☐	**Trading – Interest Rate Derivatives**	☐	**Back-office - Options**
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☒	**Back-office – Futures**	☒	**Regulation**
		☐	**MCeX**

CIRCULAR
May 14, 2010

SELF-CERTIFICATION

NEW PRODUCT
LISTING OF FUTURES CONTRACTS ON CANADIAN CRUDE OIL (WCH)

AMENDMENTS TO ARTICLES 6801, 6802, 6803, 6804, 6807, 6808 AND 6812 OF RULE SIX OF BOURSE DE MONTRÉAL INC.,

AMENDMENTS TO ARTICLE 15001 AND ADDITION OF ARTICLES 15996.1 TO 15997.5 OF RULE FIFTEEN OF BOURSE DE MONTRÉAL INC.,

AND

AMENDMENTS TO THE PROCEDURES APPLICABLE TO THE EXECUTION OF BLOCK TRADES, THE PROCEDURES APPLICABLE TO THE EXECUTION OF CROSS TRANSACTIONS AND THE EXECUTION OF PREARRANGED TRANSACTIONS, THE PROCEDURE FOR THE EXECUTION AND REPORTING OF EXCHANGE FOR PHYSICAL (EFP), EXCHANGE FOR RISK (EFR) AND SUBSTITUTION OF OTC DERIVATIVE INSTRUMENTS FOR FUTURES CONTRACTS TRANSACTIONS, THE DAILY SETTLEMENT PRICE PROCEDURES FOR FUTURES CONTRACTS AND OPTIONS ON FUTURES CONTRACTS, AND THE PROCEDURES FOR THE CANCELLATION OF TRADES

The Rules and Policies Committee of Bourse de Montréal Inc. (the Bourse) has approved amendments to the Rules of the Bourse and to related procedures in order to allow the listing of Futures Contracts on Canadian Crude Oil (WCH). The Bourse wishes to advise market participants that these amendments and addition to the Rules of the Bourse and amendments to related procedures have been self-certified in accordance with the self-certification process as established in the *Derivatives Act* (R.S.Q., chapter I-14.01).

These amendments will become effective on **June 18, 2010**. You will find the amended articles and procedures as well as the contract specifications attached herein or on the Web site of the Bourse.

Amendments to the Rules

New articles have been added to Rule Fifteen (Section 15996.1 – 15997.5, Futures Contracts on Canadian Crude Oil) and amendments have been made to articles 6801, 6802, 6803, 6804, 6807, 6808 and 6812 of Rule Six and to article 15001 of Rule Fifteen. All the aforementioned Rules changes will facilitate the listing and trading of the WCH contract.

Procedures Applicable to the Execution of Block Trades

The purpose of the modifications made to this procedure is to allow the WCH contract to be eligible to the transactions covered by this procedure. To this effect, the terminology has been simplified to make it more generic by grouping all Futures Contracts on Canadian Crude Oil and by prescribing for this group a time delay of fifteen (15) minutes to report a block trade for a minimum quantity threshold of one hundred (100) contracts.

Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions

The purpose of the modifications made to this procedure is to allow the WCH contract to be eligible to the transactions covered by this procedure. To this effect, the terminology has been simplified to make it more generic by grouping all Futures Contracts on Canadian Crude Oil and by prescribing for this group a common exposure time delay of five (5) seconds for a minimum quantity threshold of zero (0) contracts.

Procedures for the Execution and Reporting of Exchange for Physical (EFP), Exchange for Risk (EFR) and Substitution of OTC Derivatives Instruments for Futures Contracts Transactions

The purpose of the modifications made to this procedure is to allow the WCH contract to be eligible for EFP and EFR transactions covered by this procedure. To this effect, the terminology has been simplified to make it more generic by grouping all Futures Contracts on Canadian Crude Oil and by prescribing for this group the acceptable cash component for the purpose of an EFP and EFR transaction.

Procedures Applicable to the Daily Settlement Price Procedures for Futures Contracts and Options on Futures Contracts

The purpose of the modifications made to this procedure is to include the WCH contract to the list covered by this procedure. To this effect, the terminology has been simplified to make it more generic by grouping all Futures Contracts on Canadian Crude Oil. The daily settlement price procedure for Futures contracts on Canadian Crude Oil is executed by a fully automated pricing algorithm which utilizes the parameters described in sections 4.7.1, 4.7.2 and 4.7.3 of the procedure to ensure accuracy in the process.

For the purpose of determining the daily settlement price, the algorithm will use the weighted average price of all transactions executed during the last five (5) minutes of the regular trading session and amounting to at least ten (10) contracts on that contract month.

Procedures for the Cancellation of Trades

The purpose of the modifications made to this procedure is to include the WCH contract to the list covered by this procedure. To this effect, the terminology has been simplified to make it more generic by grouping all Futures Contracts on Canadian Crude Oil and by prescribing for this group a no cancel range of 5% of the futures contract price on that contract month.

Offer and sale of the WCH Contract in the United States

Please take note that for the time being the WCH contract cannot be offered and/or sold in the United States and this until regulatory requirements are completed with the Commodity Futures Trading Commission (CFTC). The Bourse has initiated the process and will inform market participants when the regulatory filings required by the CFTC are completed.

For additional information please contact Karen McMeekin, Head of Market Operations, Financial Markets at 1-514-871-3548 or at kmcmeekin@m-x.ca, or François Gilbert, Vice-president, Legal Affairs, Derivatives at 514 71-3528 or fgilbert@m-x.ca.

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Vice President, Legal Affairs, Derivatives
Bourse de Montréal Inc.

Circular no.: 066-2010

NEW PRODUCT
FUTURES CONTRACTS ON CANADIAN CRUDE OIL

ADDITION OF NEW ARTICLES TO RULE FIFTEEN (SECTIONS 15996.1 – 15997.5 FUTURES CONTRACTS ON CANADIAN CRUDE OIL)

AMENDMENTS TO ARTICLES 6801, 6802, 6803, 6804, 6807, 6808 AND 6812 OF RULE SIX AND ARTICLE 15001 OF RULE FIFTEEN

MODIFICATIONS TO THE PROCEDURES APPLICABLE TO THE EXECUTION OF CROSS TRANSACTIONS AND THE EXECUTION OF PREARRANGED TRANSACTIONS, THE PROCEDURES APPLICABLE TO THE EXECUTION OF BLOCK TRADES, THE PROCEDURES APPLICABLE TO THE EXECUTION AND REPORTING OF EXCHANGE FOR PHYSICAL (EFP), EXCHANGE FOR RISK (EFR) AND SUBSTITUTION OF OTC DERIVATIVE INSTRUMENTS FOR FUTURES CONTRACTS TRANSACTIONS, THE DAILY SETTLEMENT PRICE PROCEDURES FOR FUTURES CONTRACTS AND OPTIONS ON FUTURES CONTRACTS, AND THE PROCEDURES FOR THE CANCELLATION OF TRADES

Introduction

Bourse de Montréal Inc. (the Bourse) intends to launch a new derivative product on Canadian Crude Oil which will be entitled the “Futures Contracts on Canadian Crude Oil”.

I. Proposed Regulatory Amendments

The Bourse proposes to add new articles 15996.1 – 15997.5 to Rule Fifteen and to amend article 15001 of Rule Fifteen as well as to amend articles 6801, 6802, 6803, 6804, 6807, 6808 and 6812 of Rule Six. In addition, the Bourse proposes amending the following procedures:

- Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions
- Procedures Applicable to the Execution of Block Trades
- Procedures Applicable to the Execution and Reporting of Exchange for Physical (EFP), Exchange for Risk (EFR) and Substitution of OTC Derivative Instruments for Futures Contracts Transactions
- Daily Settlement Price Procedures for Futures Contracts and Options on Futures Contracts
- Procedures for the Cancellation of Trades

All these additions and amendments to the Rules and Procedures will facilitate the listing and trading of Futures contracts on Canadian Crude Oil on the Bourse’s electronic trading platform.

II. Rationale

In light of interest by market participants for a risk management instrument on a Canadian crude oil benchmark, the Bourse plans to introduce a futures contract based on the current benchmark for heavy crude oil – Western Canadian Select (WCS).

Several factors support the rationale to list a futures contract on WCS by the Bourse:

- **There is a "benchmark vacuum" in the market for a heavy crude oil futures contract:** West Texas Intermediate (WTI) and Brent are recognized as the global benchmarks among light crude oil grades. However, in light of declining production for WTI and Brent as well as the growing importance of heavy crude oil on the world market, there is an opportunity to list an exchange-traded heavy crude oil futures contract in North America. In fact, Canadian producers have stated that a heavy crude oil futures contract is a natural progression for their attempts to position the WCS Heavy Crude Oil brand as a North American benchmark for heavy crude.

- **Market interest:** Positive feedback from oil producers, refiners and financial players confirms market interest to list on the Bourse a futures contract on Canadian Heavy Crude Oil. Producers and end users have a price risk to manage due to the low degree of correlation between heavy crude oil and light crude oil. Moreover, those using the WTI light crude oil futures contract listed on CME/NYMEX to hedge their heavy crude oil exposure must deal with fluctuations and volatility in the price differential between heavy and light crude oil.

- **Economic Rationale for a Heavy Crude Oil Futures Contract:**

Volatility	Correlation - Tracking Error	Homogeneity of Heavy Crude Oil Grades	Market Concentration	Vertical Integration	Product Substitute
▪ Canadian heavy crude oil exhibits high volatility (60%). ▪ Differential price between heavy and light crude oil grades is very volatile as well (73%).	▪ Low degree of correlation between heavy and lighter crude oil grades means that there is a price risk to manage (70% vs WTI). ▪ Very high tracking error between heavy and light crude oil grades (35% vs WTI).	▪ There are 26 heavy crude oil streams produced in Canada and WCS is the benchmark.	▪ There are more than 50 producers of heavy crude oil in the market. ▪ The top 5 producers represent 68% of total production.	▪ Vertical integration is modest and therefore unlikely to impede the successful trading of a futures contract.	▪ No good proxy to WCS for the heavy crude oil market. ▪ Limited liquidity in the market for OTC financial instruments.

III. Detailed Analysis

Crude oils are generally differentiated by the size of the hydrogen-rich hydrocarbon molecules they contain. For example, **light oil** flows easily through wells and pipelines and, when refined, produces a large quantity of transportation fuels such as gasoline, diesel and jet fuel. **Heavy oil**, by comparison, requires additional pumping or dilution to flow through wells and pipelines; when refined, it produces proportionally more heating oil and a smaller amount of transportation fuels.

Oil production is Canada is characterized by two types:

1. Conventional crude oil - usually referred to crude oil produced by drilling wells. It is differentiated from non-conventional crude oil by the method used for extraction, and

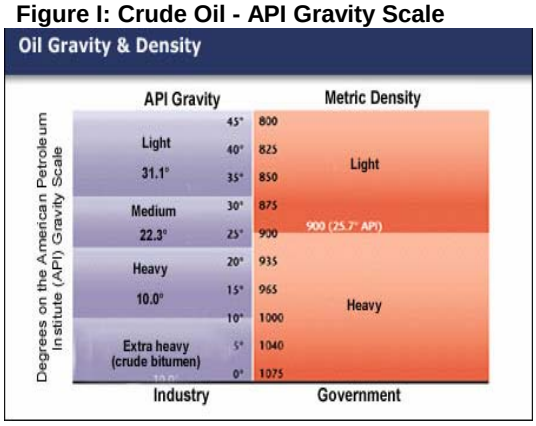
2. Non-conventional crude oil - known as oil sands deposits - is too thick to flow in its natural state and requires special recovery methods to bring it to the surface.

A. The Canadian Heavy Crude Oil Market

What is Heavy Crude Oil

Heavy crude is a type of oil that is very viscous and does not flow easily. It has a API (American Petroleum Institute) gravity below 26 degrees with a high sulphur content. Heavy crude oil is produced as a result of extracting the bitumen that is contained in oil sands. Bitumen extracted from oil sands is a heavy, tar-like substance (less than 14 degrees API) that must be mixed with a diluent in order to be transported by pipeline. Heavy crude oil is produced from Canada's oil sands which are spread across 77 000 square kilometres of relatively remote northern Alberta landscape in the Western Canada Sedimentary Basin (WCSB).

Figure I: Crude Oil - API Gravity Scale



Western Canadian Select Heavy Crude Oil (WCS) – The Benchmark in Canada for Heavy Crude Oil

A consortium of leading Canadian crude oil producers that includes: EnCana, Canadian Natural Resources, Petro-Canada and Talisman have implemented a heavy crude oil stream named Western Canadian Select (WCS) that has become the benchmark for heavy crude oil in Canada. WCS, produced out of Western Canada, is made up of existing Canadian heavy conventional and bitumen crude oils blended with sweet synthetic and condensate diluents. It is a consistent high quality crude blend introduced in December 2004 with current production output of approximately 350 000 barrels per day (b/d) - compared to the total production of Canadian heavy crude oil of 1.2 million b/d. WCS is a heavy sour crude oil blend made up of 10 different crude oil streams. WCS has an API gravity of 20.5 degrees and a 3.2 weight sulphur content. WCS is produced in Alberta and is available at Hardisty, Alberta for shipment on Enbridge, Express and Bow River South pipeline systems to Canadian and U.S. Mid-Continent markets

Benefits of Western Canadian Select for the Crude Oil Markets

The benchmark status of Western Canadian Select has provided the crude oil market with the following benefits that are important for the launch of a futures contract:

- Delivery quality, consistency and reliability,
- Enhanced price discovery and transparency including improved stream liquidity in the physical market, and
- Development of new export markets for heavy crude oil, such as the Southern U.S. Mid-Continent, the Gulf of Mexico, the West Coast and Asia.

Competing Crude Oil Grades

There are several other medium and heavy crude oil grades that compete against Western Canadian Select for export markets**.**

Table I: Competing North American Heavy and Medium Sour Crude Oil Grades

	Western Canadian Select	Mexican Maya	U.S. Mars
Crude Type	Heavy Sour	Heavy Sour	Medium Sour
Gravity (API)	19-22°	21.8°	30.4°
Sulphur (Wt %)	2.8-3.2	3.5	1.9
Production (barrels/day)	350 000	1 750 000	366 000

Source: MX Research

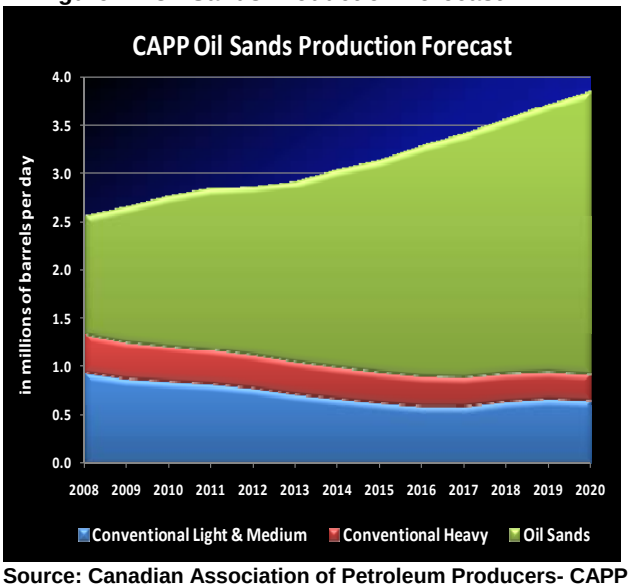
Pricing of Western Canadian Select Heavy Crude Oil

The market practice is to price Canadian heavy crude grades at a differential to WTI light sweet crude oil. In fact, WTI is the benchmark against which all North American crude grades are priced against. Prices are quoted in US$ per barrel. For example on June 5th, a differential of -9.50 US$ implies that WCS is selling at a price of 9.50 US$ per barrel below the price of WTI. The price reflects WCS crude oil traded on June 5th for delivery one month forward in July, as is the practice in the physical market.

