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<input checked="" type="checkbox"/>	Back-office – Futures	<input checked="" type="checkbox"/>	Regulation

**CIRCULAR**  
April 8, 2013

## REQUEST FOR COMMENTS

### AMENDMENTS TO THE RULES OF BOURSE DE MONTRÉAL INC.

#### UPDATING OF ARTICLE 1102 OF RULE ONE “REGULATIONS OF THE BOURSE”

The Rules and Policies Committee of Bourse de Montréal Inc. (the Bourse) has approved amendments to article 1102 of the Rules of the Bourse, which deal with the updating of the definitions contained therein. The purpose of these amendments therefore is to withdraw those definitions which have become obsolete and to update the definitions pertaining to corporate approved participants, partnership approved participants and foreign approved participants, as well as the definition associated with the expression “Closing Trade (futures contracts)”

Comments on the proposed amendments to article 1102 of the Rules of the Bourse must be submitted within 30 days following the date of publication of the present notice, at the latest on May 8, 2013. Please submit your comments to:

*M<sup>e</sup> Pauline Ascoli*  
*Vice-President, Legal Affairs (Derivatives)*  
*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:

*M<sup>e</sup> Anne-Marie Beaudoin*  
*Corporate Secretary*  
*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)*

Circular no.: 062-2013

## **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 by the Bourse, in accordance with the self certification process as established in the Derivatives Act (2008, c.24).

### **Process for Changes to the Rules**

Bourse de Montréal Inc. is authorized to carry on business as an exchange and is recognized as a self-regulatory organization (SRO) by the Autorité des marchés financiers (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 its Rules. The Rules of the Bourse are submitted to the Autorité in accordance to the self-certification process as established in the Derivatives Act (2008, c.24).

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 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.



**UPDATING OF ARTICLE 1102 OF RULE ONE OF THE BOURSE — REGULATIONS OF THE BOURSE**

**I SUMMARY**

Bourse de Montréal Inc. (la Bourse) wishes to update Rule One of its Rules (“Regulations of the Bourse”), first by abrogating many definitions included under article 1102 of Rule One which are no longer current and by updating the definitions pertaining, amongst other, to corporate approved participants, partnership approved participants and foreign approved participants.

**II ANALYSIS**

**A) The Context**

Many amendments were made to the Rules of the Bourse in recent years. From these stemmed the withdrawal of numerous expressions defined under article 1102 (“Definitions”), which currently remain in Rule One.

Furthermore, following the updating of Rule Three (“Approved Participants”) on March 30, 2010<sup>1</sup>, the Bourse wishes to amend the definitions pertaining to corporate approved participants, partnership approved participants and foreign approved participants set forth under article 1102 of Rule One and, thus, refer specifically to the applicable requirements stated under Rule Three.

Finally, the Bourse proposes to amend the definition pertaining to closing trades, under article 1102, in order to include options as well as futures contracts.

<sup>1</sup> See Circular # 032-2010 of the Bourse, published on March 30, 2010.

**B) Abrogated Definitions**

The Bourse proposes to abrogate the following definitions which are currently included under Rule One, as they are obsolete and for which there remains no relevant reference in the Rules or Policies of the Bourse:

English version:

- “Acceptable Person”;
- “Aggregate Exercise Price”;
- “Aggregate Market Value of an Index Option”;
- “Brokers’ Auditor”;
- “Canadian Corporation”;
- “Chairman of the Board and Vice-Chairman of the Board”;
- “Class of Futures Contracts”;
- “Closing Purchase Transaction (options and futures contracts)”;
- “Closing Writing Transaction (options and futures contracts)”;
- “Covered Call Writer”;
- “Covered Put Writer”;
- “Day Trade”;
- “Futures Contract Principal”;
- “Individual Approved Participant”;
- “Investment Representative”;
- “Junior Subordinated Debt”;
- “Limited Participation Securities”;
- “Listed Option Transaction”;
- “Non-Resident”;
- “OCC Option Contract”;
- “Open Trade Equity (futures contracts)”;
- “Overnight Trade”;
- “Public Ownership of Securities”;
- “Qualified Independent Underwriter”;
- “Registered Futures Contract Representative”;
- “Registered Options Principal”;
- “Registered Options Representative”;
- “Registered Representative”;
- “Restricted Securities”;
- “Secretary”;
- “Securities Firm”;
- “Securities Related Activities”;
- “Security Certificate”;
- “Settlement Currency or Trading Currency”;
- “Spot Month”;
- “Type of Option”;
- “Underlying Index Level”.

## C) Amended Definitions

The Bourse also wishes to amend the definitions pertaining to the expressions “corporate approved participant”, “partnership approved participant” and “foreign approved participant”, especially considering the updating of Rule Three (“Approved Participants”) on March 30, 2010. It is therefore suggested to refer, from now on, to the relevant provisions of Rule Three for the purpose of these expressions.

Finally, the Bourse proposes to amend the definition associated with the expression “Closing Trade (futures contracts)”, in order to include options as well. The current definition under article 1102 refers exclusively to the settlement of futures contracts.

## D) Public Interest

Since the regulatory amendments proposed in this analysis aim to withdraw obsolete definitions listed under Rule One, as well as update the definitions pertaining to corporate approved participants, partnership approved participants, foreign approved participants and closing trades, the Bourse considers that these abrogations and amendments are of public interest.

## E) Impact of the Proposed Amendments on Systems

The Bourse considers that the regulatory amendments proposed in this analysis will not impact the systems as it concerns the approved participants, approved persons, their clients or the public.

## F) Interest of Financial Markets

For the reasons mentioned above, the Bourse considers that the proposed regulatory amendments will not negatively affect the interests of financial markets.

## G) Considered Alternatives

No other alternative was considered by the Bourse.

