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| <input checked="" type="checkbox"/> | Trading – Interest Rate Derivatives | <input type="checkbox"/> | Back-office - Options |
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CIRCULAR
March 19, 2008

OPEN POSITIONS REPORTING THRESHOLDS FOR FUTURES CONTRACTS AND OPTIONS ON FUTURES CONTRACTS

The purpose of this circular is to clarify the application of the Rules of Bourse de Montréal Inc. (the Bourse) for what regards futures contracts and options on futures contracts that must periodically be reported to the Bourse¹ when the prescribed reporting thresholds² are reached or exceeded.

To determine if an account holds a number of open positions in futures contracts or in options on futures contracts that is equal to or greater than the prescribed reporting threshold, approved participants must take in consideration the **gross** open positions held by this account, not the net positions. This means that if an account simultaneously holds long and short positions in futures contracts and options on futures contracts, these positions must not be netted together to determine if the reporting threshold has been reached or exceeded but must rather be added together. In addition, for the purpose of such determination, all futures contracts and options on futures contracts expiries must be combined. For options on futures contracts, all options having a different strike price must also be combined. It is also important to mention that if an account simultaneously holds positions in futures contracts and positions in options on such futures contracts, all open positions in both types of derivative instruments must be combined.

If it appears, following such a determination, that the reporting threshold has been reached or exceeded, approved participants must then transmit to the Bourse, in the manner prescribed by the Bourse, the detail of all **gross** open positions, i.e. the information provided must allow the Bourse to know about all long and short open positions for each expiry and, in the case of options on futures contracts, for each strike price. **No netting of long (short) positions against short (long) positions must be made for the purposes of the report that must be transmitted to the Bourse.**

Circular no.: 044-2008

¹ Position reports for futures contracts and options on futures contracts that must be filed when the prescribed reporting thresholds are reached or exceeded must be transmitted to the Bourse within 48 hours after the closing of trading on the second and fourth business days of each week.

² Reporting thresholds for each futures contract and option on futures contract traded on the Bourse are specified in Rule Fifteen of the Bourse, in the specifications of these instruments and in the position limits circular that is issued every month by the Bourse. All these sources of information can be consulted on the Bourse's Web site (<http://www.m-x.ca>).

The following is an example of combined gross open positions that should be declared to the Bourse:

Account holder “A” positions

| <u>Instrument</u> | <u>Long</u> | <u>Short</u> |
|--------------------|-------------|--------------|
| BAX Mar 08 | 50 ctr. | |
| BAX Sep 08 | 50 ctr. | 100 ctr. |
| OBX Dec 95,50 Put | 100 ctr. | |
| OBX Mar 95,25 Call | | 100 ctr. |

Total gross open positions for the BAX futures contract and the option on this future contract for account holder “A”: 400 contracts

Since the total gross open position exceeds the reporting level for these derivative instruments (300 contracts), all long and short positions held by this account in this category of derivative instruments must be reported to the Bourse.

Multiple accounts

If a client holds or controls more than one account as a beneficial owner, the determination of the reporting threshold must be made by taking in consideration all open positions held in all the accounts owned or controlled by this client as a beneficial owner. For example, if a client has a beneficial ownership interest not only in an account opened under his own name but also in other accounts opened in the name of other physical or moral persons, the determination of whether or not the reporting threshold has been reached or exceeded must be made by taking in consideration all gross open positions held by all these accounts as a whole.

If it appears that on a combined basis the total number of gross positions held by all these accounts equals or is greater than the reporting threshold, a separate position report must be filed with the Bourse for each account and this regardless of the fact that one or many of these accounts hold an open position that is lesser than the reporting threshold.

Approved Participants Accounts (Firm Accounts)

Approved participants holding open positions for their own account in any of the futures contracts and options on futures contracts that are traded on the Bourse must report these positions to the Bourse by applying the same principles as those explained above.

Who must file position reports to the Bourse

According to the Rules of the Bourse, the obligation to report open positions rests upon each approved participant. The Bourse has noticed that for what regards approved participants that are not members of the Canadian Derivatives Clearing Corporation (CDCC), the position reports are most of the time filed by the clearing broker of these approved participants.

The Bourse does not object to such a practice, but wishes to remind approved participants about some important points:

- 1° The determination of which one of the non-clearing approved participant or its clearing broker will ensure the reporting of open positions to the Bourse must be clearly established. The non-clearing approved participant must not take for granted that this reporting will be done by its clearing broker and vice-versa. The two parties must also ensure that there is no duplicate reporting to the Bourse. Only one of them must file to the Bourse the report pertaining to positions.
- 2° Once the parties have agreed that the non-clearing approved participant position reports will be prepared and filed with the Bourse by its clearing broker, the determination of whether or not the reporting thresholds have been reached or exceeded will generally be made from the omnibus accounts that the clearing broker holds on behalf of the non-clearing approved participant. The clearing broker usually not knowing the identity of clients of the non-clearing approved participant, and registering the positions in a customer omnibus account opened in the name of the non-clearing approved participant, the positions reported to the Bourse will be those of such omnibus account.

It may happen from time to time that the Bourse wishes to know the identity of clients for whom positions are held in an omnibus account such as, for example, when the total number of positions held in such an account for a specific contract is getting close to the permitted position limits for this contract.

The Bourse therefore wishes to remind non-clearing approved participants that they have an obligation to disclose to the Bourse the identity of clients for whom positions are held in an omnibus account if the Bourse requests them to do so.

For what regards clearing approved participants who report to the Bourse positions held in an omnibus account opened on behalf of a broker or another entity that is not an approved participant of the Bourse, they must ensure that the identity of the clients for whom positions are held in such omnibus account will be made available to the Bourse either by the clearing approved participant itself or by the broker or other entity on behalf of which the omnibus was opened, if the Bourse requests this information.

Reporting thresholds

As a reminder, here are the reporting thresholds for the futures contracts and options on futures contracts that are currently listed for trading on the Bourse.

| FUTURES CONTRACTS AND OPTIONS ON FUTURES CONTRACTS | REPORTING THRESHOLDS |
|---|---------------------------------|
| BAX/OBX¹ - Three-month Canadian Bankers' Acceptance | 300 ctr. |
| LGB - Thirty-year Government of Canada Bonds | 250 ctr. |
| CGB/OGB¹ - Ten-year Government of Canada Bonds | 250 ctr. |
| CGZ - Two-year Government of Canada Bonds | 250 ctr. |
| SXF - S&P/TSX 60 Index | 1,000 ctr. |
| ONX – 30-Day Overnight Repo Rate | 300 ctr. |
| SXA-SXB-SXH-SXY – S&P/TSX Capped Sectorial Indices | 500 ctr. |

1. To determine if the reporting limit has been reached, positions in options on futures contracts must be aggregated with the underlying futures contract positions. For aggregation purposes, one option contract is equivalent to one futures contract.

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