B. The Market Size for Crude Oil in Canada – A Growing Market for Heavy Crude Oil

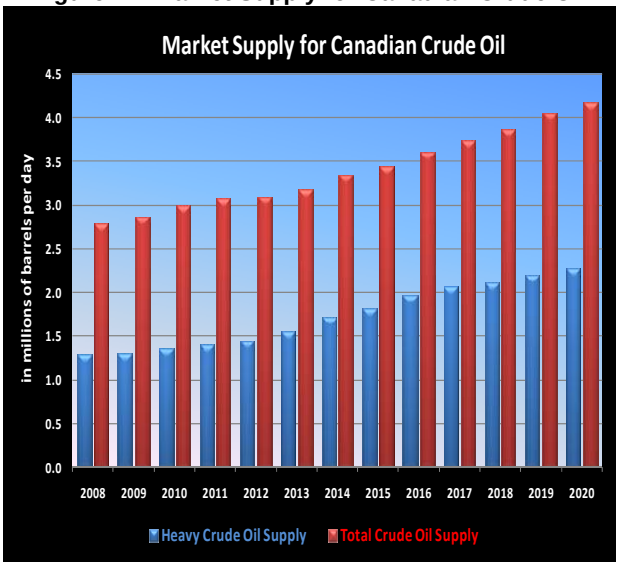
- **Crude Oil Production – Driven by increased Oil Sands and Heavy Crude Oil Demand**
  - Total crude oil production in Canada is estimated at 2.7 million b/d for 2008 and is forecasted to rise to 4.2 million b/d in 2020. Production output for 2008 is split between heavy crude oil (1.2 million b/d) and light crude oil (1.5 million b/d).
  - Heavy crude oil production, which constitutes 44% of total crude oil production in 2008, is expected to account for 55% of total crude oil production in 2020. Growth is driven by increased volumes of oil sands which will displace conventional heavy and light crude oil production over the period.
  - The supply for heavy crude oil in Canada is forecasted to almost double (+80%) by 2020 from the current 1.2 million b/d in 2008 to 2.3 million b/d in 2020. Whereas, the market for light crude oil is forecasted to grow at a slower rate of 27% – from 1.5 million b/d in 2008 to 1.9 million b/d in 2020.

Figure II : Oil Sands Production Forecast



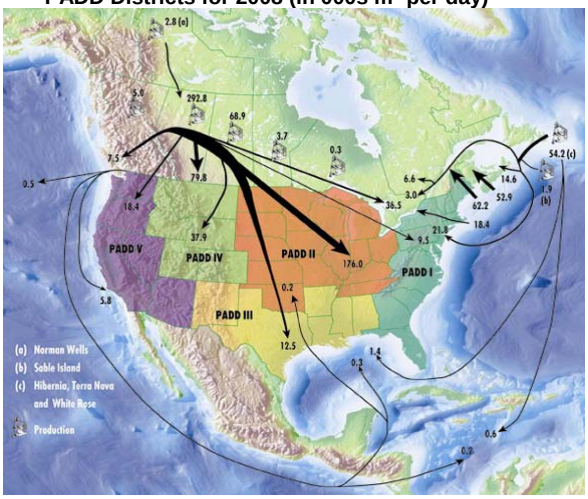
Source: Canadian Association of Petroleum Producers- CAPP

Figure III : Market Supply for Canadian Crude Oil



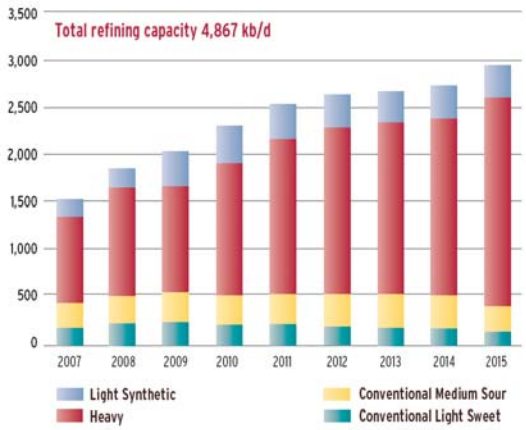
- **Crude Oil Exports – The U.S. is Canada's largest market**
  - The U.S. is the largest market for Canadian crude oil exports – representing 99% of total exports. Canada exports 1.8 million b/d of crude oil to the U.S. - representing 67% of total crude oil production of 2.7 million b/d. In fact, Canada ranks first in crude oil exports to the U.S. – accounting for 20% of all U.S. crude oil imports.

Figure IV : Canadian Crude Oil Exports to U.S. PADD Districts for 2008 (in 000s m^3 per day)



Source : NEB – Canadian Energy Overview, May 2009

Figure V : Forecast of Canadian Crude Oil Exports – by crude oil grade



Source : CAPP – Crude Oil Forecast, Markets and Pipeline Expansions, June 2008

C. Crude Oil Streams Produced in the Western Canadian Sedimentary Basin (WCSB)

Crude oil produced from the WCSB can be classified as four different types:

1. Conventional Light Sweet (30º to 40º API, less than 0.5% sulfur) including condensates;
2. Heavy (equal to or less than 27º API) and includes synthetic sour, DilBit, SynBit and DilSynBit);
3. Conventional Medium Sour (greater than 27º API and 0.5% sulfur); and
4. Light Sweet Synthetic.

A detailed analysis of the different types of crude oil streams from the WCSB is found in Appendix II.

D. The Pipeline Delivery Network for Crude Oil

- **Central Delivery Hub and Pipeline Network**

Central Delivery Hubs

There are two major hubs for crude oil delivery in Western Canada:

- Edmonton, Alberta, and
- Hardisty, Alberta. The predominant practice is to quote prices for heavy crude oil delivery at the Hardisty, Alberta hub where many pipelines converge.

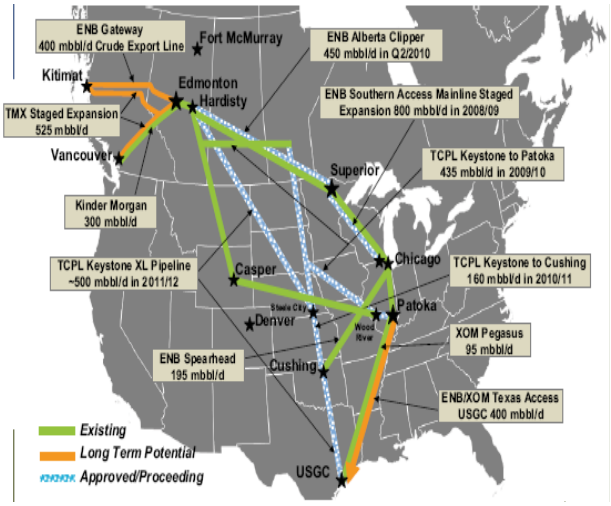
The WCS crude oil stream is available through Husky's terminal at Hardisty, Alberta for shipment on the Enbridge's Main pipeline or Bow River South pipelines.

Pipeline Network

Canada delivers crude oil to the export market through three major Canadian trunklines:

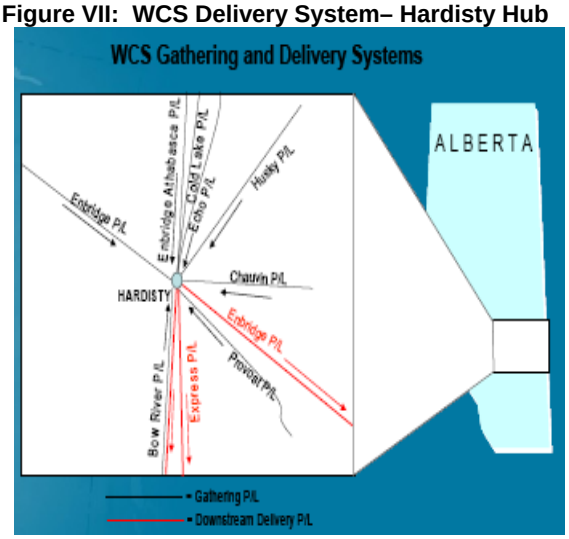
- Enbridge's Main Pipeline: Enbridge's mainline originates at Edmonton, Alberta and extends east across the Canadian prairies to the U.S. border near Gretna, Manitoba. At the U.S. border, it connects with the Lakehead system to deliver crude to the U.S. Midwest and north to Sarnia, Ontario (PADD II markets). Pipeline capacity is 1 900 000 b/d.
- Trans Mountain (TMX): Kinder Morgan's Trans Mountain pipeline originates at Edmonton, Alberta and extends west across British Columbia for delivery to marketing terminals and refineries in the greater Vancouver and Puget Sound in Washington State. Pipeline capacity is 300 000 b/d.
- Express: Kinder Morgan's Express pipeline originates at Hardisty, Alberta and delivers crude south to Casper, Wyoming - locations in PADD IV markets – where it connects to the Platte pipeline, which extends to Wood River for delivery to southern PADD II markets. Pipeline capacity is 280 000 b/d.

Figure VI: Pipeline Network



Source : Canadian Natural Resources

Figure VII: WCS Delivery System– Hardisty Hub



Source : EnCana

A significant amount of Canadian heavy crude oil (60% of total crude oil exports) is delivered by pipeline to PADD II (U.S. Midwest) delivery points.

IV. Proposed product

A. Futures Contract on WCS

The proposed Canadian heavy crude oil futures contract is designed following extensive consultation with market participants that include Canadian producers, refiners, dealers active in the physical crude oil market and financial participants. The details of the functional and operational characteristics of the proposed Canadian heavy crude oil futures contract are included in Appendix I.

- **Salient features:**
  - ⇒ The price of the Canadian heavy crude oil futures contract is quoted as the differential price between heavy crude oil and light crude oil – expressed in US$ per barrel. Specifically, it is the price of Western Canadian Select Heavy Crude Oil (WCS) minus the price of West Texas Intermediate Light Sweet Crude Oil (WTI). This conforms to the current market practice to quote and price Canadian crude oil grades at a differential to WTI.

⇒ The Canadian heavy crude oil futures contract is cash settled against the WCS reference price set by NGX. The WCS price is calculated and reported by the Natural Gas Exchange (NGX) – an energy exchange based in Calgary that is wholly owned by the TMX Group. The WCS price set by NGX – as determined by NGX on the last trading day of the futures contract – is the Final Settlement Price of the WCS contract.

⇒ The trading unit (contract multiplier) is 1,000, representing 1,000 barrels of heavy crude oil.

B. Contract Design Considerations

The NGX WCS Price Reference
The NGX WCS price reference is calculated using the volume weighted average price (differential price) of transactions in the month preceding the delivery month (futures contract month).

The NGX WCS Reference Price calculation period means the period commencing on the first trading day of the month preceding the delivery month and ending on the trading day preceding the "Initial Notice of Shipment" day (NOS). Typically, the NOS is a date that varies between the 17th calendar day of the month and the 21st calendar day of the month. http://www.ngx.com/pdf/NGXPIMG.pdf

Specifically, the NOS day is the deadline for participants to communicate their intent to deliver crude oil by pipeline for the following month. The NOS day is analogous to the "rollover date" in the futures markets – where participants roll their positions from the prompt futures contract month to the next futures contract month.

The NOS day is determined by the Crude Oil Logistics Committee as reported in the Forecast Reporting Calendar. http://www.colcomm.com/calendars/ForecastingCalendars/index.phtml

C. Potential Users of the WCS Contract

⇒ Producers who need to hedge production of crude oil. Typically, producers sell forward their production of crude oil in the physical market to lock in a fixed price.

⇒ Refiners who need to secure supply to produce petroleum products (gasoline, heating oil, asphalt). Refiners represent the buy side of the market.

⇒ Financial intermediaries who are not present in the physical forward market – however, that are active using futures contracts and over-the-counter financial instruments (swaps and options).

⇒ Speculators, proprietary traders, hedge funds and CTA's to manage directional trading.

D. Key Success Factors of the WCS Contract

❑ **Market Demand – Users of a Heavy Crude Oil Futures Contract**

Presence of Long Hedgers (Refiners)	Presence of Short Hedgers (Producers)	Liquidity Providers
▪ Natural population of refiners in both Canada and key U.S. export areas.	▪ WCS consortium - are favorable to the establishment of a crude oil futures contract as there are a limited number of hedging tools available to manage WCS price risk.	▪ Growing list of financial intermediaries in Alberta. ▪ Canadian bank dealers are not present in the physical forward market – however, they can trade crude oil futures. ▪ Foreign and domestic Hedge Funds and CTAs.

❑ The Need to Hedge – Price Risk to Manage

- **Low correlation:** Producers and end users are faced with a low degree of price correlation between Canadian heavy crude oil and light crude oil (Edmonton Par Light or West Texas Intermediate Light), signifying there is a price risk to hedge. Moreover, the tracking error of weekly returns between Canadian heavy crude oil and WTI is very high as well.

Figure VIII: Correlation Matrix
Correlation of Weekly Returns for the period of January 2007 to May 2009

	WTI-LIGHT	CAD-LIGHT	CAD-HEAVY
WTI-LIGHT		0.318	0.311
CAD-LIGHT	0.318		0.693
CAD-HEAVY	0.311	0.693	

Figure IX: Tracking Error
Tracking Error for the period of January 2007 to May 2009

	WTI-LIGHT	CAD-LIGHT	CAD-HEAVY
WTI-LIGHT		0.434	0.514
CAD-LIGHT	0.434		0.336
CAD-HEAVY	0.514	0.336	

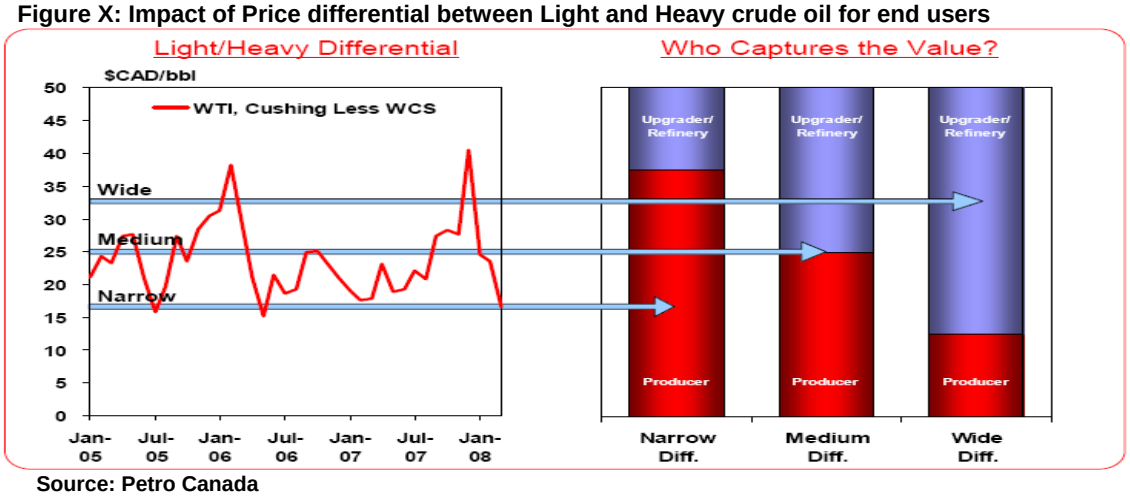
Source: MX Research and EIA

- **Differential Price:** Large fluctuations in the price differential between light crude oil and heavy crude oil impacts the profitability of producers and end users.

All crude oil is not valued equally. Light crude oil that is low in sulphur (sweet) is more valuable to refiners than heavy oil with higher sulphur content (sour). The difference in value between light and heavy crude oil (the differential) is primarily determined in the market for each type.

In general, a widening of the differential leads to poorer profitability for Canadian heavy oil producers and a narrowing of the differential leads to poorer profitability for oil refiners. Therefore, both producers and end users have a price risk to manage that would be met with the proposed heavy crude oil futures contract.