## III COMMENTS

### A) Efficiency

As mentioned above, the main objective of the proposed abrogations and amendments to the definitions listed under Rule One of the Bourse, as discussed in this analysis, is to withdraw those definitions which have become obsolete and to update the definitions pertaining to corporate approved participants, partnership approved participants and foreign approved participants, as well as the definition associated with the expression “Closing Trade (futures contracts)”.

### B) Process

The first step for the approval of the regulatory amendments that are proposed in this analysis consist in having them approved by the Special Committee – Regulatory Division of the Bourse. The proposed amendments are then submitted to the approval of the Rules and Policies Committee of the Bourse.

Once approved by the Rules and Policies Committee of the Bourse, the proposed amendments, including the present document and its appendices, will be simultaneously published by the Bourse for a 30-day comment period and submitted to the Autorité des marchés financiers (AMF) for self-certification purposes. The AMF also publishes the proposed amendments and the 30-day request for comments in its weekly bulletin.

Finally, a copy of the abrogation and amendment proposition will be submitted to the Ontario Securities Commission.

## IV REFERENCES

- Article 1102 of Rule One of Bourse de Montréal Inc.
- Circular No 032-2010 of Bourse de Montréal Inc., published on March 30, 2010.

RULE ONE  
REGULATIONS OF THE BOURSE

1102 Definitions

(07.09.99, 31.01.01, 08.07.02, 02.09.03, 17.06.05, [00.00.00](#))

The following is an alphabetical index of each term defined in English in this article with the corresponding French term in brackets.

~~Acceptable Person (Personne acceptable)~~  
~~Aggregate Exercise Price (Prix global de levée)~~  
~~Aggregate Market Value of an Index Option (Valeur au marché globale d'une option sur indice)~~  
 Approved Lenders (Prêteurs autorisés)  
 Approved Participant (Participant agréé)  
 Approved Persons (Personnes approuvées)  
 Associate (Personne liée)  
 Bankruptcy Act (Loi sur la faillite)  
 Board of Directors of the Bourse (Conseil d'administration de la Bourse)  
 Bond (Obligation)  
 Bourse Approval (Approbation de la Bourse)  
 Bourse or The Bourse (Bourse)  
~~Brokers' Auditor (Vérificateur du courtier)~~  
 Call (Option d'achat)  
~~Canadian Corporation (Corporation canadienne)~~  
 CDCC (CCCPD)  
 CDCC Option (Option CCCPD)  
~~Chairman of the Board and Vice-Chairman of the Board  
 — (Président du Conseil et Vice-président du Conseil)~~  
 Chartered Bank (Banque à charte)  
~~Class of Futures Contracts (Classe de contrats à terme)~~  
 Class of Options (Classe d'options)  
 Clearing Approved Participant (Participant agréé compensateur)  
 Clearing Corporation (Corporation de compensation)  
 Client Account (Compte client)  
~~Closing Purchase Transaction (options and futures contracts)  
 — (Achat liquidatif options et contrats à terme)~~  
 Closing Trade (**Options and futures contracts**) (Opération de liquidation-**Options et** contrats à terme)  
~~Closing Writing Transaction (options and futures contracts)  
 — (Vente liquidative options et contrats à terme)~~  
 Corporate Approved Participant (Participant agréé corporatif)  
~~Covered Call Writer (Vendeur d'option d'achat couvert)~~  
~~Covered Put Writer (Vendeur d'option de vente couvert)~~  
 Current Index Value (Valeur courante de l'indice)  
 Cycle (Cycle)  
~~Day Trade (Opération d'un jour)~~  
 Dealer (Négociant)  
 Debt (Dette)  
 Defaulter (Défaillant)  
 Delivery (Livraison)

## APPENDIX B

<b>Delivery or Settlement Month</b> (Mois de livraison ou de règlement)
<b>Derivative Instrument</b> (Instrument dérivé)
<b>Designated Representative</b> (Représentant attitré)
<b>Director</b> (Administrateur)
<b>Disciplinary Committee</b> (Comité de discipline)
<b>Escrow Receipt</b> (Récépissé d'entiercement)
<b>Exchange Contract</b> (Contrat de bourse)
<b>Exercise</b> (Lever)
<b>Exercise Price</b> (Prix de levée)
<b>Financial Institution</b> (Institution financière)
<b>Firm Account</b> or <b>Approved Participant Account</b> (Compte de firme ou compte de participant agréé)
<b>Foreign Approved Participant</b> (Participant agréé étranger)
<b>Futures Contract</b> (Contrat à terme)
<b>Futures Contract on Index</b> (Contrat à terme sur indice)
<del><b>Futures Contract Principal</b> (Responsable des contrats à terme)</del>
<b>Guaranteeing</b> (Garantissant)
<b>Hedger</b> (Contrepartiste)
<b>Holding Company</b> (Société de portefeuille)
<b>In-the-money</b> (En jeu)
<b>Index Component Stock</b> (Action composante de l'indice)
<b>Index Option</b> (Option sur indice)
<b>Index Participation Unit (IPU)</b> (Unité de participation indiciaire (UPI))
<del><b>Individual Approved Participant</b> (Participant agréé individuel)</del>
<b>Industry Investor</b> (Investisseur de l'industrie)
<b>Industry Member</b> (Membre de l'industrie)
<b>Intercommodity Spread (futures contracts)</b> (Position mixte inter-marchandise – contrats à terme)
<b>Intermarket Spread (futures contracts)</b> (Position mixte inter-marché – contrats à terme)
<b>Introducing Broker</b> (Courtier remisier)
<b>Investment</b> (Investissement)
<del><b>Investment Representative</b> (Représentant en placement)</del>
<b>Jitney</b> (Jitney)
<del><b>Junior Subordinated Debt</b> (Dette subordonnée junior)</del>
<del><b>Limited Participation Securities</b> (Valeurs à participation limitée)</del>
<del><b>Listed Option Transaction</b> (Opération sur options inscrites)</del>
<b>Listed Product</b> (Produit inscrit)
<b>Long Position (futures contracts)</b> (Position acheteur - contrats à terme)
<b>Long Position (options)</b> (Position acheteur - options)
<b>Major Position</b> (Position importante)
<b>Margin</b> (Marge)
<b>Margin required by the Clearing Corporation</b> (Marge exigée par la Corporation de compensation)
<b>Market-Maker Account</b> (Compte de mainteneur de marché)
<del><b>Non-Resident</b> (Non-résident)</del>
<del><b>OCC Option Contract</b> (Contrat d'option OCC)</del>
<b>Officer</b> (Dirigeant)
<b>Omnibus Account</b> (Compte omnibus)
<b>Open Interest</b> (Intérêt en cours)
<b>Open Position</b> (Position en cours)
<del><b>Open Trade Equity (futures contracts)</b> (Valeur nette contrats à terme)</del>
<b>Opening Purchase Transaction - (options and futures contracts)</b> (Achat initial – options et contrats à terme)

