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CIRCULAR
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ORDER IDENTIFICATION-AVERAGE PRICE ACCOUNTS

The purpose of this circular is to clarify the application of the Rules of Bourse de Montréal Inc. (the Bourse) for what regards order identification, as per the provisions of article 6376, when accumulating positions in inventory accounts.

■ Accumulation of positions in an inventory account based on indication of interest

If an approved participant is accumulating derivative instruments positions based on an indication of interest from a client or an order with a contingency that has not occurred, then the client is under no obligation to purchase the instruments and is not the beneficial owner of such instruments while in inventory. If the client were to eventually accept the accumulated positions, the transfer of the position to the client account must result in a transaction on the Bourse. In both instances, the orders and the inventory account holding the positions must be identified as **“Firm”** as per the provisions of article 6376 *“Order Identification”* of the Rules of the Bourse since the approved participant bears the risk while taking on the positions and must be considered as the beneficial owner of these positions as long as the client expression or interest does not materialize into a firm indication that he accepts to take the positions or, as the case may be, as long as the contingency does not occur..

■ Accumulation of positions in an inventory account for client average pricing purposes

Approved participants, at the request of a client, may accumulate a derivative instruments position in an inventory account and transfer this position to the client account at an average price as per the provisions of article 6818 *“Average price trades”*. If an approved participant is accumulating derivative instruments positions in an inventory account based on a firm client order pursuant to which the client will accept all derivative instruments traded up to the full amount of his order, then the client must be considered as being the beneficial owner of the instruments while being accumulated since the inventory account is only being used for administrative purposes (average pricing). In this case, the orders and the inventory account holding the positions must be identified as **“Client”** as per the provisions of article 6376 *“Order Identification”* of the Rules of the Bourse.

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