Figure X: Impact of Price differential between Light and Heavy crude oil for end users

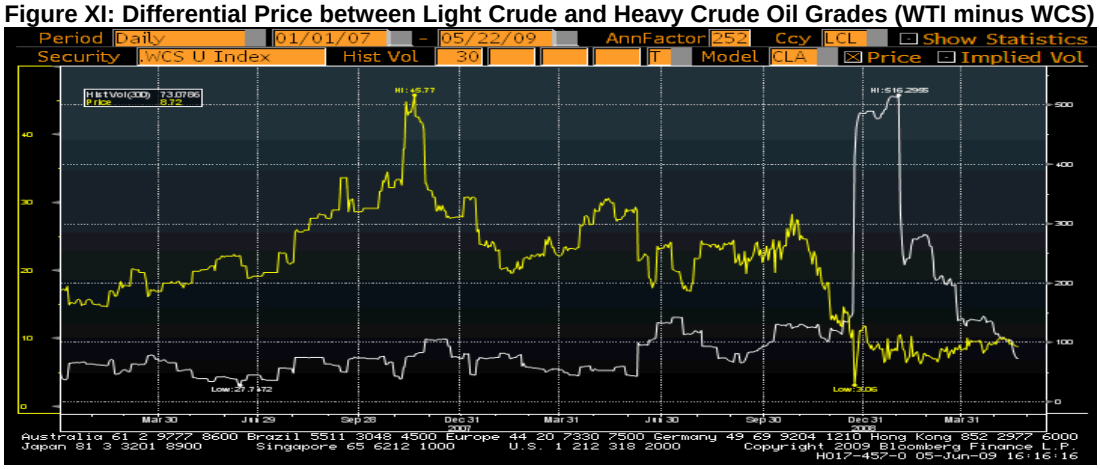


Source: Petro Canada

❑ Volatility of the Differential Price

- The differential price between Canadian Heavy Crude Oil (WCS) and Light Crude Oil (WTI) is very volatile. The Volatility - as measured by the standard deviation of prices over a 30-day period - of the differential price has ranged from a high of 516% to a low of 27%, with the current volatility at 73%.
- Furthermore, the differential price has ranged from a high of US$45 per barrel to a low of US$3 per barrel.

Figure XI: Differential Price between Light Crude and Heavy Crude Oil Grades (WTI minus WCS)



Source: Bloomberg L.P.

E. International Benchmarking of Crude Oil Futures Contracts

TABLE II: INTERNATIONAL BENCHMARKING - CRUDE OIL FUTURES CONTRACTS

	CME Group/ NYMEX WTI	ICE Europe Brent	DUBAI Merc Oman	Russian Trading System Urals
Underlying	West Texas Intermediate Light Sweet Crude Oil	Brent Blend Crude Oil	Oman Crude Oil	Urals Crude Oil
Trading Unit	1 000 barrels	1 000 barrels	1 000 barrels	10 barrels
Price Quotation	U.S. dollars and cents per barrel	U.S. dollars and cents per barrel	U.S. dollars and cents per barrel	U.S. dollars and cents per barrel
Price Fluctuation	US$0.01 per barrel	US$0.01 per barrel	US$0.01 per barrel	US$0.01 per barrel
Settlement Type	Physical settlement	Physical settlement with option to cash settle against the ICE Brent Index	Physical settlement	Cash Settlement A value calculated by the formula: ICE Brent Index + average value of Platt's Urals spot price differential, is taken as a settlement price. Average value of Platt's Urals spot price differential is calculated as the average weighted daily values of Platt's Urals spot price differential 14 days before the settlement day of the contract month.
Deliverable Grades	Specific domestic crudes with 0.42% sulfur by weight or less, not less than 37° API gravity nor more than 42° API gravity. The following domestic crude streams are deliverable at Cushing, Oklahoma: West Texas Intermediate, Low Sweet Mix, New Mexican Sweet, North Texas Sweet, Oklahoma Sweet, South Texas Sweet.	Crude oil of current pipeline export quality Brent blend for delivery at storage and terminal installations at Sullom Voe. Crude oil deliverable grades include Brent Blend, Forties, Oseberg and Ekofisk.	Crude Oil of pipeline export quality for delivery at the Mina Al Fahal Terminal, Oman.	N/A

	Specific foreign crudes of not less than 34° API nor more than 42° API. The following foreign streams are deliverable at Cushing, Oklahoma: U.K. Brent, Norwegian Oseberg Blend, Nigerian Bonny Light, Qua Iboe, and Colombian Cusiana.			
Exchange for Physicals (EFP) and Exchange of Futures for Swap (EFS)	(Exchange Rule 200.20) EFP: An exchange of futures for or in connection with the product (EFP) consists of two discrete, but related, transactions; a cash transaction and a futures transaction. At the time such transaction is effected, the buyer and seller of the futures must be the seller and buyer of a quantity of the physical product covered by this Section (or any derivative, by-product or related product). The quantity of physical product must be approximately equivalent to the quantity covered by the futures contracts. (Exchange Rule 200.20A) EFS: An exchange of futures for, or in connection with, a swap (EFS) consists of two discrete, but related, transactions; a swap transaction and a futures transaction. At the time such transaction is effected, the buyer and seller of the futures must be the seller and buyer of a quantity of the swap. The swap component shall involve the commodity underlying the futures contract (or any derivative, by-product or related product). The swap component of an EFS transaction must comply with the applicable CFTC swap regulatory requirements.	(Exchange Rule F5 and Guidance ICE Futures Europe EFP/EFS Policy - May 2009) No specific details as to what constitutes the cash leg of an EFP or the over-the-counter leg of an EFS.	(Exchange Rule 6.28) An EFP is a transaction whereby a Futures Contract is exchanged for or in connection with a cash transaction executed off the exchange in (or in a derivative or by-product of or related product to) the same commodity (a physical product). An EFS is a transaction whereby a Futures Contract is exchanged for or in connection with a swap transaction executed off the exchange in relation to the same physical product.	N/A
Position Limits	10 000 net futures in any one month – 20 000 net futures in all months combined; but not to exceed 3 000 contracts in the last three days of trading in the spot month.	None	None	N/A

Reporting Level	350 contracts	None	25 contracts	N/A
Block Trade Threshold Level	Block trades are not permitted	300 contracts	100 contracts	N/A
Daily Price Limit	None	None	None	N/A
Average Daily Volume - 2009	334 518 contracts	224 787 contracts	1 323 contracts	423 contracts

Source: CME Group, ICE Europe and Dubai Mercantile Exchange Web sites / MX Research & Development

V. Summary of the Proposed Amendments to the Rules of the Bourse

The current Rules of the Bourse do not allow for the listing of futures contracts on Canadian Crude Oil. As a result, amendments and additions to Rules Six and Fifteen of the Bourse are necessary to allow for the listing of the contract. In addition, the Bourse proposes to amend the following procedures: the Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions, the Procedures Applicable to the Execution of Block Trades, the Procedures Applicable to the Execution and Reporting of Exchange for Physical (EFP), Exchange for Risk (EFR) and Substitution of OTC Derivative Instruments for Futures Contracts Transactions as well as the Daily Settlement Price Procedures for futures contracts and Options on Futures Contracts and the Procedures for the cancellation of trades.

A – Articles 6801, 6802, 6803, 6804, 6807, 6808 and 6812 of Rule Six

It is proposed to amend articles 6801, 6802, 6803, 6804, 6807, 6808 and 6812 of Rule Six of the Bourse in order to add the trading specifications of the WCS contract.

B – Article 15001 of Rule Fifteen

It is proposed to amend article 15001 of Rule Fifteen of the Bourse in order to add the WCS contract to the instruments that can be traded on the Bourse's electronic trading platform.

C – Articles 15996.1 to 15997.5 of Rule Fifteen

It is proposed to add articles 15996.1 to 15996.10 and 15997.1 to 15997.5 to Rule Fifteen of the Bourse in order to add specific trading and settlement provisions applicable to futures contracts on Canadian Crude Oil.

D- Procedures Applicable to the Execution of Cross Transactions and Prearranged Transactions

The Bourse proposes that the Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions (PCPT) be amended to include futures contracts on Canadian Crude Oil. The PCPT is amended so that the prescribed exposure time delays which must occur at or between the current best bid and the current best offer available in the electronic system of the Bourse and the minimum quantity thresholds for futures contracts on Canadian Crude Oil be established in accordance with the requirements of article 6380 of the Bourse's Rules. The prescribed time delay for futures contracts on Canadian Crude Oil will be set at 5 seconds with no minimum quantity threshold – in accordance with the established exposure time delays and minimum quantity threshold for newly listed commodities futures contracts such as the futures contract on Carbon Dioxide Equivalent Units (CO_2e).

E- Procedures Applicable to the Execution of Block Trades

The Bourse proposes that the Procedures Applicable to the Execution of Block Trades (PAEBT) be amended to include futures contracts on Canadian Crude Oil. It is proposed that the PAEBT be amended such that the prescribed time delay to report a block trade to the Bourse and the minimum quantity threshold for futures contracts on Canadian Crude Oil is established in accordance with article 6380 of the Bourse's Rules.

The prescribed time delay to report block trades to the Bourse for futures contracts on Canadian Crude Oil will be set at 15 minutes, in accordance with the established prescribed time delay for all permissible futures contracts on the list identified in the procedures applicable to the execution of block trades.

In regards to the minimum quantity threshold, it must be set large enough in order that a large trade does not negatively the central limit order book, without however discouraging interested participants from using the facility. Since there is no trading history for futures contracts on Canadian Crude Oil, the best estimate is to fix this initial minimum thresholds based on comparable exchange-traded crude oil futures contracts (in terms of expected initial liquidity). Consequently, it is proposed to fix this minimum quantity threshold at 100 contracts – the equivalent of 100,000 barrels of crude oil. This number will be re-evaluated periodically, based on accumulated trading history, and adjusted if necessary if it as a negative impact on the central limit order book.

Hence, the prescribed time delay to report a block trade and the minimum threshold quantity for a block trade for futures contracts on Canadian Crude Oil will be set at:

- 15 minutes for a minimum quantity threshold of 100 contracts.

International benchmarking for block trades:

	Prescribed Time Delay	Block Trade Minimum Threshold Level
ICE Europe - Brent	5 minutes	300 contracts
ICE Europe (other less actively traded crude oil contracts)	5 minutes	100 contracts
CME Group/ NYMEX - WTI	Not permitted	Not permitted
Dubai Merc - Oman	5 minutes	100 contracts

F- Procedures Applicable to the Execution and Reporting of Exchange for Physical (EFP), Exchange for Risk (EFR) and Substitution of OTC Derivative Instruments for Futures Contracts Transactions

The Bourse also proposes to amend the Procedures Applicable to the Execution and Reporting of Exchange for Physical (EFP), Exchange for Risk (EFR) and Substitution of OTC Derivative Instruments for Futures Contracts Transactions (Procedures for EFP-EFR-SUB) so that the requirements related to EFP's and EFR's in the WCS contract be in accordance with article 6815 of the Bourse's Rules.

Based on the requirements of article 6815 and the Procedures for EFP-EFR-SUB, futures contracts on Canadian Crude Oil have been added to the list of eligible instruments for **EFP's and EFR's** .

Moreover, for the purposes of an EFR transaction, futures contracts on Canadian Crude Oil are included as part of the standardized instrument group "Commodities Futures" in the List of permissible OTC derivative instruments. The List of permissible OTC derivative instruments is found in Appendix I of the Procedures for EFP-EFR-SUB.

G- Daily Settlement Price Procedures of Futures Contracts and Options on Futures Contracts

The Bourse proposes to amend the Daily Settlement Price Procedures for Futures Contracts and Options on Futures Contracts (DSPP) so that the requirements related to the daily settlement prices of futures contracts on Canadian Crude Oil are established in accordance with article 6390 of the Bourse's Rules.

The DSPP for Futures contracts on Canadian Crude Oil is executed by a fully automated pricing algorithm which utilizes the parameters described in sections 4.7.1, 4.7.2 and 4.7.3 of the DSPP to ensure accuracy in the process.

Since there is no trading history for futures contracts on Canadian Crude Oil, the best estimate is to establish the closing range - for the purpose of determining the daily settlement price - based on comparable exchange-traded crude oil futures contracts. Consequently, based on other international futures contracts, it is proposed to establish the closing range at 5 minutes. The closing range will be re-evaluated periodically, based on accumulated trading history, and adjusted if necessary.

Based on the requirements of article 6390 and of the DSPP, futures contracts on Canadian Crude Oil have been integrated in the "Futures contracts on Canadian Crude Oil" section (section 4.7 of the DSPP). Hence, the settlement price shall be the weighted average of all traded prices during the closing range. The closing range is defined as the last five minutes of the trading session for all futures contracts on Canadian Crude Oil.

International benchmarking of the closing range to determine the daily settlement price:

	Closing Range (VWAP of traded prices during the closing range)
ICE Europe - Brent	3 minutes
CME Group/ NYMEX - WTI	2 minutes
Dubai Merc - Oman	5 minutes

H- Procedures for the Cancellation of Trades

To protect the integrity of the market and to ensure that input errors can be corrected when a transaction outside the no cancel range is identified by the Bourse's market supervisors, the current Bourse error policy shall be adopted for futures contracts on Canadian Crude Oil.

In order to minimize the impact for all market participants, the no cancel range must be set wide enough so that it captures exceptional situations such as when a trade is executed at an unrepresentative price or, when a good faith input error occurs.

The Bourse proposes to amend the Procedures for the Cancellation of Trades (PCT) so that the requirements for trade cancellations for futures contracts on Canadian Crude Oil be established in accordance with articles 6303, 6381, 6382, 6383, 6384 and 6385 of the Bourse's Rules.

Based on the requirements of articles 6303, 6381, 6382, 6383, 6384 and 6385 and of the PCT, futures contracts on Canadian Crude Oil have been added to the list of derivative instruments.

The increment parameter of the PCT has been established at 5% of the fair market value of futures contracts on Canadian Crude Oil - reflecting the increment on a relative basis rather than an absolute basis. A 5% range seems reasonable in light of the fact that futures contracts on Canadian Crude Oil are a new commodities futures product with no trading history. A 5% range is in line with the proposed 5% range of the newly listed commodities futures contract on Carbon Dioxide Equivalent Units (CO_2e).

I- Terms and conditions for margin requirements

The Rules of the Bourse do not specify any amounts regarding margins applicable to futures contracts listed on the Bourse. These margins are revised periodically (at least once a month) by the Bourse based on the margin intervals calculated by CDCC and transmitted to approved participants by means of circular. Futures contracts on Canadian Crude Oil will be subject to the same updates as the one applicable to all futures contracts.

J- Terms and conditions for position limits

The terms and conditions for the position limit for futures contracts on Canadian Crude Oil are found in Article 15996.8 of Rule Fifteen.. The Bourse recommends that the position limit for futures contracts on

Canadian Crude Oil should be established at 10,000 contracts – the equivalent of 10 million barrels of crude oil.

International benchmarking for the position limits:

	Position Limits (Position Accountability Levels)
ICE Europe - Brent	None
CME Group/ NYMEX - WTI	20,000 contracts for all contract months combined (10,000 contracts in any one month, and not to exceed 3,000 contracts in the last three days of trading in the spot month)
Dubai Merc - Oman	None

K- Terms and conditions for reporting level

The terms and conditions for the reporting level of futures contracts on Canadian Crude Oil are found in Article 15996.9 of Rule Fifteen. The Bourse recommends that approved participants must report, no later than three business days following the last business day of each week, any gross long or gross short position in excess of 25 contracts in the case of futures contracts on Canadian Crude Oil.

International benchmarking for the reporting level:

	Reportable Level
ICE Europe - Brent	None
CME Group/ NYMEX - WTI	350 contracts
Dubai Merc - Oman	25 contracts

VI. Objective of the Proposed Amendments to the Rules of the Bourse

The objectives of the proposed amendments to articles 6801, 6802, 6803, 6804, 6807, 6808 and 6812 of Rule Six and to article 15001 of Rule Fifteen of the Bourse as well as to the relative Procedures (as described above) and of the addition of articles 15996.1 – 15996.10 and 15997.1 – 15997.4 to Rule Fifteen are to:

i) Allow the introduction of futures contracts on Canadian Crude Oil; and
ii) Establish the specifications of futures contracts on Canadian Crude Oil.