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**Opening Trade** (Opération initiale)  
**Opening Writing Transaction - options and futures contracts**  
(Vente initiale – options et contrats à terme)  
**Option Contract** (Contrat d'option)  
**Out-of-the-money** (Hors jeu)  
**Outside Investor** (Investisseur externe)  
**Outstanding** (En cours)  
**Over-the-counter Trade** (Opération hors bourse)  
~~**Overnight Trade** (Opération du jour au lendemain)~~  
**Parent Company** (Société-mère)  
**Participating Securities** (Valeurs participantes)  
**Partnership** (Société de personnes)  
**Partnership Approved Participant** (Participant agréé en société)  
**Permit Holder** (Détenteur de permis)  
**Person** (Personne)  
**Premium** (Prime)  
**Professional Account** (Compte professionnel)  
~~**Public Ownership of Securities** (Propriété publique de valeurs)~~  
**Put** (Option de vente)  
~~**Qualified Independent Underwriter** (Souscripteur indépendant qualifié)~~  
**Recognized Exchange** (Bourse reconnue)  
~~**Registered Futures Contract Representative** (Représentant agréé pour les contrats à terme)~~  
~~**Registered Options Principal** (Responsable des contrats d'options)~~  
~~**Registered Options Representative** (Représentant agréé pour les contrats d'options)~~  
~~**Registered Representative** (Représentant inscrit)~~  
**Regulations of the Bourse** (Réglementation de la Bourse)  
**Related Firm** (Entreprise liée)  
~~**Restricted Securities** (Valeurs restreintes)~~  
**Restricted Trading Permit** (Permis restreint de négociation)  
**Restricted Trading Permit Holder** (Détenteur de permis restreint de négociation)  
**Rules** (Règles)  
**Rulings** (Ordonnances)  
~~**Secretary** (Secrétaire)~~  
**Securities** (Valeurs mobilières)  
**Securities Act** (Loi sur les valeurs mobilières)  
~~**Securities Firm** (Firme de valeurs mobilières)~~  
~~**Securities Related Activities** (Activités reliées aux valeurs mobilières)~~  
~~**Security Certificate** (Certificat de valeurs)~~  
**Security Deposit** (Dépôt de garantie)  
**Series of Options** (Série d'options)  
~~**Settlement Currency or Trading Currency** (Devise de règlement ou devise de négociation)~~  
**Settlement Price** (Prix de règlement)  
**Share Futures Contract** (Contrat à terme sur actions)  
**Short Position (futures contracts)** (Position vendeur - contrats à terme)  
**Short Position (options)** (Position vendeur - options)  
**Special Committee** (Comité spécial)  
~~**Spot Month** (Mois du disponible)~~  
**Spread Position (futures contracts)** (Position mixte – contrats à terme)  
**Subordinated Debt** (Dette subordonnée)  
**Trade** (Opération)

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**Trader** (Négociateur)

**Trading Permit** (Permis de négociation)

~~**Type of Options** (Type d'options)~~

**Uncovered** (À découvert)

**Underlying Index** (Indice sous-jacent)

~~**Underlying Index Level** (Cours de référence de l'indice sous-jacent)~~

**Underlying Interest** (Valeur sous-jacente)

**Unit of Trading** (Quotité de négociation)

**Voting Securities** (Valeurs mobilières avec droit de vote)

Throughout the Regulations of the Bourse, unless the subject matter or context otherwise requires:

~~**Acceptable Person** means, in respect of any approved participant or holding company of an approved participant, a physical person, other than an industry member, accepted for purposes of this definition as a partner or as a director in such approved participant or holding company by:~~

- ~~i) the board of directors of the approved participant or holding company, as the case may be, and~~
- ~~ii) the Bourse.~~

~~**Aggregate Exercise Price** means the exercise price of an option multiplied by the number of units of the underlying interest covered by the option contract multiplied by the number of options subject to the Bourse option transaction.~~

~~**Aggregate Market Value of an Index Option** means the value resulting from the product of the unit of trading by the marking price for the underlying index.~~

**Approved Lenders** means a chartered bank or any other lending institution approved as such by the Bourse.

**Approved Participant** means an approved participant of the Bourse, whose name is duly recorded as such on the register referred to in article 3010 of the Rules of the Bourse and who has been approved by the Bourse pursuant to its Rules for the purpose of trading products listed on the Bourse.

**Approved Persons** are related firms and, employees of approved participants and related firms that have received the approval of the Bourse, and partners in and shareholders, directors and officers of approved participants and approved related firms who carry on activities related to securities or futures contracts.

