on the Exchange at the time of the telephone call to Trading and Client Services and the trade in listed securities made from 4:00 p.m. to 4:15 p.m. will be at the last sale price of the listed securities on the Exchange provided that where the last sale price is outside of the closing quotes for any listed security the price for that listed security shall be the bid or offer which is closest to the last sale price;”*

The language of the second subparagraph of paragraph e) of article 6815 is quite similar to the one that can be found in Rule 4-1103 of the TSX.

The Bourse considers that maintaining this provision in article 6815 is useless and proposes to remove it for the following reasons:

- i) as mentioned above, the Bourse is responsible for regulating the derivative instruments that are traded on its market not the securities that are traded on another market. This provision has become obsolete since the Bourse has specialized itself in derivatives;
- ii) maintaining a provision like the existing one regarding the pricing of the cash leg of an EFP transaction involving index futures contracts creates a risk that such provision be not harmonized with the requirements of the market on which the underlying securities are traded (i.e. the TSX or other alternative trading system). Such lack of uniformity may lead to interpretation and application problems;
- iii) even if the wording of the provision was perfectly identical for both markets, there is always a risk that one of them could amend such wording without the other noticing such change. In such an instance the problems evoked in ii) above could reoccur; and
- iv) benchmarking with major derivatives exchanges (CME., CBOT and SFE) indicates that none of them specify in their rules, policies or procedures, at what price the cash leg of an EFP transaction must be executed. They all limit their regulatory requirements to the futures contracts leg of the transaction.

**3) Amendment to paragraph f) of article 6815 to add reference to a prescribed reporting form for EFP transactions and to replace references to specific information by a general reference to information required by the Bourse on its prescribed reporting form**

Paragraph f) of article 6815 requires that all EFP transactions be reported to the Bourse in a timely fashion.

In order to standardize such reporting and to ensure uniformity of the information so reported, the Bourse has developed a reporting form that must be used by approved participants when reporting an EFP transaction together with the procedures for the execution of EFP. These procedures and form were published by the Bourse on February 6, 2007 in circular #021-07.

All the information that is necessary to the Bourse for reviewing, approving and processing an EFP transaction is on the reporting form.

Consequently, the Bourse is proposing to amend paragraph f) of article 6815 so that it specifically refers to the EFP reporting form prescribed by the Bourse and to delete references to specific information that are currently enumerated in this paragraph, such as identification of the buyer and the seller, number of contracts involved in the transaction, time of execution and price of the futures contracts leg, to replace them by a general reference to the information required to be provided in the prescribed form.

The advantage of modifying this paragraph as proposed is that it will give the Bourse the necessary flexibility to expand, reduce or modify the quantity or nature of information required without having each time to modify its Rules.

**4) Deletion of the second subparagraph of paragraph g) of article 6815 regarding the determination of the deadline before which an EFP transaction must be reported in order to be deemed to have been reported during a trading session**

The purpose of paragraph g) of article 6815 is to clarify the fact that if an EFP transaction is made before the close of the trading session, it must be reported immediately to the Bourse for review, approval and processing. On the other hand, if the transaction is made after the close of the market, it must be reported to the Bourse on the next trading day before 10:00 a.m.

Deadlines for trade input may vary depending on the instrument traded but generally they do not vary except on trading days preceding a holiday

in which case they will usually close at an earlier time in the day.

The Bourse proposes to delete the second subparagraph of paragraph g) of article 6815 because this provision is redundant and may create confusion.

The first subparagraph of paragraph g) is already clear enough to the effect that an EFP transaction executed during regular trading hours will be deemed to have occurred during regular trading hours. On the other hand, if the transaction is executed outside of the regular trading hours, it must be reported to the Bourse on the next trading day not later than 10:00 a.m. In such a case, both the parties to the transaction and the Bourse can easily determine that the transaction did not occur during regular trading hours.

**5) Addition of a new paragraph h) to article 6815 to provide for conditions that must be complied with in order to consider that the counterparties to an EFP transaction are acceptable**

Article 6815 of Rule Six of the Bourse currently contains no specific indication regarding what are permissible counterparties to an EFP transaction.