VII. Public Interest

The amendments and additions to the Rules of the Bourse are proposed in order to make the use of futures contracts on Canadian Crude Oil accessible and efficient for the market participants who have expressed their support for such contracts.

VIII. Process

The proposed amendments and additions to Rules Six and Fifteen and to the procedures have been approved by the Rules and Policies Committee of the Bourse and are transmitted to the Autorité des marchés financiers (AMF) in accordance with the self-certification process. These modifications will also be transmitted to the Ontario Securities Commission (OSC) for information.

IX. Documents Attached

- Rule Six of Bourse de Montréal Inc.: amendments to articles 6801, 6802, 6803, 6804, 6807, 6808, and 6812
- Rule Fifteen of Bourse de Montréal Inc.: addition of new sections 15996.1 – 15996.10 and 15997.1 – 15997.4 and amendment to article 15001
- Specifications for the futures contract on Canadian Heavy Crude Oil Differential
- Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions
- Procedures Applicable to the Execution of Block Trades
- Procedures Applicable to the Execution and Reporting of Exchange for Physical (EFP), Exchange for Risk (EFR) and Substitution of OTC Derivative Instruments for Futures Contracts Transactions
- Daily Settlement Price Procedures for Futures Contracts and Options on Futures Contracts
- Procedures for the Cancellation of Trades

Canadian Heavy Crude Oil Differential Price Futures Contract

Specifications

Underlying	The NGX WCS WTI Crude Oil Index is based on a volume-weighted average of the differential prices between Western Canadian Select Heavy Crude Oil (WCS) and West Texas Intermediate Light Crude Oil (WTI).
Trading Unit	1 000 U.S. barrels
Contract Months	Monthly and quarterly expiries.
Price Quotation	U.S. dollars and cents per barrel. Quotation method: 100 + (differential price of the underlying) For example: With the price of the underlying (differential price) of -10.50 US$, the price quotation will be: 100 + (- 10.50 US$) = 89.50 US$
Minimum Price Fluctuation	US$0.01 per barrel.
Last Trading Day	Trading terminates on the first business day prior to the "Initial Notice of Shipment" day (NOS) as determined by the Crude Oil Logistics Committee (COLC) in the Forecast Reporting Calendar. Generally, the NOS is a date that varies between the 17th calendar day and the 21st calendar day of the month preceding the delivery month.
Contract Type	Cash settlement. The contract is cash settled against the price of the underlying as determined by NGX on the last trading day of the delivery month.
Final Settlement Price	The final settlement price shall be (100 + the price of the NGX WCS WTI Index), as determined by NGX and published by the Bourse on the first business day following the last day of trading of the delivery month..
Exchange of Futures for Physicals (EFP) and Exchange for Risk (EFR)	Approved Participants may exchange a futures position for a physical position (EFP) or an over-the-counter derivative instrument (EFR) of equal quantity by submitting a notice to the Bourse. EFPs and EFRs may be used to either initiate or liquidate a futures position.
Eligible Crude Oil Grades for EFP	Specific domestic crudes deliverable at Hardisty, Alberta with not less than 2.5% nor more than 3.5% sulfur by weight, not less than 19° API gravity nor more than 22° API gravity. Domestic crude streams include, but are not limited to: Western Canadian Select, Western Canadian Blend, Lloyd Blend, Bow River, Cold Lake Blend and Wabasca.
Reporting Level	25 contracts gross long or gross short in all contract months combined.
Position Limits	10,000 contracts net long or net short in all contract months combined.
Minimum Margin Requirements	Information on Minimum Margin Requirements can be obtained from the Bourse as they are subject to periodic changes.
Daily Price Limit	None
Trading Hours	9:00 a.m. to 4: 00 p.m. (ET).
Clearing Corporation	Canadian Derivatives Clearing Corporation (CDCC)
Ticker Symbol	WCH

APPENDIX I

ASPECT	INFORMATION	EXPLANATIONS
Characteristics of the underlying commodity or instrument	**Generic:** The underlying is based on one barrel of Canadian Crude Oil (as determined by the Exchange). **Operational:** The underlying is the price of one barrel of Western Canadian Select Heavy Crude Oil minus the price of one barrel of West Texas Intermediate Light Crude Oil as calculated and reported by NGX.	The contract is a futures contract that is based on the differential price between Western Canadian Select Heavy Crude Oil (or any other type of Canadian Crue Oil as determined by the Exchange) and West Texas Intermediate Light Crude Oil.
Cash Settlement / **Final Settlement Price**	**Generic:** The contract is cash settled against the price of a designated type of Canadian Crude Oil as determined by NGX for the last trading day of the delivery month. **Operational:** The Final Settlement Price of the expiring futures contract is the price of WCS as calculated and reported by NGX to the Bourse. The price of WCS will be reported to the Bourse on the first business day following the last trading day.	The Final Settlement Price represents the price of one barrel of Western Canadian Select Crude Oil (or any other type of Canadian Crude Oil as determined by the Exchange) minus the price of one barrel of West Texas Intermediate Crude Oil (expressed in US$ per barrel).
Contract size / Trading unit	**Generic:** The trading unit is 1,000 barrels of crude oil. The value of one futures contract (the contract size) is equal to the contract multiplier times the price (absolute value) of the futures contract, expressed in US$. **Operational:** The trading unit is the contract multiplier (i.e.: 1,000 barrels). The value of one futures contract (the contract size) is equal to the contract multiplier times the price (absolute value) of the futures contract, expressed in US$.	
Delivery months (contracts expiries)	**Generic:** Monthly and quarterly contract months. **Operational:** A maximum of 36 consecutive months.	**Generic:** Additional contract months are added only following the termination of trading in the December contract of the current year. **Operational:** Twelve additional contract

		months will be added following the termination of trading in the December contract of the current year.
Last trading day	**Generic:** Trading terminates on the first business day prior to the "Notice of Shipment" day of the month preceding the delivery month as determined by the Crude Oil Logistics Committee in the Forecast Reporting Calendar. **Operational:** The last trading day is different for each contract month. The Bourse will publish the last trading day for each contract month by means of a circular.	**Generic:** The last trading day is not a fixed date and will vary from one contract month to the next. The last trading day will be published by means of a circular prior to the end of the year – in conformance with industry practice.
Price Quotation	**Generic:** Price quotation is expressed in US$ and cents (for example: - 9.50 US$) **Operational:** The Bourse is evaluating two possibilities to display the trading price of the contract on the trading screen. 1) Quoting the DIFF price as a negative number, reflecting that the price of one barrel of Western Canadian Select Heavy Crude Oil is selling at a lower price compared to one barrel of West Texas Intermediate Light Crude Oil. For example: -9.50 US$ 2) As an alternative to quoting the DIFF as a negative number, the DIFF can be quoted as follows: 100 + (±Differential Price) ▪ For example, if the DIFF is quoted at -8.50 $ then the price on the screen would be 100 + (-8.50) = 91.50 ➢ This infers that the contract is trading at a discount to WTI and that the bid / ask prices for the futures contract would be quoted as follows 91.50 / 91.60 (DIFF of -8.50 / -8.40) ➢ Meaning a trader who expects to buy the spread – with the expectations that the spread will become more positive – will buy at the asking price of 91.60 or DIFF of -8.40.	**Generic:** Same as the cash market practice in Canada. **Operational:** The methodology adopted by the Bourse to display the price quotation on the screen will depend on the result of the evaluation by the Bourse's IT department - including the ability of vendors to display prices as a negative value.

Minimum price fluctuation	**Generic:** Minimum price fluctuation of US$0.01 per barrel of crude oil. **Operational:** Actual price fluctuation is US$0.01 per barrel of crude oil as well.	**Generic:** Same as the cash market practice in Canada and international market practice for pricing crude oil.
Daily price limit provisions	**Generic: NIL**	**Generic:** Same as the cash market practice and other exchange-traded crude oil futures contracts.
Speculative position limits	**Generic:** The greater of a maximum number of contracts to be determined by the Bourse or of 20% of the average daily open interest for all contract expiries during the preceding three calendar months. An approved participant may file with the Bourse an application to obtain, on behalf of a bona fide hedger, an exemption from the position limits established by the Bourse. **Operational:** 10,000 contracts net long or net short in all contract months combined.	**Generic:** Same policy applies to all listed Bourse contracts.
Block Trades	**Generic:** The Procedures Applicable to the Execution of Block Trades is amended to include futures contracts on Canadian Crude Oil – in accordance with article 6830. **Operational:** Minimum threshold level for block trades has been established at 100 contracts and the prescribed time delay for reporting is established at 15 minutes.	**Generic:** Same policy applies to all listed Bourse contracts.
Reporting level for large positions	**Generic:** Approved participants shall report to the Bourse all positions which, when combining all contract expiries, exceed 25 contracts.	**Generic:** Same policy applies to all listed Bourse contracts.
Aggregation policy	Block trades: Approved participants may not aggregate separate orders in order to meet the minimum volume thresholds. Reporting level + Positions limits : 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.	**Generic:** Same policy applies to all listed Bourse contracts.
Procedures for the Cancellation of Trades	**Generic:** The Procedures for the Cancellation of Trades is amended to include futures contracts on Canadian	**Generic:** Same range adopted as for the newly listed commodities

	Crude Oil. **Operational:** Established at 5% of the fair market value of the contract.	futures contracts on Carbon Dioxide Equivalent Units (CO_2e).
Procedures Applicable to the Execution and Reporting of Exchange for Physical (EFP), Exchange for Risk (EFR) and Substitution of OTC Derivative Instruments for Futures Contracts Transactions	**Generic:** The Procedures Applicable to the Execution and Reporting of Exchange for Physical (EFP), Exchange for Risk and Substitution of OTC Derivative Instruments for Futures Contracts transactions is amended to include futures contracts on Canadian Crude Oil. **Operational:** The procedure is applicable only for EFP and EFR transactions.	**Generic:** The procedure is applicable only for EFP and EFR transactions.

APPENDIX II

Western Canadian Sedimentary Basin - Crude Oil Classification

	DENSITY	SULFUR	CHARACTERISTICS
Condensate (CRW)	~725 kg/m^3, 63^o API	~0.2 wt%	Condensate is a general term used to describe a material also known as gas condensate, pentanes plus (C5+), or natural gasoline generated from the WCSB gas field production. The primary disposition of condensate is as a diluent into heavy crude and bitumen production. Condensate is used as a "thinner" to modify the viscosity and density of the heavy crudes and bitumen to meet pipeline specifications for the blended products.
Synthetic Crudes (SYN, SSB, HSB, OSA)	~860–870 kg/m^3, 31–33^o API	<0.2 wt%	The classic definition of synthetic crude is a combination of hydrocarbon streams produced from upgrading a crude bitumen. WCSB synthetic crudes are typically blends of naphtha, distillate, and gas oil streams collected during the upgrading process. Synthetic crudes are unlike other crude streams in that they typically, through the upgrading and blending processes, contain no residuum. The design of the upgrader will be the most influential factor in the composition of synthetic crudes. Upgrading flexibilities can and have been utilized to produce gas oil streams which are blended to form various combinations of ultra-sweet, sweet, and sour streams. Synthetic crudes can and have been used as diluent in the production of bitumen based heavy sour crudes. The combination of synthetic crudes and bitumen are called "synbit".
Light Sweet Crudes (MSW)	~830 kg/m^3, 39^{o}API	<0.5 wt%	WCSB light sweet crudes are typically benchmarked against, and directly compared with, WTI (West Texas Intermediate). The largest volumes of light sweet crudes are produced in a broad foothills region of the Canadian Rocky Mountains, and are transported through commingled pipelines to Edmonton, Alberta. Light sweet crude streams are available individually for westward delivery from Edmonton, and as a commingled stream (MSW) for eastward and southward delivery from Edmonton.
Light Sour Crudes (LSB)	~850–860 kg/m^3, ~34^{o}API	~1.0–1.5 wt%	WCSB light sour crudes are typically benchmarked against, and directly compared with, WTS (West Texas Sour). The volumetrically largest light sour stream is Light Sour Blend (LSB), produced by combining predominantly southeastern Saskatchewan production (SES) and other streams from central Alberta including, but not limited to, Central (aka Koch) Alberta (CAL, KAL), Sour Peace River (SPR), Sour Light Edmonton blend (SLE)).
Medium Sweet Crudes	~880–890 kg/m^3, ~30^{o}API	<0.5 wt%	There are some, though not many, medium sweet streams available from the WCSB. Typically these small volume streams are blended into other commingled streams based on proximity connections and financial considerations.
Medium Sour Crudes (M, MSO)	~885–890 kg/m^3, ~30^{o}API	~2.0 wt%	Examples of medium sour streams of commercial significance include Midale (M, MSM) and Mixed Sour (MSO or SO) which is a varying combination of Gibson Sour (SOG) plus Sour High Edmonton (SHE) along with, on occasion, other smaller miscellaneous "like" streams.
Heavy Sour Crudes (WCS, Bow River, Lloyd Blends, Bitumen Blends)	~925–940 kg/m^3, ~20^{o}API	~2.9–3.6 wt%	This is the largest classification, and the most volumetrically significant, group of crude products from the WCSB. To some extent, all of the crude streams in this classification are blended products. Heavy Sour crudes include conventionally produced heavy crude (rod and screw pump production), Cyclic Steam Stimulation bitumen production, SAGD production, and mined oil sands containing bitumen. Within the heavy sour crude classification, there are dilbits (diluent—bitumen combinations where the diluent is nearly always condensate), synbits (synthetic crude—bitumen combinations where the diluent is synthetic crude), and dilsynbits (diluent— synthetic crude—bitumen combinations). Examples of conventional heavy include Lloydminster crudes (LLB, LLK, Bow River, among others). Examples of dilbits include Cold Lake (CL), Wabasca Heavy (WH), Peace Heavy (PH), among others. Examples of synbits include Christina Lake (CSB), Mackay River Heavy (MKH), Borealis Heavy Blend (BHB), among others. Examples of dilsynbits include Western Canadian Select (WCS), DilSynBit (DSB), among others.

Source: CrudeMonitor.ca

RULE FIFTEEN
FUTURES CONTRACTS SPECIFICATIONS

Section 15001 - 15050
General Provisions

15001 Scope of Rule
(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 14.06.02, 03.05.04, 16.11.07, 30.05.08, 15.05.09, 18.06.10)

This Rule is limited in application to futures trading of the following instruments:

a) the overnight repo rate;

b) 1-month Canadian bankers' acceptance;

c) 3-month Canadian bankers' acceptance;

d) 2-year Government of Canada Bond;

e) 5-year Government of Canada Bond;

f) 10-year Government of Canada Bond;

g) 30-year Government of Canada Bond;

h) the S&P/TSX 60 Index;

i) the S&P/TSX Composite Index;

j) designated S&P/TSX sectorial indices;

k) Canadian and International stocks;

l) Carbon dioxide equivalent (CO_2e) units;

m) Canadian Crude Oil.

The procedures for dealing with clients, trading, clearing, settlement, delivery and any other matters not specifically covered herein shall be governed by the regulations of the Bourse and the General Regulations of the clearing corporation.

SECTION 15996.1 – 15997.5
Futures Contracts on Canadian Crude Oil
(XX.XX.XX)

Sub-section 15996.1 – 15996.10
Specific Trading Provisions

15996.1 Definitions
(18.06.10)

"U.S. Barrel" means 42 U.S. gallons of 231 cubic inches per gallon measured at 60°F.

15996.2 Contract Months
(18.06.10)

Unless otherwise determined by the Bourse, the contract expiries available for trading in futures contracts on Canadian Crude Oil shall be as indicated in article 6804 of Rule Six of the Bourse.