**Associate** where used to indicate a relationship with any person, means:

- i) any corporation of which such person beneficially owns, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all voting securities of the corporation for the time being outstanding;
- ii) a partner of that person acting on behalf of the partnership of which they are partners;
- iii) any trust or estate in which such person has a substantial interest or for which such person serves as trustee or in a similar capacity;
- iv) any relative of such person including his spouse, or of his common law spouse if they are living together;

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but

- v) where the Bourse determines that two persons shall, or shall not, be deemed to be associates with respect to an approved participant or holding company of an approved participant, then such determination shall be determinative of their relationship in the application of Rule Three of the Bourse with respect to that approved participant or holding company.

**Bankruptcy Act** means the Bankruptcy and Insolvency Act, R.S. 1985, chapter B-3 as amended from time to time.

**Board of Directors of the Bourse** means the Board of Directors of Bourse de Montréal Inc. as defined in the By-Laws of the Bourse and the resolutions of Directors.

**Bond** means a bond, debenture, note or other instrument of government or corporate indebtedness.

**Bourse Approval** means any approval given by the Bourse (including any committee or officer of the Bourse so authorized) under any provision of the Regulations of the Bourse.

**Bourse or The Bourse** means Bourse de Montréal Inc.

~~**Brokers' Auditor** has the meaning attributed to by the Quebec Securities Act, R.S.Q., V 1.1.~~

**Call** means an option by the terms of which its holder has the right, in accordance therewith, to:

in the case of a delivery settlement option, purchase from the clearing corporation the number of units of the underlying interest covered by the option;

in the case of a cash settlement option, require from the clearing corporation a cash payment corresponding to the amount by which the contract is in-the-money.

~~**Canadian Corporation** means a corporation incorporated or constituted by or under a general or special Act of the Parliament of Canada or the Legislature of any province thereof.~~

**CDCC** means Canadian Derivatives Clearing Corporation, a limited liability company, incorporated under the Canada Business Corporations Act, which issues and guarantees CDCC option contracts and futures contracts.

**CDCC Option** means a call or put option issued and guaranteed by Canadian Derivatives Clearing Corporation.

~~**Chairman of the Board and Vice-Chairman of the Board** mean respectively the Chairman and Vice-Chairman of the Board of Directors of the Bourse.~~

**Chartered Bank** means any bank incorporated under the Bank Act (Canada).

~~**Class of Futures Contracts** means all futures contracts covering the same underlying interest which are guaranteed by the same clearing corporation.~~

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**Class of Options** means all options of the same style, covering the same underlying interest which are guaranteed by the same clearing corporation.

**Clearing Approved Participant** means, with respect to each category of listing, any approved participant which is a member of the clearing corporation.

**Clearing Corporation** means a corporation or other entity which provides trade reporting, confirmation and settlement services and which is designated as such by the Bourse for each category of listing.

**Client Account** means an account established by an approved participant which is confined to securities or futures contracts transactions executed by the approved participant and positions carried by the approved participant on behalf of his clients.

~~**Closing Purchase Transaction (options and futures contracts)** means an exchange transaction in which the result is to reduce or eliminate a short position in options or futures contracts involved in such transaction.~~

**Closing Trade (options and futures contracts)** means effecting a transaction on the market which results in the reduction or elimination of a position in options or settlement of a futures contract:

- a) in relation to a long position, by taking assuming an offsetting short position in an option or relation to a futures contract having entered into for a like quantity of the same deliverable or cash settled underlying interest deliverable and or that can be cash settled during the same expiry designated futures contract month;
- b) in relation to a short position, by taking assuming an offsetting long position in an option or relation to a futures contract having entered into for a like quantity of the same deliverable or cash settled underlying interest and deliverable or that can be cash settled during the same expiry designated future contract month.

~~**Closing Writing Transaction (options and futures contracts)** means an exchange transaction in which the result is to reduce or eliminate a long position in options or futures contracts involved in such transaction.~~

**Corporate Approved Participant** means an Approved Participant approved as such by the Bourse and meeting the requirements set forth under article 3401 of the Rules which is incorporated pursuant to the Canada Business Corporations Act (R.S. 1985, c. C-44) or any equivalent legislation.

~~**Covered Call Writer** means a writer of calls who, so long as he remains obligated as a writer, owns the units of the underlying interest covered by the calls or their direct substitute approved by the Bourse and the clearing corporation, or holds an equivalent number of calls of the same class as the calls written, where the exercise price of the calls held is equal to or less than the exercise price of the calls written.~~

~~**Covered Put Writer** means a writer of puts who, so long as he remains obligated as a writer, holds an equivalent number of puts of the same class as the puts written where the exercise price of the puts held is equal to or greater than the exercise price of the puts written.~~

**Current Index Value** means the current level of a particular underlying stock index established on the basis of the reported prices of the component stocks comprising such index.

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**Cycle** means a combination of months including the expiration dates (e.g. February/May/August/November).

~~**Day Trade** in respect of a given account, means a transaction whereby an opening trade and a closing trade in the same options contract, futures contract or option on futures contracts are made on the same day.~~

**Dealer** means a person or company that trades in options, futures contracts or options on futures contracts in the capacity of principal or agent.

**Debt** is an investment which provides its holder with a legal right, in specified circumstances, to demand payment of the amount owed; this term is used to include debtor-creditor relationships whether or not represented by a written instrument or security.

**Defaulter** means a person declared a defaulter pursuant to article 4306 of Rule Four of the Bourse.

**Delivery** means the voluntary transfer of possession of securities or the making of appropriate entries in respect of securities in the records of the clearing corporation.

**Delivery or Settlement Month** means the calendar month in which a futures contract may be settled by making or taking delivery or by making or receiving a cash settlement of the contract.

**Derivative Instrument** means a financial instrument, the value of which derives from the value of an underlying interest. Without limiting the foregoing, this underlying interest may be a commodity or a financial instrument such as a stock, a bond, a currency, a stock or economic index or any other asset.