It does not contain either any prohibition regarding the execution of an EFP transaction for which the same beneficial owner or legal entity is on both sides of the transaction.

However, article 6306 of Rule Six considers that, in paragraph c), entering orders or effecting transactions whose execution does not result in any change in the beneficial or economic ownership of the relevant securities or derivative instruments is a manipulative or deceptive method of trading.

Considering that in most instances EFP transactions are made by approved participants for the accounts of institutional clients and that in some of these cases, the parties to the transactions may be owned by the same beneficial owner or be part of the same legal entity, the Bourse is proposing to add to article 6815 of Rule Six a new

paragraph h) that would specify what are permissible counterparties for the purpose of an EFP transaction and permit, subject to certain conditions, EFP transactions between parties that are ultimately owned or controlled by the same legal entity or beneficial owner.

An example of such a situation would be a large pension fund for which various portfolios are managed by different portfolio managers who act independently from each other. In such a case, portfolio manager A may have an interest to exchange a futures contract position against an equivalent underlying cash position while at the same time portfolio manager B has an interest in exchanging a cash position against an equivalent futures contracts position.

Normally, making an EFP transaction between these two “units” of the pension fund would not be permitted since it would be considered as a transaction involving no change of beneficial ownership and, as a consequence, it could also be considered to be a manipulative or deceptive transaction.

The Bourse sees no reason why such a transaction should be deemed to be unacceptable if, in addition to being made by counterparties that, although being ultimately owned by the same beneficial owner or being part of the same legal entity, are acting independently from each other, the transaction is made at arm’s length conditions.

Therefore, the Bourse is proposing to add to article 6815 a new paragraph h) that would specify that the counterparties to an EFP transaction must satisfy at least one of the following conditions:

- i) they have different beneficial ownership;
- ii) they have the same beneficial ownership, but are under separate control;
- iii) the accounts are commonly controlled, but involve separate legal entities which may or may not have the same beneficial interest.

For more clarity, the proposed amendment would also specify that in cases where the parties to an EFP transaction involve the same legal entity, same beneficial ownership, or separate legal entities under common control, the parties must be able to demonstrate that the EFP transaction was a legitimate arms-length transaction.

**6) Addition of a new paragraph k) to article 6815 to incorporate in the EFP rule a prohibition to make an EFP transaction for the sole purpose of circumventing the contract month roll in the corresponding security or derivative instrument**

EFP transactions have many similarities with block transactions:

- i) the price at which the transaction is made is an agreed upon price between the parties to the transaction and this price must be “fair and reasonable”;
- ii) the transaction is made off-exchange;
- iii) although, contrarily to block transactions, there are no minimum volume threshold regarding the number of futures contracts that are the subject of an EFP transaction, experience shows that the number of futures contracts involved in transactions of this type is significantly high. Therefore, like block transactions, EFP transactions involve, on an individual transaction basis, a large number of contracts. For example, in the month of December 2006, 110 EFP transactions in futures contracts listed on the Bourse were executed by approved participants with an average number of 593 futures contracts per transaction. Nine (9) of these transactions involved 1,500 futures contracts or more.

When the Bourse developed its block trading rules and subsequently implemented them in January 2005, a prohibition to enter into a block transaction to circumvent the contract month roll in the corresponding security or derivative instrument was incorporated into the block trading

rule (see subparagraph 4) vii) of article 6380). This prohibition was incorporated into the block trading rule in order to harmonize this rule with the current practices of other major futures contracts exchange.

In the course of the benchmarking made by the Bourse with other futures contracts exchanges in connection with the revision of its EFP rule, it was noticed that some markets, such as the Sydney Futures Exchange and the Chicago Board of Trade are prohibiting EFP transactions during the roll period of an expiring contract.

The Bourse therefore proposes to add a new paragraph k) to article 6815 prohibiting participants to enter into an EFP transaction for the sole purpose of circumventing the contract month roll.