15996.3 Trading Unit
(18.06.10)

Unless otherwise determined by the Bourse, the unit of trading for futures contracts on Canadian Crude Oil shall be as indicated in article 6801 of Rule Six of the Bourse.

15996.4 Currency
(18.06.10)

Trading, clearing and settlement for futures contracts on Canadian Crude Oil shall be in U.S. dollars.

15996.5 Price Quotation
(18.06.10)

Unless otherwise determined by the Bourse, bids and offers for futures contracts on Canadian Crude Oil shall be as indicated in article 6802 of Rule Six of the Bourse.

15996.6 Minimum Price Fluctuation Unit
(18.06.10)

Unless otherwise determined by the Bourse, the minimum price fluctuation unit for futures contracts on Canadian Crude Oil shall be as indicated in article 6807 of Rule Six of the Bourse.

15996.7 Daily Price Limit
(18.06.10)

There shall be no daily price limit for futures contracts on Canadian Crude Oil.

15996.8 Position Limits
(18.06.10)

The maximum net long or net short position in each designated futures contract on Canadian Crude Oil which a person may own or control shall be as follows:

Position limit for all contract expiries combined for each designated futures contract on Canadian Crude Oil:

The greater of a maximum number of contracts to be determined by the Bourse or of 20% of the average daily open interest for all contract expiries during the preceding three calendar months; or

Such other limit as may be determined by the Bourse.

As provided by Policy C-1 of the Bourse, an approved participant may file with the Bourse an application to obtain, on behalf of a bona fide hedger, an exemption from the position limits established by the Bourse. The application must be filed in the form and within the delays prescribed by the Bourse and must contain all the information required in Section 1.3 of Policy C-1 of the Bourse. If the application is rejected, the approved participant shall reduce the position so that it does not exceed the prescribed limit within the period set by the Bourse. The Bourse can modify any exemption which has been previously granted. A bona fide hedger may also, under certain circumstances, file directly with the Bourse, in the form prescribed, an application to obtain an exemption from the position limits prescribed by the Bourse.

In establishing position limits, the Bourse may, if deemed necessary, apply specific limits to one or more rather than all approved participants or clients.

15996.9 Reporting Limit
(18.06.10)

Approved participants shall report to the Bourse all positions which, when combining all contract expiries, exceed 25 futures contracts on Canadian Crude Oil, or such other number as may be determined by the Bourse, in such form and in such manner as shall be prescribed by the Bourse.

15996.10 Last Day of Trading
(18.06.10)

The last trading day shall be the one defined in article 6812 of the Rules.

Sub-section 15997.1 – 15997.5
Settlement Procedures for Futures Contracts on Canadian Crude Oil with Cash Settlement

15997.1 Settlement
(18.06.10)

The settlement of futures contracts on Canadian Crude Oil shall be by cash settlement through the CDCC.

15997.2 Final Settlement Day
(18.06.10)

The final settlement day of a given futures contract on Canadian Crude Oil with cash settlement shall be the first business day following the last day of trading of the contract expiry.

15997.3 Final Settlement Price
(18.06.10)

The final settlement price determined on the Final Settlement Day shall be 1,000 U.S. barrels times the price of the designated Canadian Crude Oil, expressed in U.S. dollars per barrel, as determined by the Bourse on the last trading day. All open positions at the close of the last trading day will be marked to market using the price of the designated Canadian Crude Oil as determined by the Bourse on final settlement day and terminated by cash settlement.

15997.4 Failure of Settlement
(18.06.10)

Any failure on the part of an approved participant to comply with the aforementioned cash settlement rules may result in the imposition of such disciplinary sanctions as may be deemed appropriate in the circumstances by the Bourse.

15997.5 Force Majeure
(18.06.10)

If settlement or acceptance or any precondition or requirement is prevented by "Force Majeure" such as but not limited to strike, fire, accident, act of government, act of God or other emergency the affected Approved Participant shall immediately notify the Bourse and the Clearing Corporation. If the Bourse and the Clearing Corporation decide that a Force Majeure is in progress, by their own means or following the reception of a notice to this effect from an Approved Participant, they shall take all necessary actions in the circumstances and their decision shall be binding upon all parties to the futures contracts on Canadian Crude Oil affected by the Force Majeure. Without limiting the generality of the foregoing, the Clearing Corporation may take one or many of the following measures:

a) modify the Settlement Time;
b) modify the settlement date;
c) designate alternate or new settlement points or alternate or new procedures in the event of conditions interfering with the normal operations of approved facilities or settlement process;
d) fix a Settlement Price.

Neither the Bourse nor the Clearing Corporation shall be liable for any failure or delay in the performance of the Bourse's obligations to any Approved Participant if such failure or delay arises out of a Force Majeure.

D. SPECIAL RULES FOR TRADING FUTURES CONTRACTS

Section 6801 - 6820
Terms of Trade
Futures

6801 Standard Trading Unit
(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 29.04.02, 14.06.02, 03.05.04, 24.07.06, 16.11.07, 30.05.08, 15.05.09, 18.06.10)

No futures contract shall be traded on the Bourse unless it has standardized terms and is issued by the appropriate clearing corporation in cooperation with the Bourse.

Unless otherwise determined by the Bourse, each trading unit shall consist of the following:

a) in the case of the 30-day overnight repo rate futures:

a nominal value of CAN$5,000,000.

b) in the case of the 1-month Canadian bankers' acceptance futures:

a nominal value of CAN$3,000,000 of 1-month Canadian bankers' acceptances.

c) in the case of the 3-month Canadian bankers' acceptance futures:

a nominal value of CAN$1,000,000 of 3-month Canadian bankers' acceptances.

d) i) in the case of the 2-year Government of Canada Bond futures:

CAN$100,000 nominal value of a notional Government of Canada Bond bearing a coupon of 6%.

ii) in the case of the December 2006 2-year Government of Canada Bond futures and for subsequent contract months:

CAN$200,000 nominal value of a notional Government of Canada Bond bearing a coupon of 4%.

e) in the case of the 5-year Government of Canada Bond futures:

CAN$100,000 nominal value of a notional Government of Canada Bond bearing a coupon of 6%.

f) in the case of the 10-year Government of Canada Bond futures:

CAN$100,000 nominal value of a notional Government of Canada Bond bearing a coupon of 6%.

g) in the case of the 30-year Government of Canada Bond futures:

CAN$100,000 nominal value of a notional Government of Canada Bond bearing a coupon of 4%.

h) in the case of the futures contract on the S&P/TSX 60 Index:

CAN $200 times the S&P/TSX 60 Index futures contract level.

i) in the case of the mini futures contract on the S&P/TSX Composite Index:

CAN $5 times the level of the S&P/TSX Composite Index mini futures.

j) in the case of the futures contract on designated S&P/TSX sectorial indices:

The Bourse, in consultation with the Canadian Derivatives Clearing Corporation, shall establish the unit of trading for each futures contract that has been approved for trading.

k) in the case of the futures contract on Canadian and international stocks:

The Bourse, in consultation with the Canadian Derivatives Clearing Corporation, shall establish the unit of trading for each futures contract that has been approved for trading.

l) in the case of the futures contract on carbon dioxide equivalent (CO_2e) units with physical settlement:

100 carbon dioxide equivalent (CO_2e) units. Each unit is an entitlement to emit one metric ton of carbon dioxide equivalent (CO_2e).

m) in the case of the futures contract on carbon dioxide equivalent (CO_2e) units with cash settlement:

100 carbon dioxide equivalent (CO_2e) units. Each unit is an entitlement to emit one metric ton of carbon dioxide equivalent (CO_2e).

n) in the case of the futures contract on designated Canadian Crude Oil:

1,000 U.S. barrels.

6802 Price
(24.01.86, 22.04.88, 08.09.89, 17.10.91, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 14.06.02, 03.05.04, 30.05.08, 15.05.09, 18.06.10)

a) During the life of a contract, only the price per unit of physical commodity is negotiable.

b) The price for any particular delivery month of a contract is determined by the bids and offers made on the Bourse, subject to the regulations.

c) Unless otherwise determined by the Bourse, the price shall be quoted as follows:

Government of Canada Bond futures	Per CAN$100 nominal value
30-day overnight repo rate futures	In terms of an index of 100 minus the monthly average overnight repo rate in percentage point on an annual basis for a 365-day year
1-month Canadian bankers' acceptance futures	In terms of an index of 100 minus the yield in percentage point on an annual basis for a 365-day year on 1-month Canadian bankers' acceptances

3-month Canadian bankers' acceptance futures	In terms of an index of 100 minus the yield in percentage point on an annual basis for a 365-day year on 3-month Canadian bankers' acceptances
Futures contracts on the S&P/TSX Indices	In index points.
Canadian share Futures Contract	In CAN cents and dollars per share
International Share Futures Contract	In unit(s) of International currency per share
Futures contract on carbon dioxide equivalent (CO_2e) units with physical and cash settlement	In CAN dollars and cents per metric ton of carbon dioxide equivalent (CO_2e)
Futures contracts on Canadian Crude Oil	In U.S. dollars and cents per U.S. barrel

6803 Currency
(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 14.06.02, 03.05.04, 30.05.08, 15.05.09, 18.06.10)

Trading, clearing, settlement and delivery shall be in the currency designated by the Bourse and unless otherwise determined shall be as follows:

30-day overnight repo rate futures	CAN Dollars
1-month and 3-month Canadian bankers' acceptance futures	CAN Dollars
Government of Canada Bond futures	CAN Dollars
Futures contracts on S&P/TSX Indices	CAN Dollars
Canadian share futures Contract	CAN Dollars
Futures contract on carbon dioxide equivalent (CO_2e) units with physical and cash settlement	CAN Dollars
International share futures contracts	International currency
Futures contracts on Canadian Crude Oil	U.S. Dollars

6804 Futures Contracts Expiries
(24.01.86, 22.04.88, 08.09.89, 16.04.92, 27.07.94, 19.01.95, 11.03.98, 07.09.99, 31.01.01, 14.06.02, 03.05.04, 30.05.08, 15.05.09, 18.06.10)

Unless otherwise determined by the Bourse, contract expiries shall be as follows:

30-day overnight repo rate futures	Monthly and quarterly contract months

1-month Canadian bankers' acceptance futures	The first 6 consecutive months
3-month Canadian bankers' acceptance futures	Quarterly months in the March, June, September and December cycle as well as monthly expirations in the January, February, April, May, July, August, October and November cycle
Government of Canada Bond futures	Quarterly months in the March, June, September and December cycle
Futures contracts on S&P/TSX Indices	Quarterly months in the March, June, September and December cycle
Share futures contracts	Quarterly months in the March, June, September and December cycle as well as selected monthly expirations in January, February, April, May, July, August, October and November cycle
Futures contract on carbon dioxide equivalent (CO_2e) units with physical settlement	Daily, monthly, quarterly and annual expiries
Futures contract on carbon dioxide equivalent (CO_2e) units with cash settlement	Daily, monthly, quarterly and annual expiries
Futures contracts on Canadian Crude Oil	Monthly and quarterly expiries

6807 Minimum Price Fluctuations
(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 29.04.02, 14.06.02, 15.10.02, 03.05.04, 17.11.04, 01.12.06, 30.05.08, 15.05.09, 18.06.10)

Unless otherwise determined by the Bourse, minimum price fluctuations shall be as follows:

a) 30-day overnight repo rate futures	0.005 per $100 nominal value
b) 1-month and 3-month Canadian Bankers' acceptance futures	i) For the nearest contract month(s), as determined by the Bourse, 0.005 per $100 nominal value. ii) For all contract months excluding the nearest contract month(s) as determined by sub-paragraph i), 0.01 per $100 nominal value.
c) Government of Canada Bond futures Contracts	a minimum of 0.005 per $100 nominal value
d) Futures contract on the S&P/TSX 60 Index	0.01 index point

e) Mini Futures contract on the S&P/TSX Composite Index	1 index point
f) Canadian share futures contract	A minimum of $0.01 CDN per Canadian share
g) International share futures contracts	At a minimum of the corresponding unit of fluctuation used by the market on which the underlying stock is traded
h) Futures contracts on S&P/TSX sectorial indices	0.01 index point
i) Futures contract on carbon dioxide equivalent (CO_2e) units with physical settlement	A minimum of $0.01 CDN per metric ton of carbon dioxide equivalent (CO_2e)
j) Futures contract on carbon dioxide equivalent (CO_2e) units with cash settlement	A minimum of $0.01 CDN per metric ton of carbon dioxide equivalent (CO_2e)
k) Futures contracts on Canadian Crude Oil	A minimum of $0.01 U.S. per barrel

6808 Price Limits / Trading halts
(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 07.09.99, 31.01.01, 14.06.02, 03.05.04, 24.07.06, 30.05.08, 17.04.09, 15.05.09, 18.06.10)

The Bourse shall establish for each contract a maximum price limit with respect to the previous day's settlement price and there shall be no trading above or below that limit except as provided below. Unless otherwise determined by the Bourse, the daily price limits shall be as follows:

a) 30-day overnight repo rate futures: NIL

b) 1-month and 3-month Canadian bankers' acceptance futures: NIL

c) Government of Canada Bond futures: NIL

d) Futures contracts on the S&P/TSX Indices:

i) Trading halts

Trading halts on the futures contracts on the S&P/TSX Indices shall be coordinated with the trading halt mechanism of the underlying stocks. In accordance with Policy T-3 of the Bourse entitled "Circuit Breaker", a trading halt of the futures contracts shall be triggered only in conjunction with the triggering of circuit breakers set in coordination with the New York Stock Exchange and The Toronto Stock Exchange.

ii) Resumption of Trading

In the event that trading in the securities market resumes after a trading halt, trading in the S&P/TSX Index futures contracts shall resume only after a percentage (as determined by the Bourse from time to time) of the stocks underlying the S&P/TSX Indices have re-opened.

e) Canadian share futures contract

i) Trading halts

Trading halts on Canadian share futures contract shall be coordinated with the trading halt mechanism of the underlying stocks. In accordance with Policy T-3 of the Bourse entitled "Circuit Breaker", a trading halt of the futures contract shall be triggered in conjunction with the triggering of circuit breakers set in coordination with the New York Stock Exchange and The Toronto Stock Exchange.

f) International share futures contract

In the event that a recognized exchange suspends trading in the underlying share of a share futures contract, then the Bourse may determine a course of action in relation to the share futures contract, including, but not limited to, the suspension or halting in the trading of the contract.

g) Futures contract on carbon dioxide equivalent (CO_2e) units with physical and cash settlement

NIL

h) Futures contracts on Canadian Crude Oil

NIL

6812 Last Day of Trading
(24.01.86, 22.04.88, 08.09.89, 16.04.92, 19.01.95, 13.07.98, 07.09.99, 31.01.01, 14.06.02, 03.05.04, 30.05.08, 15.05.09, 18.06.10)

Unless otherwise determined by the Bourse, the business day on which trading for each contract will terminate shall be as follows:

a) 30-day overnight repo rate futures:

last business day of the contract month.

b) 1-month and 3-month Canadian Bankers' Acceptance futures:

i) at 10:00 a.m. (Montréal time) on the second London (Great Britain) bank business day immediately preceding the third Wednesday of the contract month;

ii) if the day as determined by sub-paragraph i) is an exchange or bank holiday in Toronto or Montréal, futures trading shall terminate on the previous bank business day.

c) 5-year and 10-year Government of Canada Bond futures:

on the 7th business day preceding the last business day of the delivery month.

d) Futures contract of the S&P/TSX 60 Index:

the exchange traded day preceding the final settlement day as defined in article 15721 of the Rules.

e) Mini futures contract on the S&P/TSX Composite Index:

the exchange traded day preceding the final settlement day as defined in article 15986 of the Rules.

f) Canadian Share Futures Contracts:

at 4:00 p.m. (Montréal time) on the third Friday of the contract month or if not a business day, the first preceding business day.

g) International Share Futures Contract:

the last day of trading on International share futures contracts shall coincide with the last day of trading of the corresponding stock index futures contract traded on a recognized exchange for which the underlying stock is a constituant, or such other day as prescribed by the Bourse.

h) Futures Contracts on S&P/TSX sectorial indices:

the exchange traded day preceding the final settlement date as defined in article 15771 of the Rules.

i) Futures contract on carbon dioxide equivalent (CO_2e) units with cash settlement:

the third business day preceding the last business day of the contract expiry. For contracts with daily expiries, the last day of trading is the first trading day of the contract.

j) Futures contract on carbon dioxide equivalent (CO_2e) units with physical settlement:

the third business day preceding the last business day of the contract expiry. For contracts with daily expiries, the last day of trading is the first trading day of the contract.

k) Futures contracts on Canadian Crude Oil:

the first business day prior to the crude oil “Initial Notice of Shipment Date“ of the delivery month as determined by the Bourse, or such other day as prescribed by the Bourse. Initial Notice of Shipment Date means, with respect to the contract month, the first due date and time generally accepted by industry for the filing of the Notice of Shipment.