**Designated Representative** means a physical person appointed to represent an approved participant in accordance with article 3501 of the Rules.

**Director** means a physical person who is a member of the Board of Directors of Bourse de Montréal Inc.

**Disciplinary Committee** means the committee constituted by the Bourse in order to hear complaints brought under Rule Four of the Bourse.

**Escrow Receipt** means a document issued by a financial institution, approved by the clearing corporation, certifying that the underlying interest, or its direct substitute approved by the Bourse and the clearing corporation, is held by such financial institution to guarantee a specified option of a particular client of an approved participant .

**Exchange Contract** means a) any contract between approved participants for the purchase or sale of any exchange listed product and b) any contract between approved participants for delivery or payment of any listed product (or product which was listed when the contract was made) arising from settlement through the clearing corporation.

**Exercise** means, in the case of a call option settled by the delivery of the underlying interest, means to submit an exercise notice in order to take delivery of and pay for or, in the case of a put option, to sell and receive payment for the underlying interest which is the object of the option;

in the case of a cash settlement option, means to submit an exercise notice in order to receive the cash value amount by which the option is in-the-money.

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**Exercise Price** means, in the case of a delivery settlement option, the specified price per unit at which the underlying interest may be purchased, in the case of a call, or sold, in the case of a put, upon exercise of the option, plus accrued interest in the case of options on debt instruments;

in the case of a cash settlement option, the specified price per unit against which the marking price is compared in the event of an exercise to determine the amount by which the contract is in-the-money.

**Financial institution** means any entity engaged in the banking, loan, trust, pension fund, mutual fund or life insurance businesses.

**Firm Account** or **Approved Participant Account** means an account established by an approved participant which is confined to securities or futures contracts transactions executed by the approved participant and positions carried by the approved participant on its own behalf.

**Foreign Approved Participant** means an approved participant approved as such by the Bourse, pursuant to article 3004 of the Rules ~~which does not have a place of business in Canada and which does not deal with the public in Canada except under an exemption in accordance with securities laws in the provinces or territories of Canada. A foreign approved participant must be registered with a self-regulatory organization recognized by a securities regulator in the territory of a country party to the Basle Accord or a country that has adopted the banking supervision rules established by the Accord.~~

**Futures Contract** means the obligation incurred to make or receive delivery or a cash settlement of the value of an underlying asset during specified months, which obligation may be satisfied by offset, by delivery or by cash settlement during such months.

**Futures Contract on Index** means a futures contract whose underlying interest is an index.

~~**Futures Contract Principal** means a physical person who manages the activities of an approved participant relative to futures contracts and options on futures contract and who has been approved as such by the Bourse.~~

**Guaranteeing** means being liable for, ensuring the delivery of a security for or entering into an agreement (contingent or otherwise) having the effect or result of so becoming liable or ensuring the delivery of a security for a person, including any agreement to purchase an investment, property or services, to supply funds, property or services or to make an investment for the purpose of directly or indirectly enabling such person to perform its obligations in respect of such security or investment or assuring the investor of such performance.

**Hedger** means a person or company who carries on activities in a particular field and, as a necessary part of these activities, becomes exposed from time to time to risk attendant upon fluctuations in the price of goods which are related to such activities and offsets that risk through trading in options, futures contracts or options on futures contracts on these goods or on related goods whether or not any particular trade is effected for that purpose.

**Holding company** means, in respect of any corporation, any other corporation which owns more than 50% of each class of voting securities and more than 50% of each class of participating securities of the first-mentioned corporation or of any other corporation which is a holding company of the first-mentioned corporation, but an industry investor shall not be considered to be a holding company by reason of the ownership of securities in its capacity as an industry investor.

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**In-the-money** in respect of an option means the market price of the underlying interest is above, in the case of a call, or below, in the case of a put, the exercise price of the option.

**Index Component Stock** means a stock that is included as a component in the calculation of the index underlying an option or a futures contract listed on the Bourse.

**Index Option** means an option contract traded on the Bourse whose underlying interest is an index. In the case of the exercise of an index option, the seller pays to the buyer via the clearing corporation a cash amount equivalent to the amount by which the exercised option contract is in-the-money on the date of exercise.

**Index Participation Unit (IPU)** means a unit of beneficial interest in the assets of a fund established under a trust agreement, the underlying assets of which are securities underlying an index.

~~**Individual Approved Participant** means a physical person approved by the Bourse as an Approved Participant.~~

**Industry Investor** means, in respect of any approved participant or holding company of an approved participant, any of the following who owns a beneficial interest in an investment in the approved participant or its holding company:

- i) the approved participant's full-time officers and employees;
- ii) spouses of individuals referred to in paragraph i);
- iii) a personal investment corporation, if:
  - a) a majority of each class of the voting shares is held by the persons referred to in paragraph i); and
  - b) all interests in all other equity shares of the personal investment corporation are beneficially owned by the persons referred to in paragraphs i) or ii) or by investors approved as industry investors with respect to the particular approved participant or its holding company;
- iv) a family trust established and maintained for the benefit of the children of the persons referred to in paragraph i) or ii) above, if:
  - a) these persons maintain full direction and control of the family trust, including, without limitation, its investment portfolio and the exercise of voting and other rights attaching to instruments and securities contained in the investment portfolio; and
  - b) all the beneficiaries of the family trust are children of the persons referred to in paragraph i) or ii) above or are investors approved as industry investors with respect to the particular approved participant or its holding company;
- v) a registered retirement savings plan established under the Income Tax Act (Canada) (or pursuant to equivalent provisions) by one of the persons referred to in paragraph i) if control over the

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investment policy of the registered retirement savings plan is held by that person and if no other person has any beneficial interest in the registered retirement savings plan;

- vi) a pension fund established by an approved participant for the benefit of its officers and employees, if the pension fund is organized so that full power over its investment portfolio and the exercise of voting and other rights attaching to instruments and securities contained in the investment portfolio is held by persons referred to in paragraph i);
- vii) the estate of one of the persons referred to in paragraph i) or ii), for a period of one year after the death of such person or such longer period as may be permitted by the applicable board of directors and the Bourse;

but, any of the foregoing is an industry investor only if an approval for purposes of this definition has been given, and not withdrawn, by:

- a) the board or directors of the approved participant or of its holding company, as the case may be; and
- b) the Bourse.