This provision will not only harmonize the EFP rule of the Bourse with those of other major derivatives exchanges, but also with the Bourse's own block trading rule.

## **7) Housekeeping amendments to article 6815**

In addition to the above-described amendments to article 6815 of Rule Six, the Bourse also wishes to make some housekeeping amendments to this article.

These amendments consist in:

- rewording the language of the article so that it be easier to understand and to interpret;
- adding specific references to the related procedures of the Bourse. Adding such references is considered important by the Bourse since it will make it clear for approved participants that they not only have an obligation to comply with the rule itself but also with the procedures related to such rule; and
- deleting some obsolete terms and replacing them with more actual ones (for example, replacing the term "members" by "approved participants").

## **E) – Impact of the Proposed Amendments**

The proposed amendments will allow market participants to better manage risk through the use of EFP transactions by clarifying the applicable regulatory requirements and increasing the flexibility of the EFP functionality as a risk management tool.

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

## **E – Financial Markets and Public Interest**

The proposal is designed to make it more efficient for participants to conclude an EFP.

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

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

## **II COMMENTS**

### **A) Efficiency**

As indicated above, the objective of the proposed regulatory amendments is to facilitate the execution of EFP transactions by clarifying the existing rule and by eliminating limitations that are not justified in light of existing trading practices that are in place in other exchanges and in the OTC market.

It is estimated that the proposed amendments will be efficient for the purpose of EFP transactions since they will contribute to an easier interpretation and application of the Rule regarding EFP transaction. The proposed amendments will also contribute to a more efficient use of EFP transactions as a risk management tool since useless limitations will be



eliminated and flexibility will be added for what regards the pricing of such transactions and permissible counterparties.

## **B) Process**

The first step of the approval process for the regulatory amendments proposed in the present document consists in having them approved by the Rules and Policies Committee of the Bourse. Once the approval of the Rules and Policies Committee has been obtained, the proposed regulatory amendments are simultaneously 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.

The Rules and Policies Committee of the Bourse approved the proposed amendments to article 6815 of the Rules of the Bourse on January 31, 2007.

## **C) – Sources**

- Rule Six of the Bourse – Article 6815
- Toronto Stock Exchange - Rule 4-1103 and related Policy on Exchange for Physicals and Contingent Option Trades
- Sydney Futures Exchange – Rule 3.5 – Exchange for Physical Trading and related trading procedures and principles
- Chicago Board of Trade – Rule 331.08 – Exchange of Futures for Related Transactions and related notice dated July 24, 2006
- Chicago Mercantile Exchange – Rule 538 – Transfer of Spot for Futures and related Trading Practices Q&A dated March 23, 2005

**6815 Exchanges for Physicals (E.F.P.)**(08.09.89, 17.10.91, 05.01.94, 19.01.95, 01.05.95, 07.09.99, 31.01.01, 03.05.04, 00.00.07)