PROCEDURES APPLICABLE TO THE EXECUTION OF CROSS TRANSACTIONS AND THE EXECUTION OF PREARRANGED TRANSACTIONS

In accordance with the provisions of article 6380 of the Rules of Bourse de Montréal Inc. (the Bourse) regarding the execution of cross transactions and prearranged transactions, the following are the eligible products, the prescribed exposure time delays between the input of two orders and the minimum quantity thresholds.

ELIGIBLE PRODUCTS	PRESCRIBED TIME DELAY	MINIMUM QUANTITY THRESHOLD
Three-Month Canadian Bankers' Acceptance Futures Contracts (BAX):		
1st four quarterly months – not including serial months	5 seconds	No threshold
Remaining expiry months and strategies	15 seconds	No threshold
Thirty-Day Overnight "Repo" Rate Futures Contracts (ONX):		
Front month	5 seconds	No threshold
Remaining expiry months and strategies	15 seconds	No threshold
Government of Canada Bond Futures Contracts:		
All expiry months and strategies	5 seconds	No threshold
Futures Contracts on S&P/TSX Indices:		
All expiry months	0 second	≥100 contracts
All expiry months and strategies	5 seconds	<100 contracts
Carbon Dioxide Equivalent (CO_2e) Units Futures Contracts:		
All expiry months and strategies	5 seconds	No threshold
Futures Contracts on Canadian Crude Oil:		
All expiry months and strategies	5 seconds	No threshold
Options on Three-Month Canadian Bankers' Acceptance Futures Contracts (OBX):		
All expiry months and strategies	0 second	≥250 contracts
All expiry months and strategies	5 seconds	< 250 contracts

ELIGIBLE PRODUCTS	PRESCRIBED TIME DELAY	MINIMUM QUANTITY THRESHOLD
Equity and Currency Options:		
All expiry months	0 second	≥100 contracts
All expiry months	5 seconds	< 100 contracts
Index Options:		
All expiry months	0 second	≥50 contracts
All expiry months	5 seconds	< 50 contracts

Chronological priority of orders must be respected with regards to the posting of the originating order first, when executing a cross or prearranged transaction.

The market participant must ensure that all existing orders in the central order book, regardless of the type of orders, which are at limit prices better than or equal to the cross or prearranged transaction price are executed before completing such transaction.

EQUITY OPTIONS, INDEX OPTIONS AND CURRENCY OPTIONS CONTRACTS

Cross transactions and prearranged transactions can only be executed in accordance with one of the following procedures:

Procedure with a prescribed time delay for a quantity smaller than the eligible quantity threshold

A market participant wishing to execute a cross or a prearranged transaction must enter the order into the trading system for the total intended transaction quantity. The participant must then respect a delay equal to the prescribed time delay before executing an offsetting transaction on the residual quantity.

The **residual quantity** is the portion of the original quantity remaining after orders entered in the book with limit prices better than or equal to the intended transaction price have been filled. If no orders have been executed, the residual quantity is equal to the original intended transaction quantity.

Procedure without a prescribed time delay for a quantity equal to or greater than the eligible quantity threshold

If a market participant has a cross or prearranged order between the bid and ask:

- the participant can use a specific system function to enter a zero-second cross; or
- the participant can enter one side of the order and immediately trade against it if he wishes that the trade be executed directly on the market (with the possibility of execution risk).

Note: The bundling of orders to meet the admissible minimum quantity threshold is not permitted.

Transactions with a 50% guaranteed minimum

If a market participant wishes to execute a cross or a prearranged transaction on an option strategy, he must contact a market official and provide details of the intended transaction: total quantity, price, side(s) of the transaction on which the approved participant is required to give priority.

Market makers will be permitted to participate on the transaction up to a total maximum of 50% of the quantity of the intended transaction.

The market participant will be permitted to execute the transaction for the remaining quantity (a minimum of 50% plus any quantity not taken of the 50% that had been offered to the market makers.)

MISCELLANEOUS

Eligible products, their respective minimum quantity thresholds and time delays will be modified from time to time in order to take into account the evolution of the trading environment and

operational practices of the Bourse. A circular will be issued by the Bourse every time a modification or revision is made to either one of these criteria.

PROCEDURES FOR THE CANCELLATION OF TRADES

1. APPLICABLE RULES

The procedures herein are consistent with and refer to the following Rule Six articles of the Bourse:

6303 - Validation, alteration or cancellation of a trade
6381 - Cancellation of Trades
6383 - Acceptable Market Price
6384 - Decision by the Market Supervisor of the Bourse
6385 - Delays of Decision and Notifications

2. SUMMARY OF THE RELATED RULES

In order to maintain a fair and equitable market, trades may be cancelled by a vice-president or a senior vice-president of the Bourse if such transactions are detrimental to the normal operation or quality of the market or in any other circumstance deemed appropriate considering market conditions at the time of the trade or if the parties involved in the trade agree to the cancellation.

3. OBJECTIVE

The objective of the procedures described herein is:

- To ensure that all transactions are executed at a price coherent with prevailing market conditions (integrity) and to ensure that input errors can be corrected.

4. DESCRIPTION

4.1. DETECTION AND DELAYS

Market participants have the responsibility to identify without delay erroneous trades. As soon as an erroneous transaction resulting from an entry error is identified, the approved participant must advise a Market Supervisor of the Bourse by calling the Market Operations Department of the Bourse at 514 871-7871 or 1-888-693-6366. A Market Supervisor will then contact the counterparties to the trade in order to reach an agreement within the 15 minutes that follow the execution of the transaction as prescribed by article 6381 of the Rules of the Bourse.

4.2. IMPLIED SPREAD ORDERS

“Regular orders”: Orders routed by approved participants to the Montréal Exchange trading system.

“Implied orders”: Orders generated by the implied pricing algorithm (using regular orders) and registered in the order book by the trading engine.

A spread trade resulting from an implied spread order is in reality constituted from each of the individual legs regular outright orders. For the purpose of this procedure, an erroneous trade occurring on an implied spread order will be treated as if the spread trade was executed using regular posted orders of each individual leg separately.

As a result, the prescribed increment utilized to establish the No Cancel Range to adjust an erroneous spread trade resulting from an implied spread order will be at least the increment on one of the individual legs (5 basis points) and at the most, the sum of each individual legs' increments (10 basis points).

4.3. VALIDATION – NO CANCEL RANGE

In order to maintain market integrity, when a transaction outside the No Cancel Range is identified by Market Supervisors, the parties involved will be contacted within a reasonable delay by the Market Operations Department of the Bourse in order to adjust the trade price within the No Cancel Range.

When any potential erroneous trade is brought to the attention of a Market Supervisor by a market participant, the Market Supervisor will determine whether the trade price is in the No Cancel Range for the particular derivative instrument.

The No Cancel Range is defined as the price interval within which a trade cannot be cancelled. To establish the No Cancel Range, Market Supervisors:

- Determine, in accordance with article 6383 of the Rules, what was the acceptable market price for the derivative instrument was before the trade occurred. In making that determination, the Market Supervisor will consider all relevant information, including the last trade price, a better bid or offer, a more recent price for a related derivative instrument (for example a different expiry month) and the prices of similar derivative instruments trading on other markets;

- Apply (add and deduct) the following increments to the acceptable market price:

DERIVATIVE INSTRUMENT	INCREMENT
Three-Month Canadian Banker's Acceptance Futures – BAX (all quarterly and serial months)	5 basis points
Three-Month Canadian Banker's Acceptance Futures – BAX SPREADS: - Regular spread orders - Implied spread orders	 5 basis points 5 to 10 basis points; sum of the spread's individual legs' increments.
Options on Three-Month Canadian Banker's Acceptance Futures – OBX	5 basis points
Government of Canada Bonds Futures	20 basis points
Options on Governement of Canada Bonds Futures	20 basis points
Futures Contracts on S&P/TSX Indices	1% of the acceptable market price of these futures contracts

DERIVATIVE INSTRUMENT		INCREMENT
Options on S&P/TSX Indices First three serial months		0.5 index point
Options on S&P/TSX Indices Next two quarterly months		1 index point
EQUITY OPTIONS PRICE RANGES:	 $0.00 to $5.00 $5.01 to $10.00 $10.01 to $20.00 $20.00 up	 $0.10 $0.25 $0.50 $0.75
SPONSORED OPTIONS PRICE RANGES:	 $0.001 to $0.99 $1.00 up	 $0.25 $0.50
SINGLE STOCK FUTURES		$2.00
Futures contracts on Canadian Crude Oil		5% of the acceptable market price of these futures contracts.

4.4. TRADE PRICE INSIDE THE NO CANCEL RANGE

If the Market Supervisor determines that the price of the reported erroneous trade was inside the No Cancel Range, then the trade will be maintained and no further action will be taken unless the counterparty to the erroneous trade has agreed to cancel it.

Erroneous transactions, for which there has been consent between the parties to cancel, may be cancelled within the trading session (early, regular or extended) during which they have occurred.

4.5. TRADE PRICE OUTSIDE THE NO CANCEL RANGE

If the Market Supervisor determines that the price of the erroneous trade is outside the No Cancel Range, then all parties involved in the transaction will be contacted and advised of the situation.

The transaction will be cancelled if all parties involved are in agreement.

The transaction will not be cancelled if one of the parties involved refuses. The residual trades (the ones not cancelled) will be readjusted to the limit of the No Cancel Range. In such a case, if the transaction involved a linked implied order, the initiator of the original error trade will take responsibility for the outcome. The error initiator may therefore have to take ownership of market positions for the directly resulting trades in the other linked contracts.

The Market Operations Department of the Bourse will adjust erroneous transactions in the best possible way. The main objective when adjusting erroneous trades is to minimize the impact for all market participants involved in the erroneous transaction and more particularly those who had a regular order in the order book.

4.6. OTHER SITUATIONS JUSTIFYING THE CANCELLATION OF TRANSACTIONS

The Market Operations Department of the Bourse will review all circumstances surrounding a transaction to determine whether the trade occurred in accordance with the rules of the Bourse. The factors that will be considered include, among other things, the market conditions

immediately before and after the trade was executed; the volatility of the market; the prices of related instruments in other markets and the fact that one or many parties to the transaction consider that it was executed at a valid price.

In the case of a system failure, it is possible that the Bourse's automated trading system will freeze with orders queuing and waiting to be processed. Once the problem is resolved, the market will be placed into a pre-opening phase during which trading in each derivative instrument will be halted in order to modify the opening time parameters. This pre-opening phase will allow market participants to modify orders and will ensure that the system failure does not impact the integrity of the market. Nevertheless, when the system is not frozen, pending orders could be executed before the Bourse can halt the derivative instruments. In such circumstances, Market Supervisors could have to cancel trades resulting from such executions.

4.7. MULTIPLE MARKET MAKER TRANSACTIONS ON EQUITY, INDEX AND BOND OPTIONS

A Market Supervisor may also cancel transactions under the following conditions:

1. Multiple consecutive transactions can be cancelled if they consist of four (4) or more transactions against one market maker provided that:

    - all transactions were executed within a one (1) second interval;

    - the opposite side of the transactions consists of one or several market makers.

2. The market maker involved in the four (or more) transactions contacted a Market Supervisor at 514 871-7877 or 1-866-576-8836 within one (1) minute of the execution time of the multiple consecutive transactions, to request their cancellation.

4.8. DECISION

A decision to cancel or to refuse to cancel will be rendered by a Market Supervisor within 30 minutes following the cancellation request.

If the decision is to cancel the trade, the Market Supervisor will remove the trade from the records. Furthermore, if "stop" orders were triggered and therefore executed as a result of the cancelled trade, then these "stop" trades will also be cancelled and the "stop" orders will have to be re-instated in the order book by the initiators of such orders. Trade cancellation messages will be disseminated.

When a transaction is cancelled, if it originated from a regular order posted in the order book, the original price/time priority (FIFO) will not be maintained if the initiator of the original order wishes to re-instate his order after the cancellation. This cancelled order shall therefore be re-entered in the trading system by the initiator of the original order. This new order entry time will be the official entry time of the re-instated order.

If the Market Supervisor's decision is to not cancel the trade, the parties to the transaction can not themselves decide to cancel it by making a position transfer through the Canadian Derivatives Clearing Corporation.

DAILY SETTLEMENT PRICE PROCEDURES FOR FUTURES CONTRACTS AND OPTIONS ON FUTURES CONTRACTS

1. RULE

Article 6390 of the Rules of Bourse de Montréal Inc. (the Bourse) stipulates that:

"The daily settlement price or the closing quotation are determined according to the procedures established by the Bourse for each derivative instrument."

2. SUMMARY

FUTURES CONTRACT AND OPTIONS ON FUTURES CONTRACT DAILY SETTLEMENT PRICES

- These markets use an average price during the last minutes of trading to establish a single settlement price. These calculations are executed manually by market officials or, as the case may be, by an automated algorithm using pre-established guidelines for each product.

- The prices at which block trades, Exchange for Physical (EFP), Exchange for Risk (EFR) or Substitution transactions are arranged shall not be used to establish the open, high, low or daily settlement price.

3. OBJECTIVES

The objectives of establishing daily settlement prices are:

- Ensure a fair and orderly market close and pricing for approved participants so that they can properly mark-to-market their positions for margin calculations and back office processing, including the clearing and settlement of their transactions ;

- Ensure that the Canadian Derivatives Clearing Corporation (CDCC) and all market participants are informed of the settlement prices.

4. DESCRIPTION

4.1 THREE-MONTH CANADIAN BANKERS' ACCEPTANCE FUTURES CONTRACTS (BAX)

The daily settlement price procedure for the Three-Month Canadian Bankers' Acceptance Futures contract (BAX) is executed by a fully automated pricing algorithm which utilizes the parameters described in sections 4.1.1, 4.1.2 and 4.1.3 to ensure accuracy in the process.

DEFINITIONS:

"Regular orders": Orders routed by approved participants to the Montréal Exchange trading system.

"Implied orders": Orders generated by the implied pricing algorithm (using regular orders) and registered in the order book by the trading engine.

4.1.1 IDENTIFICATION OF THE FRONT QUARTERLY CONTRACT MONTH

The automated daily settlement pricing algorithm identifies the front quarterly contract month from the first two quarterly contract months. The front quarterly contract month is the one, among the first two quarterly contract months, that has the largest open interest and the required market information. In the absence of both these criteria together, then the front quarterly contract month shall be determined by market officials based on available market information.

4.1.2 ALGORITHM UTILIZED FOR THE DETERMINATION OF THE DAILY SETTLEMENT PRICE OF THE FRONT QUARTERLY CONTRACT MONTH

Once the front quarterly contract month has been identified, the automated daily settlement price algorithm will determine the settlement price of the front quarterly contract month according to the following priorities: first, it will use the last three minute weighted average price of cumulated trades amounting to at least 50 contracts on that contract month; if no such average price is available, it will then use the last 30 minute weighted average price of cumulated trades amounting to at least 50 contracts on that contract month. Trades resulting from both regular and implied orders will be used in the process. If no such average price is yet available, then the least variation between the bid or offer price that is not as a result of implied orders and the previous day settlement price will be used.