**Industry Member** means, in respect of any approved participant, a physical person who has been approved by the Bourse for purposes of this definition and is actively engaged in the business of the approved participant and devotes a major part of his or her time to that business; to determine whether or not a person may be approved as an industry member, the Bourse shall take into account whether the person:

- i) has experience acceptable to the Bourse as a broker or dealer in securities or futures contracts for a period of five years or such lesser period as may be approved by the Bourse;
- ii) to an extent acceptable to the Bourse, is actively engaged in the business of the approved participant and devotes the major portion of his or her time thereto; and
- iii) has successfully completed such training or such course as may from time to time be required by the Bourse.

**Intercommodity Spread (futures contracts)** means the purchase and sale of futures contracts with different but related underlying interests in the same or different markets in the same or different delivery months.

**Intermarket Spread (futures contracts)** means the purchase and sale of futures contracts with the same or substantially similar underlying interests in the same or different delivery months in two different markets.

**Introducing Broker** means a broker for whom clients' accounts are recorded in the books of another broker as if the clients were those of the latter.

**Investment** means, in respect of any person, any security or debt obligation issued, assumed or guaranteed by such person, any loan to such person, and any right to share or participate in the assets, profit or income of such person.

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~~**Investment Representative** means any physical person approved by a regulatory or self regulatory organization whose sole activity is to execute orders to purchase and sell securities or futures contracts coming from his/her clients. The investment representative does not provide any advice or other financial service.~~

**Jitney** means an approved participant or an employee of an approved participant who, under a contractual agreement, executes trades for another approved participant.

~~**Junior Subordinated Debt** is subordinated debt ranking after another subordinated debt.~~

~~**Limited Participation Securities** are debt or preferred shares that:~~

- ~~i) carry interest or dividends that are at a fixed rate, and, if dividends are cumulative, which are payable in priority to any dividends to the holders of common shares;~~
- ~~ii) if debt, are repayable at any time and, if preferred shares, are redeemable at any time, in either case at a price that may include a premium if such premium is not based on earnings or retained earnings;~~
- ~~iii) are limited, in their participation in earnings, to an amount not exceeding annually one half of the annual fixed interest or dividend rate, even if such participation is cumulative; and~~
- ~~iv) are subject to subordination or equivalent arrangements such that the return to the holders thereof on a bankruptcy would not be adversely affected by section 110 of the Bankruptcy and Insolvency Act (Canada) or equivalent legislation;~~

~~and which are approved as limited participation securities by the Bourse.~~

~~**Listed Option Transaction** means an option transaction on the Bourse among approved participants of the Bourse, or holders of restricted trading permits, for the purchase or the sale of options or for the closing out of a long or short position in an option.~~

**Listed Product** means any derivative instrument listed for trading on the Bourse.

**Long Position (futures contracts)** means, in the case of a futures contract with a delivery feature, to take delivery of the underlying interest or, in the case of a futures contract with a cash settlement feature, to make or receive a cash settlement as per the futures contract specifications.

**Long Position (options)** means a person's interest as the holder of one or more option contracts.

**Major Position** means having the power to direct or cause the direction of the management or policies of a person whether through ownership of securities, by contract or otherwise. A person is considered to hold a major position in the capital of another person if such person, directly or indirectly:

- a) has the right to vote 10% or more of the voting securities; or
- b) is entitled to receive 10% or more of the net profits of the other person.

**Margin** means the minimum deposit required for each listed product in accordance with the Rules of the Bourse.

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**Margin required by the Clearing Corporation** means the minimum deposit which is required by the clearing corporation from its members in accordance with their positions.

**Market-Maker Account** means an account established by an approved participant which is confined to exchange transactions executed by and positions carried by the approved participant on behalf of a market-maker.

~~**Non-resident** means,~~

- ~~i) a person who is not a Canadian citizen;~~
- ~~ii) a person who is not a resident of Canada;~~
- ~~iii) a corporation incorporated under the laws of a jurisdiction other than Canada or one of the provinces or territories thereof;~~
- ~~iv) a trust, partnership or other un-incorporated association created by:
  - ~~a) a person referred to in paragraphs i) or ii);~~
  - ~~b) a corporation referred to in paragraph iii);~~
  - ~~e) a trust in which a person referred to in paragraphs i) or ii) or a corporation referred to in paragraph iii) has a real ownership interest that exceeds 10% of the ownership of the trust;  
or~~
  - ~~d) a trust in which any combination of persons referred to in paragraphs i) or ii) and corporations referred to in paragraph iii) have a real ownership interest that exceeds 25% of the beneficial ownership of the trust; or~~~~
- ~~v) a corporation controlled, directly or indirectly, by a person referred to in paragraphs i) or ii), by a corporation referred to in paragraph iii) or by a trust, partnership or other unincorporated association referred to in paragraph iv).~~

~~**OCC Option Contract** means an option contract issued by The Options Clearing Corporation (OCC).~~

**Officer** means any person exercising the functions of a president, vice-president, chief executive officer, chief financial officer, chief operating officer, secretary, any other person designated an officer of an approved participant by law or similar authority, or any person acting in a similar capacity on behalf of an approved participant.