- a) An exchange of ~~physical securities for futures contracts on~~ Government of Canada Bonds, ~~futures contracts, the futures contract on the~~ S&P/TSE~~X~~ 60 Stock Index, ~~Canadian or international the~~ Sshares ~~Futures Contracts~~ and ~~futures contracts on~~ S&P/TSE~~X~~ sectorial stock indexes for physical securities (E.F.P.) ~~is~~ shall be permitted if such E.F.P. transaction is executed in accordance with the requirements of this article and of related procedures established by the Bourse.
- b) An E.F.P may be ~~concluded~~ summed between two parties if one of the parties is the buyer of the physical securities and the seller of the futures contract, and the other party is the seller of the physical securities and the buyer of the futures contract.
- c) The purchase and sale of the futures contract ~~must~~ shall be simultaneous with the sale and purchase of a corresponding quantity of the physical securities.
- d) For the purposes of this article, the physical securities and the futures contract (bonds for Government of Canada Bond futures contracts, the equivalent number of underlying securities or ~~equivalent~~ index participation units for ~~the~~ S&P/TSE~~X~~ 60 Stock Index ~~futures contract~~ and for the S&P/TSE~~X~~ sectorial stock indexes futures contracts and the equivalent number of underlying shares for ~~the~~ Sshare ~~F~~futures contracts) constitute an acceptable hedge.
- e) An E.F.P. may be made at such prices ~~that~~ are mutually agreed upon by the two parties to the E.F.P. However, the ~~futures leg of E.F.P.s transacted between two different members must be priced within the high and low prices of the trading session during which the E.F.P. is deemed to have been reported to the Exchange price at which the futures contract leg of an E.F.P. transaction is arranged must be fair and reasonable in light of factors such as, but not limited to, the size of such an E.F.P. transaction, the currently traded prices and bid and ask prices in the same contract at the relevant time, the volatility and liquidity of the relevant market as well as the general market conditions.~~
- ~~From 9:30 a.m. to 4:00 p.m., the equities leg of stock index futures and Canadian Share Futures contracts E.F.P.s must be priced at the bid quotation at the time the E.F.P. is deemed to have been executed. For EFPs done after the close of the stock market all equities will go through at the last sale price, except where the last sale is outside of the closing quote, in which case it will go through on the bid or offer closest to the last sale.~~
- f) Each E.F.P. transaction must shall be reported to the ~~Bourse~~Exchange in accordance ~~ing~~ ~~with the~~ procedures ~~set by the~~ ~~Bourse~~Exchange. Such report must shall be in the form prescribed by the ~~Bourse~~ and must contain all the information required on such prescribed form, specify the buyer and the seller of the futures contract, the number of contracts, the time of execution of the E.F.P., and the price of the futures leg in the E.F.P.
- g) Each E.F.P. transacted before the deadline for trade input determined by the Bourse must be immediately submitted to the ~~Bourse~~Exchange. Each E.F.P. transacted after the deadline for trade input must be submitted to the ~~Bourse~~Exchange not later than ~~by~~ 10:00 a.m. ~~-(Montreal time) on the next trading day~~ morning following execution.
- ~~The Exchange will determine, from time to time, the deadline before which a transaction must be reported to be deemed to have been reported during a trading session for the purposes of article 6815 paragraph e).~~

h) The accounts involved on each side of an EFP transaction must satisfy at least one of the following conditions:

- i) they have different beneficial ownership;
- ii) they have the same beneficial ownership, but are under separate control;
- iii) the accounts are commonly controlled, but involve separate legal entities which may or may not have the same beneficial ownership.

In cases where the parties to an E.F.P. transaction involve with the same legal entity, same beneficial ownership, or separate legal entities under common control, on both sides of the transaction will be permitted provided the following conditions are complied with:

- i) each of the two sides of the transaction must be under separate control; and
- ii) the parties must be able to demonstrate that the E.F.P. transaction was a legitimate arms-length transaction.

hi) The members and approved persons parties involved in an E.F.P. transactions must shall maintain in Montreal or in the principal office of the member in Canada a full and complete records of the transaction, the actual transfer of possession of the physical securities and the transfer of funds related thereto. Each member party involved in an E.F.P. transactions shall produce to the BourseExchange, upon request, all records pertaining to such the E.F.P.s; transaction, including those relating to the purchase and sale of the physical securities, the transfer of funds related thereto and any record log maintained in connection therewith.

ij) It is prohibited for any member and approved person party to an E.F.P. transaction to effect a transaction which is contrary to the requirements and practices prescribed by the rules, policies and procedures of the Bourse principles enunciated in the regulations or to effect such a transaction for the sole purpose of and, moreover, which is used to cause any price to be reported, registered or recorded a price that when is not a bona fide price or of making a transaction which is of the character of a "wash sale", an "accommodation trade" or a "fictitious sale".

k) It is strictly prohibited for any party, for both the buyer and the seller, to enter into an E.F.P. transaction to circumvent the contract month roll in the corresponding security or derivative instrument.

jl) E.F.P.'s transactions must at all times shall be executed in accordance with such other procedures, terms and conditions that prescribed by the BourseExchange may prescribe from time to time.