Once the daily settlement price for the front quarterly contract month has been established, it will be verified against the booked orders and if there is a better outright bid or offer that is not as a result of implied orders, the latter will take precedence over the daily settlement price calculated as described in the paragraph above.

4.1.3 PROCEDURE FOR THE DETERMINATION OF THE DAILY SETTLEMENT PRICE OF THE REMAINING BAX CONTRACT MONTHS

Upon completion of the aforementioned steps, the automated daily pricing algorithm will then establish the settlement prices for all other BAX contract months sequentially. The daily settlement prices of all other BAX contract months will be based first on the last three minute outright market (resulting from regular and implied orders) and strategy combination traded weighted average or, if no weighted average price can be determined in this manner, the least variation between the bid or offer for booked orders.

4.1.4 ANCILLARY PROCEDURE

In the absence of any required items to apply the aforementioned procedure, market officials will establish the settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.

In this situation, market officials will keep a record of the criteria used to establish the settlement price.

4.2 FUTURES CONTRACTS ON S&P/TSX INDICES

The settlement price shall be the weighted average of all trades during the closing range. The closing range is defined as the last minute of the trading session for all contract months.

4.2.1 MAIN PROCEDURE

- **Booked orders**

  If there is an unfilled order with a higher bid or lower offer in an outright month, this bid or offer will override the settlement price obtained from the weighted average. The order must have been posted for 20 seconds or longer prior to the close and its size must be for a total of 10 contracts or more.

- **Last trades**

  If there are no trades in the last minute of trading, then the last trade will be taken into account while still respecting posted bids and offers in the market.

4.2.2 FIRST ANCILLARY PROCEDURE

When two contract months and the spread are trading (quarterly calendar roll), the ancillary procedure of this section will apply.

- The front month must be settled first (the establishment of the front month is based on the month with the greatest open interest).

- The spread between the two contract months must be settled next by taking into account the last minute average trading price and by examining the trades executed during the previous 10 minutes.

- The settlement price for the back month or far month is obtained by the difference between the front month settlement price and the value of the spread.

4.2.3 SECOND ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.2.1 and the ancillary procedure in 4.2.2, the following ancillary procedure will apply.

Market officials will post a settlement price that will reflect the same differential that was applied on the previous day settlement. The settlement price will be adjusted accordingly to respect that contract's previous settlement price.

4.2.4 THIRD ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.2.1 and the ancillary procedures in 4.2.2 and in 4.2.3, the following ancillary procedure will apply.

In this situation, market officials will establish the settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.

In this situation, market officials will keep a record of the criteria used to establish the settlement price.

4.3 GOVERNMENT OF CANADA BOND FUTURES CONTRACTS

4.3.1 MAIN PROCEDURE

The settlement price shall be the weighted average of all trades during the closing range. The closing range is defined as the last minute of the trading session for all contract months.

- **Booked orders**

  If there is an unfilled order with a higher bid or lower offer in an outright month, this bid or offer will override the settlement price obtained from the weighted average. This order must have been posted for 20 seconds or longer prior to the close and its size must be for 10 contracts or more.

- **Last trades**

  If there are no trades in the last minute of trading, then the last trade will be taken into account while still respecting posted bids and offers in the market.

4.3.2 FIRST ANCILLARY PROCEDURE

When two contract months and the spread are trading (quarterly calendar roll), the following ancillary procedure will apply.

- The front month must be settled first (the establishment of the front month is based on the month with the greatest open interest).

- The spread between the two contract months must be settled next by taking into account the last minute average trading price and by examining the trades executed during the previous 10 minutes.

- The settlement price for the back month or far month is obtained by the difference between the front month settlement price and the value of the spread.

4.3.3 SECOND ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.3.1 and the ancillary procedure in 4.3.2, the following ancillary procedure will apply.

Market officials will post a settlement price that will reflect the same differential that was applied on the previous business day. The settlement price will be adjusted accordingly to respect that contract's previous settlement price.

4.3.4 THIRD ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.3.1 and the ancillary procedures in 4.3.2 and 4.3.3, the following ancillary procedure will apply.

In this situation, market officials will establish the settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.

In this situation, market officials will keep a record of the criteria used to establish the settlement price.

4.4 OPTIONS ON THREE-MONTH CANADIAN BANKERS' ACCEPTANCE FUTURES CONTRACTS (OBX)

4.4.1 MAIN PROCEDURE

4.4.1.1 Weighted average

The settlement price shall be the weighted average of the prices traded in the closing range (last minute of trading). If there is at the close, a higher bid or lower offer than the settlement price so obtained, that bid or offer shall be the settlement price.

4.4.1.2 Last trades

If no trade occurs during the closing range, the market officials will consider transactions executed during the last 30 minutes of trading. Also, to be considered, the bids and offers shall be for a minimum of 25 contracts and shall have been posted at least one minute before the close to be considered.

If no trade occurs in the closing range (or in the last 30 minutes of trading), the settlement price shall be the theoretical price calculated by the Bourse (as described in section 4.4.2). If there is at the close a higher bid or lower offer than the settlement price so obtained, that bid or offer shall be the settlement price.

4.4.2 ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.4.1, the following ancillary procedure will apply.

The settlement price shall be determined by inserting the following parameters into a standard option pricing model (Black & Scholes):

Price of the underlying:

- The Bourse will capture the settlement price of the underlying BAX futures contract. This will be the price of the underlying.

Interest rate:

- The interest rate used will be the rate implied by the settlement price of the BAX futures contract nearest to expiration.

Volatility:

- The Bourse will use the implied volatility (per contract month, for puts and calls) obtained from the acting Market Maker. The same volatility will be applied for both calls and puts.

The strike price of the options' series and the time to expiration are the other parameters that will be inserted into the model.

In determining the closing price, the Bourse shall take into account the information provided by the posted strategy, for example; if the SEP 9200 straddle is 98 bid, the total of the closing prices of these two series should not be inferior to 98.

4.5 30-DAY OVERNIGHT REPO RATE FUTURES CONTRACTS (ONX)

4.5.1 MAIN PROCEDURE

The settlement price shall be the weighted average of all trades during the closing range. The closing range is defined as the last three minutes of the trading session for all contract months.

4.5.1.1 Weighted average of closing range trades

The weighted average will be derived from trades that occurred in the outright months during the closing range. The total volume traded in each outright month must be for 25 or more contracts.

4.5.1.2 Booked orders

If there is an unfilled order with a higher bid price or lower offer price in a month, this bid or offer will override the settlement price obtained from the weighted average. This order must have been posted for 15 seconds or longer prior to the close and its size must be for a total of 25 or more contracts in each of the months.

4.5.1.3 Remaining balances of booked orders partially executed at the close

In the case of a booked order as stipulated in paragraph 4.5.1.2 above, which would be only partially executed, the trades during the closing

period as well as the remaining balance of booked orders will be considered to establish the settlement price.

Example 1: If there is a booked order for 25 ONX contracts at 97.92 and 15 of those contracts are executed, the 10 remaining contracts, if they are still present on the market at the same price, will be considered to establish the required minimum of 25 contracts.

Example 2: If there is a trade of 15 ONX contracts during the closing period at 97.92 and there is a booked order bid for 10 ONX contracts at 97.91 (respecting the required time limit), the bid will be considered in addition to the trades in the closing period to establish a settlement price.

4.5.1.4 Strips and spreads

All trades and unfilled booked orders for strips and spreads related to any expiry months will be ignored.

4.5.2 FIRST ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.5.1, the following ancillary procedure will apply.

4.5.2.1 Weighted average of trades on strategies

The settlement price shall be the weighted average of the trades on the strategies traded during the last five minutes provided the volume for the strategy taken into account was of 25 or more contracts.

4.5.2.2 Booked orders

If there is an unfilled order with a higher bid or lower offer, this bid or offer will override the settlement obtained from the weighted average described in 4.5.2.1. It has to have been posted for three minutes or longer prior to the close and the size must be for 25 or more contracts.

4.5.3 SECOND ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.5.1 and the ancillary procedure in 4.5.2, the following ancillary procedure will apply.

4.5.3.1 Differential with the previous contract month's settlement price

The settlement price will be defined by a price that reflects an appropriate differential with the settlement price of the previous contract month always starting with the contract month closest to expiry.

4.5.3.2 Conflicts between spreads

If two spreads are in conflict, the calendar spread closest to expiry will have priority.

4.5.4 THIRD ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.5.1 and the ancillary procedures in 4.5.2 and 4.5.3, the following ancillary procedure will apply.

In this situation, market officials will establish the settlement price based on the available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.

In this situation, market officials will keep a record of the criteria used to establish the settlement price.

4.6 FUTURES CONTRACT ON CARBON DIOXIDE EQUIVALENT (CO_2e) UNITS

4.6.1 MAIN PROCEDURE

The settlement price shall be the weighted average of all traded prices during the closing range. The closing range is defined as the last fifteen minutes of the trading session for all contract expiries.

- **Booked orders**

  If there is an unfilled order with a higher bid or lower offer in a particular contract expiry, this bid or offer will override the settlement price obtained from the weighted average. This order must have been posted for 20 seconds or longer prior to the close and its size must be for 10 contracts or more.

- **Last trades**

  If there are no trades in the last fifteen minutes of trading, then the last trade will be taken into account while still respecting posted bids and offers in the market.

4.6.2 FIRST ANCILLARY PROCEDURE

When two contracts expiries and the spread are trading (calendar roll), the following ancillary procedure will apply.

- The contract having the earliest expiry must be settled first.

- The spread between the two contracts must be settled next by taking into account the last fifteen minutes average trading price and by examining the trades executed during the previous 30 minutes.

- The settlement price for the far-dated contracts corresponds to the difference between the settlement price of the contract having the earliest expiry and the value of the spread.

4.6.3 SECOND ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.6.1 and the ancillary procedure in 4.6.2, the following ancillary procedure will apply.

Market officials will post a settlement price that will reflect the same differential that was applied on the previous trading day. The settlement price will be adjusted accordingly to respect that contract's previous settlement price.

4.6.4 THIRD ANCILLARY PROCEDURE

In the absence of the items required to apply the main procedure in 4.6.1 and the ancillary procedures in 4.6.2 and 4.6.3, the following ancillary procedure will apply.

In this situation, market officials will establish the settlement price based on available market information. They may also disregard any event (a trade, a bid or an offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.

Market officials will register in the "daily settlement price record" the criteria considered for determining the settlement price.

4.7 FUTURES CONTRACTS ON CANADIAN CRUDE OIL

The daily settlement price procedure for Futures contracts on Canadian Crude Oil is executed by a fully automated pricing algorithm which utilizes the parameters described in sections 4.7.1, 4.7.2 and 4.7.3 to ensure accuracy in the process.

DEFINITIONS:

"Regular orders": Orders routed by approved participants to the Bourse's trading system.

"Implied orders": Orders generated by the implied pricing algorithm (using regular orders) and registered in the order book by the trading engine.

4.7.1 IDENTIFICATION OF THE FRONT CONTRACT MONTH

The automated daily settlement pricing algorithm identifies the front contract month from the first two contract months. The front contract month is the one, among the first two contract months, that has the largest open interest and the required market information. In the absence of both these combined criteria, the front contract month shall be determined by market officials based on available market information.

4.7.2 ALGORITHM UTILIZED FOR THE DETERMINATION OF THE DAILY SETTLEMENT PRICE OF THE FRONT CONTRACT MONTH

4.7.2.1 Main Procedure

A. Once the front contract month has been identified, the automated daily settlement price algorithm will determine the settlement price of the front contract month according to the following priorities:

1) first, it will use a weighted average price of cumulated trades executed during the last five minutes of the regular trading session and amounting to at least 10 contracts on that contract month;

2) if no such average price is available, it will then use the weighted average price of cumulated trades executed during the last 30 minutes of the regular trading session and amounting to at least 10 contracts on that contract month.

B. Trades resulting from both regular and implied orders will be used in the process.

C. If no such average price is yet available, the bid price or offer price, that is not the result of implied orders and representing the smallest variation compared to the previous day settlement price will be used.

Once the daily settlement price for the front contract month has been established, it will be verified against the booked orders and if there is a better outright bid or offer that is not resulting from implied orders, the latter will take precedence over the daily settlement price calculated as described in paragraphs 4.7.2.1 A), B) and C) above.

4.7.3 PROCEDURE FOR THE DETERMINATION OF THE DAILY SETTLEMENT PRICE OF THE REMAINING CONTRACT MONTHS

Upon completion of the aforementioned steps, the automated daily pricing algorithm will then establish the settlement prices for all other contract months sequentially. The daily settlement prices of all other contract months will be established as follows:

A. first it will use the weighted average price of transactions (resulting from regular and implied orders) and strategies executed during the last five minutes of the regular trading session; or,

B. if no weighted average price can be determined in this manner, then the same variation from the previous day's settlement price as calculated for the preceding contract expiry will be applied while respecting the posted market;

4.7.4 ANCILLARY PROCEDURE

A. In the absence of the required items to apply the aforementioned procedure, market officials will establish the daily settlement price based on available market information. They may also disregard any event (trade, bid or offer) which occurs near the end of the regular trading session and which is not compatible with a given settlement price.

B. In this situation, market officials will keep a record of the criteria used to establish the settlement price.

PROCEDURES FOR THE EXECUTION OF BLOCK TRADES

a) Once a block trade has been arranged, in accordance with the predetermined minimum quantity threshold level as determined and published by the Bourse, details of the block trade must be reported to the Bourse by contacting a market official of the Bourse's Market Monitoring Department at 1-888-693-6366 or at (514) 871-7871 within the period of time prescribed by the Bourse.

b) Approved participants for both the seller and buyer must complete and submit the Block Trade Reporting Form (Attachment I) or such other notification as prescribed by the Bourse to a market official of the Bourse's Market Monitoring Department for validation.

c) A market official will check the validity of the block trade details submitted by the approved participant(s).

d) Confirmation by a market official of a block trade transaction will not preclude the Bourse from initiating disciplinary procedures in the event that the transaction is subsequently found to have been made other than in compliance with the rules.

e) Once the block trade has been validated, the following information with respect to the block trade will be disseminated by the Bourse:

i) date and time of transaction;
ii) security(ies) or derivative instrument(s) and contract month(s);
iii) price of each contract month(s) and strike price(s) (as applicable); and
iv) volume of each contract month.

f) Upon request by the Bourse the approved participant who arranges a block trade must provide satisfactory evidence that the block trade has been arranged in accordance with the Rules of the Bourse. Failure to provide satisfactory evidence of compliance with these Rules may result in the initiation of disciplinary action.

In accordance with article 6380 of the Rules of Bourse de Montréal Inc. (the "Bourse"), the following are the eligible securities and derivative instruments, the relevant prescribed time delays and the minimum quantity thresholds for the execution of block trades.

ELIGIBLE SECURITIES AND DERIVATIVE INSTRUMENTS	PRESCRIBED TIME DELAY	MINIMUM QUANTITY THRESHOLD
	(As soon as practicable and in any event within the following time delay)	
Thirty-day Overnight "Repo" Rate Futures Contracts (ONX):	15 minutes	1,000 contracts
Ten-year Government of Canada Bond Futures Contracts (CGB):	15 minutes	2,000 contracts

ELIGIBLE SECURITIES AND DERIVATIVE INSTRUMENTS	PRESCRIBED TIME DELAY	MINIMUM QUANTITY THRESHOLD
Two-year Government of Canada Bond Futures Contracts (CGZ):	15 minutes	500 contracts
Thirty-year Government of Canada Bond Futures Contracts (LGB)	15 minutes	500 contracts
Five-year Government of Canada Bond Futures Contracts (CGF)	15 minutes	500 contracts
Options on Three – month Canadian Bankers Acceptance Futures Contracts (OBX)	15 minutes	2,000 contracts
Canadian Crude Oil Futures Contracts	15 minutes	100 contracts

ATTACHMENT I

Block Trade Reporting Form

Approved participants must complete all sections of this form legibly and accurately.