**Omnibus Account** means an account held in the name of an entity or person which may be utilized for recording and clearing the trades of two or more undisclosed customers of the account holder.

**Open Interest** means the total outstanding long or short positions for each series and in aggregate, in options, futures contracts or options on futures contracts relating to a particular underlying interest.

**Open Position** means the position of a buyer or seller of a futures contract.

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~~**Open Trade Equity (futures contracts)** means the net worth of a futures contract account as determined by combining the ledger balance with any unrealized gain or loss in open positions as marked to the market.~~

**Opening Purchase Transaction (options and futures contracts)** means an exchange transaction in which the result is to create or increase a long position in options or futures contracts involved in such transaction.

**Opening Trade** means a trade in a futures contract that is not a liquidating trade.

**Opening Writing Transaction (options and futures contracts)** means an exchange transaction in which the result is to create or increase a short position in options or futures contracts involved in such transaction.

**Option Contract** means, in the case of settlement by delivery of the underlying interest, a contract guaranteed by a designated clearing corporation granting to the holder a right to sell (put) or a right to buy (call) a unit of trading of the underlying interest at a fixed price during a predetermined period, in the case of an American option or at the end of this predetermined period in the case of a European option; in the case of cash settlement, a contract guaranteed by a designated clearing corporation granting to the holder a right to receive a cash payment equivalent to the in-the-money amount of the option at the time of exercise or expiry (e.g. index options).

**Out-of-the-money** in respect of an option, means the market price of the underlying interest is below, in the case of a call, or above, in the case of a put, the exercise price of the option.

**Outside investor** means, in respect of an approved participant or a holding company of an approved participant, a person who is not:

- i) an approved lender with respect to that approved participant or holding company of an approved participant;
- ii) an industry investor with respect to that approved participant or holding company of an approved participant;

but an outside investor who becomes an industry member shall cease to be an outside investor only six months after becoming an industry member or on such earlier date as he obtains the requisite approvals to become an industry member.

**Outstanding**, in respect of an option, means that the option is duly recorded and guaranteed by the Clearing Corporation and has neither been exercised, assigned or the subject of a closing transaction nor has expired.

**Over-the-counter Trade** means a trading of a derivative instrument, or of a security, by mutual agreement between two parties without the use of an organized market.

~~**Overnight Trade** in respect of an account, means a transaction whereby an opening trade in a futures contract is made on one day and a closing trade in the same futures contract is made on the following day.~~

**Parent Company** means a corporation that has another corporation as a subsidiary.

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**Participating Securities** of an organization, whether incorporated or unincorporated, are those of its securities outstanding from time to time which entitle the holders thereof to a participation, limited or unlimited, in the earnings or profits of the issuing organization, either alone or in addition to a claim for interest or dividends at a fixed rate, and includes, except where the reference is to outstanding participating securities, those securities which entitle the holders thereof, on conversion, exchange, the exercise of rights under a warrant, or otherwise, to acquire participating securities.

**Partnership** means an enterprise in which two or more persons (the partners) put assets, their credit and their expertise in common with the view of sharing the benefits that may result from such pooling.

**Partnership Approved Participant** means an Approved Participant approved as such by the Bourse and ~~meeting the requirements set forth under article 3301 of the Rules which is constituted as a partnership.~~

**Permit Holder** means the holder of a trading permit granted pursuant to the Regulations of the Bourse.

**Person** means an individual, a partnership, a corporation, a government or any department or agency thereof, a court, a trustee, any unincorporated organization and the heirs, executors, administrators or other legal representatives of an individual.

**Premium** means the price of the option, per unit of the underlying interest, agreed upon between the purchaser and seller in a transaction on the option market.

**Professional Account** means an account in which a direct or indirect beneficial interest is held by an approved participant, a related firm, an approved person or a permit holder.

~~**Public Ownership of Securities** means the ownership of securities (other than indebtedness described in article 3423 of the Rules) by any person other than industry investors, except that ownership by approved lenders in accordance with article 3424 of the Rules does not, by itself, constitute public ownership of securities.~~

**Put** means an option by the terms of which the holder has the right in accordance therewith, to:

in the case of a delivery settlement option, sell to the clearing corporation the number of units of the underlying interest covered by the option contract;

in the case of cash settlement option, require from the clearing corporation a cash payment corresponding to the amount by which the contract is in-the-money.

~~**Qualified Independent Underwriter** means, in respect of the distribution of securities of an approved participant or a holding company of an approved participant, a securities firm which is an approved participant of the Bourse, and:~~

~~i) has been active in the securities business for at least three years immediately preceding the filing of the prospectus;~~

~~ii) as of the date on which the distribution commences:~~

~~a) is a corporation of which at least 40 per cent of the members of its board of directors; or~~

~~b) is a partnership of which at least 40 per cent of its general partners~~

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- ~~— have been actively engaged in the securities business for the five year period immediately preceding that date;~~
- ~~iii) has been actively engaged in the underwriting of public offerings of securities for the three year period immediately preceding the date the distribution commences; and~~
- ~~iv) is not an affiliate of the corporation whose securities it is underwriting.~~

**Recognized Exchange** means any exchange carrying on its activities within the territory of one of the Basle Accord Countries and of the countries that have adopted the banking and supervisory rules set out in that Accord, and any other exchange or group of exchanges with whom the Bourse has entered into a collaboration agreement.

~~**Registered Futures Contract Representative** means a physical person approved as such by the Bourse.~~

~~**Registered Options Principal** means a physical person who is engaged in the management of the approved participant's activities pertaining to option contracts other than options on futures contract, who has been approved as such by the Bourse.~~

~~**Registered Options Representative** means a physical person approved as such by the Bourse.~~

~~**Registered Representative** means any physical person approved by a regulatory or self-regulatory organization who advises others, either directly, through publications or by any other mean, regarding the acquisition or disposal of securities or futures contract or the participation in securities or futures contract transactions.~~

**Regulations of the Bourse** means the Rules, Rulings and Policies of the Bourse, and the instructions, decisions and directions of the Bourse (including those of any committee or person so authorized) as amended, supplemented and in effect from time to time.

**Related Firm** means a sole proprietorship, partnership or corporation which is related with an approved participant in that either of them, together with the partners and directors, officers, shareholders and employees of it, collectively have at least a 20% ownership interest in the other of them, including an interest as a partner or shareholder, directly or indirectly, and whether or not through holding companies; which carries on as a substantial part of its business that of a broker, dealer or adviser in securities or futures contracts; which deals with or has obligations to any person other than such approved participant or for obligations to any person incurred through such approved participant; and which is under the audit jurisdiction of a self-regulatory organization which is a participant to the Canadian Investor Protection Fund.

~~**Restricted Securities** means securities of an approved participant or holding company of an approved participant which, in the opinion of the Bourse, entitle the holders thereof to rights which give them a limited or subordinated degree of influence over the issuer or the operations thereof than is usual for holders of the same amount of securities of the same type.~~

**Restricted Trading Permit** means a permit to trade specific listed products issued to a physical person who is not an approved participant and who is qualified pursuant to the Regulations of the Bourse.

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**Restricted Trading Permit Holder** refers to a physical person who is not an approved participant and who is authorized and registered as such by the Bourse to trade as a market maker, an independent trader or a jitney in accordance with the provisions of Rule Three of the Bourse.

**Rules** refers to those Regulations of the Bourse of general application to all approved participants or to a class of approved participants which the Bourse is empowered to adopt.

**Rulings** refer to those Regulations of the Bourse whose application is limited to one or more specific approved participants and which the Board of Directors of the Bourse or any other committee or person appointed by the Board is empowered to make, including without limitation all orders, decisions and adjudications.

~~**Secretary** means the secretary of the Bourse appointed as such by the Bourse.~~

**Securities** refer to forms of investment contemplated by section 1 of the Quebec Securities Act, R.S.Q., chapter V-1.1 and shall include, where the contract requires, futures contracts.

**Securities Act** means the Quebec Securities Act, R.S.Q. chapter V-1.1 as amended from time to time.

~~**Securities Firm** means any partnership or corporation carrying on activities related to securities or futures contracts.~~

~~**Securities Related Activities** means acting as a dealer or broker in carrying out transactions in securities on behalf of clients and includes, without limitation, acting as an underwriter or adviser, and also includes acting in any such capacities in transactions in futures contracts or options on futures contracts.~~

~~**Security Certificate** means either a document evidencing the ownership of securities, or an entry to the same effect made in the records maintained by a depository.~~

**Security Deposit** means the amount required to be deposited with a clearing corporation as security for obligations to such clearing corporation.

**Series of Options** means all options of the same class, the same type, covering the same quantity of an underlying interest and having the same exercise price and expiration date.

~~**Settlement Currency or Trading Currency** means the currency in which a security or futures contract is cleared, settled or traded.~~

**Settlement Price** means the price which is used by the Bourse and the clearing corporation to determine daily the net gains or losses in the value of open positions in futures contracts;

**Share Futures Contract** means a futures contract whose underlying interest is a Canadian or a foreign share listed on a recognized exchange.

**Short Position (futures contracts)** where used in relation to a futures contract, means, in the case of a futures contract with a delivery feature, to be under an obligation to make delivery of the underlying interest or, in the case of a futures contract with a cash settlement feature, to make or receive a cash payment.

**Short Position (options)** means a person's obligation as the writer of one or more option contracts.

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**Special Committee** means the Special Committee of the Regulatory Division appointed by the Board of Directors of Bourse de Montréal Inc. pursuant to the rules adopted in that regard.

~~**Spot Month** means the contract month of a futures contract which is also the current calendar month.~~

**Spread Position (futures contracts)** means the assumption of a long and a short position in futures contracts having different expiry months in the same underlying interest for the same account.

**Subordinated Debt** is debt the terms of which specify that its holder will not be entitled to receive payment if payments to the holders of senior classes of debt are in default.

**Trade** means a contract for the purchase or sale of a listed product.

**Trader** means a person approved as such by the Bourse.

**Trading Permit** means a permit issued by the Bourse to an approved participant and entitling its holder to the rights, privileges and obligations provided in the Regulations of the Bourse.

~~**Type of Option** means the classification of an option as either a put or a call.~~

**Uncovered** in respect of a short position in an option, means that the short position is not covered.

**Underlying Index** means a stock index calculated by a calculation agent on which an option, a futures contract or an option on a futures contract is listed and which reflects representative stock market values of either a broad segment of the stock market (“broad market index”) or of a particular industry or group of related industries (“sectorial index”).

~~**Underlying Index Level** means the index value calculated by the calculation agent at the close of the business day based upon the closing market value of the component stocks.~~

**Underlying interest** means an asset which underlies and determines the value of a derivative instrument. The underlying interest may be a commodity, a financial instrument, such as a stock, a currency, a stock or economic index or any other asset.

**Unit of Trading** means in respect of any series of derivative instrument, the number of units of the underlying interest which has been designated by the clearing corporation and the Bourse as the number to be the subject of a single derivative instrument contract.

**Voting securities** of an approved participant or its holding company means all securities of that approved participant or its holding company outstanding from time to time that carry the right to vote for the election of directors, and includes:

- i) except where the reference is to outstanding voting securities, those securities which entitle the holders thereof, on conversion, exchange, the exercise of rights under a warrant, or otherwise, to acquire voting securities; and
- ii) preferred shares which carry the right to vote for the election of directors only upon the occurrence of a specific event if such specific event has occurred.