This form is to be completed and faxed to Market Monitoring at (514) 871-3592.

A market official can be reached at 1-888-693-6366 or at (514) 871-7871.

TIME AND DATE OF TRADE:	
EXECUTING PARTICIPANT NAME AND TRADING ID (BUY):	
CLEARING FIRM NAME AND ID (BUY):	
EXECUTING PARTICIPANT NAME AND TRADING ID (SELL):	
CLEARING FIRM NAME AND ID (SELL):	
CONTACT PHONE NUMBER:	
CONTACT FAX NUMBER OR E-MAIL ADDRESS:	

Derivative Instruments	Future Contract/ Call/ Put	Contract Month	Option Strike Price (if applicable)	Number of Contracts	Price	Strategy Type* (if applicable)

For Montréal Exchange Staff Only:

Time and Date of receipt:

Montréal Exchange authorized signature:

The details on this form are accepted by the Montréal Exchange strictly on the understanding that the Montréal Exchange accepts no responsibility nor liability for the accuracy or completeness of the details as provided by the approved participant.
* Each leg of a strategy trade should be listed separately.

PROCEDURES FOR THE EXECUTION AND REPORTING OF EXCHANGE FOR PHYSICAL (EFP), EXCHANGE FOR RISK (EFR) AND SUBSTITUTION OF OTC DERIVATIVE INSTRUMENTS FOR FUTURES CONTRACTS TRANSACTIONS

The purpose of the following procedures is to explain as fully as possible: a) the requirements of article 6815 of the Rules of Bourse de Montréal Inc. (the Bourse) relating to the execution of transactions involving the exchange of futures contracts for a corresponding cash position (Exchange for Physical (EFP)) and of transactions involving the exchange of futures contracts for a corresponding over-the-counter derivative instrument (Exchange for Risk (EFR)); and b) of article 6815A of the Rules of the Bourse relating to the execution of transactions involving the substitution of an over-the-counter derivative instrument for futures contracts. Approved participants must ensure that all of their employees who are involved in the execution of this type of transactions are fully aware of these procedures. Any violation of the requirements set forth in articles 6815 and 6815A of the Rules of the Bourse and in these procedures could result in disciplinary action being taken by the Bourse.

Exchanges for Physicals (EFP)

An EFP is a transaction whereby two parties enter into an agreement in which one party purchases a cash market position and simultaneously sells a corresponding futures contract position and the other party sells the cash market position and simultaneously purchases the corresponding futures contract position.

The Bourse permits EFP transactions on the following instruments:

Interest rate futures contracts
Futures contracts on S&P/TSX Indices
Futures contracts on carbon dioxide equivalent (CO_2e) units (MCX)
Futures contracts on Canadian Crude Oil

Exchange for Risk (EFR)

An EFR is a transaction whereby two parties enter into an agreement in which one party purchases an over-the-counter derivative instrument and simultaneously sells a corresponding futures contract and the other party sells the over-the-counter derivative instrument and simultaneously purchases the corresponding futures contract.

The Bourse permits EFR transactions on the following instruments:

Interest rate futures contracts
Futures contracts on S&P/TSX Indices
Futures contracts on carbon dioxide equivalent (CO_2e) units (MCX)
Futures contracts on Canadian Crude Oil

Substitution of an OTC derivative instrument for futures contracts (Substitution)

A Substitution is a transaction whereby two parties enter into an agreement to substitute an over-the-counter derivatives position for a corresponding futures contract position. The party who is the buyer of the over-the-counter derivative instrument substitutes this position and buys the corresponding futures contract and the other party who is the seller of the over-the-counter derivative instrument substitutes this position and sells the corresponding futures contract.

The Bourse currently permits Substitution transactions on futures contracts on carbon dioxide equivalent (CO_2e) units.

Pricing the Cash component of an EFP or the Risk component of an EFR or of a Substitution

The cash component of an EFP or the risk component of an EFR or of a Substitution is priced at such level that is mutually agreed upon by the two parties to the transaction.

The futures contract leg of an EFP, an EFR or a Substitution must be priced at a fair and reasonable level in light of factors such as, but not limited to, the size of such an EFP, EFR or Substitution 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 and the general market conditions prevailing at the time the EFP, EFR or Substitution transaction is executed.

The cash component of an EFP or the risk component of an EFR or of a Substitution transaction must be the futures contract underlying interest, a by-product of this underlying interest or a similar product that is reasonably correlated to the futures contract being exchanged.

Also, the number of futures contracts exchanged must be approximately equivalent to the quantity or value of the cash market position being exchanged in an EFP transaction or of the risk component being exchanged in the case of an EFR or substituted in the case of a Substitution. Approved participants that are parties to an EFP, EFR or Substitution transaction may be required to demonstrate such equivalency.

Acceptable EFP, EFR and Substitution Transactions

In order to have an EFP, EFR or Substitution transaction accepted by the Bourse, the transaction must satisfy the following conditions:

- There must be separate but integrally related futures contracts and cash (in the case of an EFP) or risk component (in the case of an EFR or Substitution) transactions.

- The exchange or substitution transaction must be done between two separate accounts that must satisfy at least one of the following criteria:

    - accounts have different beneficial ownership;
    - accounts have the same beneficial ownership but are under separate control; or
    - accounts are under a common control but involve separate legal entities which may or may not have the same beneficial ownership.

If the parties to an EFP, EFR or Substitution transaction involve the same legal entity, same beneficial owner or separate legal entities under common control, the approved participant (or the parties themselves) must be able to demonstrate that the EFP, EFR or Substitution transaction is a legitimate arm's length transaction.

- The cash market instrument leg of the EFP or the risk component leg of an EFR transaction must provide for a transfer of ownership of the cash market instrument of an EFP or of the over-the-counter derivative instrument of the EFR to the buyer of this instrument and the delivery of this instrument must take place within a reasonable period of time (in accordance with cash market or over-the-counter practice).

- The relation between the prices of the futures contract and of the cash instrument leg of the EFP or the risk component leg of the EFR or Substitution transaction and the relevant prices in either market must be established.

- If he does not have actual possession of the cash instrument, in the case of an EFP transaction, or of the over-the-counter derivative instrument, in the case of an EFR transaction, before the execution of the transaction, the seller of this cash instrument or over-the-counter derivative instrument must be able to demonstrate his ability to satisfy his delivery obligation.

- The Bourse may request that approved participants involved in an EFP, EFR or a Substitution transaction demonstrate that the related cash position and futures position is reasonably correlated.

Acceptable Cash Components for the purpose of an EFP Transaction

In order to have an EFP transaction accepted by the Bourse, the cash component of the transaction must satisfy the following conditions:

- **For interest rate futures contracts:** fixed income instruments that have a reasonable price correlation, maturities as well as risk characteristics that parallel the instrument underlying the futures contract being exchanged. Such instruments include, but are not necessarily limited to, money market instruments including asset backed commercial paper, Government of Canada and Federal Crown Corporation fixed income instruments, provincials fixed income instruments, investment grade corporates including Maple Bonds and mortgage instruments including collateralized mortgage obligations (CMOs). Fixed income instruments denominated in the currency of a G7 member country that satisfy these conditions are also acceptable.

- **For futures contracts on S&P/TSX Indices:** stock baskets must be reasonably correlated to the underlying index with a correlation coefficient (R) of 0.90 or more. Furthermore, these stock baskets must represent a weight of at least 50% of the underlying index or must include at least 50% of the securities of the underlying index. The notional value of the basket must be fairly equal to the value of the futures contract component of the exchange transaction. Exchange-traded funds (iShares™) are also acceptable, provided they mirror the index futures contract against which the EFP transaction is made.

- **For futures contracts on carbon dioxide equivalent (CO_2e) units:** The eligible Canadian CO_2e units are regulated emitters' credits, and / or offset credits

- **For futures contracts on Canadian Crude Oil:**

  - For Canadian Heavy Crude Oil: specific domestic crude oil streams with not less than 2.5% nor more than 3.5% sulfur by weight, not less than 19° API gravity nor more than 22° API gravity. Domestic crude oil streams include, but are not limited to: Western Canadian Select, Western Canadian Blend, Lloyd Blend, Bow River, Cold Lake Blend and Wabasca.

Permissible Over-the-Counter Derivative Instruments for the purpose of an EFR Transaction

A list of permissible over-the-counter derivative instruments for the purpose of effecting an EFR transaction is included in Appendix I.

Permissible Over-the-Counter Derivative Instruments for the purpose of a Substitution Transaction

- **For futures contracts on carbon dioxide equivalent (CO_2e) units:** Over-the-counter derivative instruments on carbon dioxide equivalent units that are reasonably correlated (with a correlation coefficient (R) of 0.80 or more) to the futures contract being substituted.

As a guideline, the time period used to calculate the correlation coefficient must be based on daily price data for a period of at least six (6) months or, if weekly price data are used, for a period of at least one (1) year.

Reporting an EFP, EFR or Substitution transaction to the Bourse

EFP, EFR and Substitution transactions must be reported to the Bourse's Market Monitoring Department for approval and subsequent input into the Montréal Automated System (SAM). Approved participants for both the seller and buyer must complete and submit to the Market Monitoring Department the EFP / EFR / Substitution reporting form prescribed by the Bourse. This form is available on the Web sites of the Bourse at http://www.m-x.ca/efp_formulaire_en.php and at http://www.mcex.ca/trading_transactionReportForm in the case of futures contracts on carbon dioxide equivalent (CO_2e) units. If the EFP, EFR or Substitution transaction is executed before the closing of the trading session of the futures contract involved in the transaction, the EFP / EFR / Substitution reporting form must be submitted immediately upon the execution of the transaction. If the EFP, EFR or Substitution transaction is made after the closing of the trading session, the EFP / EFR / Substitution reporting form must be submitted no later than 10:00 a.m. (Montréal time) on the next trading day.

If the EFP / EFR / Substitution reporting form is not accurately filled out with all the relevant information required by the Market Monitoring Department of the Bourse, the transaction will not be approved neither recorded in SAM and the approved participant will have to resubmit a new EFP / EFR / Substitution reporting form correctly completed.

Once correctly completed EFP / EFR / Substitution reporting forms have been received, the Market Monitoring Department will validate the transaction. The Bourse has the discretion to refuse an EFP, EFR or Substitution transaction if it deems that it is not in compliance with the requirements, as the case may be, of articles 6815 or 6815A of the Rules of the Bourse or of

these procedures. In case of refusal, the Market Monitoring Department will ensure that the approved participant(s) involved in the EFP, EFR or Substitution transaction are promptly informed of such refusal and of the reasons for it.

Once an EFP, an EFR or Substitution transaction has been validated and has been entered into SAM by the Market Monitoring Department, the following information with respect to this transaction will be disseminated by the Bourse on its Web sites at http://www.m-x.ca/dailycrosses_en.php or at http://www.mcex.ca/trading_transactionReport in the case of case of futures contracts on carbon dioxide equivalent (CO_2e) units:

- Date and time of transaction
- product description (code);
- Contract month(s);
- Volume of the transaction; and
- Transaction price

Trade validation and market dissemination by the Bourse of an EFP, EFR or Substitution transaction will not preclude the Bourse from initiating any investigation and, as the case may be, disciplinary procedures in the event that the transaction is subsequently found to have been made other than in accordance with the requirements of articles 6815 and 6815A of the Rules of the Bourse or of these procedures.

Audit Trail Requirements for EFP, EFR and Substitution Transactions

Approved participants who enter into an EFP, EFR or Substitution transaction must maintain all documents relevant to the futures contracts and corresponding cash market or over-the-counter derivative instruments transactions and must be able to promptly provide copies of such documents to the Regulatory Division of the Bourse upon request. Documents that may be requested include, but are not limited to, the following:

- Futures contracts order tickets;

- Futures contracts account statements;

- Documentation customarily generated in accordance with the cash market, over-the-counter or other relevant market practices such as cash account statements, trade confirmation statements, ISDA® Master Agreements or other documents of title;

- Third party documentation to support proof of payment or allowing to verify that the ownership title of the related cash market position or, as the case may be, of the related over-the-counter derivative instrument position was transferred from the seller to the buyer. This may include, but is not limited to cancelled checks, bank statements; cash account statements and cash instruments clearing corporation documents (e.g.: CDS Depository and Clearing Services Inc.).

All futures contracts order tickets must clearly indicate the time of execution of the EFP, EFR or Substitution transactions.

APPENDIX 1
Exchange for Risk: List of permissible OTC derivative instruments

	Bond Futures Contracts	Short-Term Interest Rate Futures Contracts	Stock Index Futures/ Single Stock Futures	Commodities Futures
Vanilla Interest Rate Swaps	√	√		
Equity and Index Swaps			√	
Commodities Swaps or Forwards				√
Forward Rate Agreements - FRAs		√		
OTC Options and Options Strategies	√	√	√	

The following outlines the characteristics of OTC derivative instruments that would be acceptable for EFR transaction purposes.

Swaps:

Interest rate

- standard plain vanilla OTC swap;
- written under the terms of an ISDA® Master Agreement;
- providing for regular fixed rate payments against regular floating rate payments;
- All swap payments must be denominated in the currency of a G7 member country;
- The OTC interest rate swap must be reasonably correlated with an R = 0.90 or greater so that the futures contract is a suitable instrument for hedging the OTC derivative instrument transactions. As a guideline, the time period used to calculate the correlation must be based on daily price data for a period of at least six (6) months or, if weekly price data are used, for a period of at least one (1) year.

Equities and indices

- standard plain vanilla OTC swap;
- written under the terms of an ISDA® Master Agreement;
- providing for regular fixed rate payments or regular floating rate payments against the positive or negative performance of a basket of securities or a stock index;
- All swap payments must be denominated in the currency of a G7 member country;
- The OTC equity or index swap must be reasonably correlated with an R = 0.90 or greater so that the futures contract is a suitable instrument for hedging the OTC derivative instrument transaction. As a guideline, the time period used to calculate the correlation must be based on daily price data for a period of at least six (6) months or, if weekly price data are used, for a period of at least one (1) year.

Swaps or Forwards on Commodities:

- written under the terms of an ISDA® Master Agreement;
- The OTC commodities swap or forward must be reasonably correlated with an R = 0.80 or greater so that the futures contract is a suitable instrument for hedging the OTC derivative instrument transaction. As a guideline, the time period used to calculate the

correlation must be based on daily price data for a period of at least six (6) months or, if weekly price data are used, for a period of at least one (1) year.

Forward Rate Agreements (FRAs):

- conventional FRA;
- written under the terms of an ISDA® Master Agreement;
- predetermined interest rate;
- agreed start/end date;
- have a defined interest (repo) rate.

OTC Options and OTC Option Strategies:

- Any individual or combination of OTC equity or stock index option positions can form the risk transaction component of an EFR transaction against any of the Bourse's stock index or single stock futures contracts.
- Any individual or combination of OTC bond, interest rate swap or FRA options (e.g. caps, floors, collars) can form the risk component of an EFR transaction against any of the Bourse's interest rate futures contracts

Stock baskets used in an EFR transaction must have the following characteristics:

- be reasonably correlated to the index underlying the futures contract with an R = 0.90 or greater and the time period used to calculate the correlation must be based on daily price data for a period of at least six (6) months or, if weekly price data is used, for a period of at least one (1) year;

- represent at least 50% of the weight of the index underlying the futures contract or include at least 50% of the stocks comprised in the index underlying the futures contract;

- have a notional value equivalent to the value of the futures contract component of the EFR transaction;

- exchange-traded funds (ETFs) are acceptable provided that they mirror stock index products traded on the Bourse.