



CIRCULAR 075-19

May 21, 2019

REQUEST FOR COMMENTS

**AMENDMENTS TO ARTICLE 6.200 OF THE RULES OF BOURSE DE MONTRÉAL INC. RELATING TO
OFF-EXCHANGE TRANSFERS**

The Rules and Policies Committee of Bourse de Montréal Inc. (the “**Bourse**”) and the Special Committee of the Regulatory Division of the Bourse approved amendments to article 6.200 of the Rules of the Bourse in order to better capture the circumstances for which an Off-Exchange Transfer is permitted and add clarity on the conditions and requirements that may be applicable.

Comments on the proposed amendments must be submitted at the latest on **June 21, 2019**. Please submit your comments to:

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A copy of these comments shall also be forwarded to the *Autorité des marchés financiers* (the “**Autorité**”) to:

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Please note that comments received by one of these recipients will be transferred to the other recipient and that the Bourse may publish a summary of such comments as part of the self-certification process concerning this file. Unless specified otherwise, comments will be published anonymously by the Bourse.

Appendices

You will find in the appendices an analysis as well as the text of the proposed amendments. The implementation date of the proposed amendments will be determined by the Bourse, in accordance with the self-certification process as established by the *Derivatives Act* (CQLR, chapter I-14.01).

Process for Changes to the Rules

The Bourse is authorized to carry on business as an exchange and is recognized as a self-regulatory organization ("**SRO**") by the Autorité. The Board of Directors of the Bourse has delegated to the Rules and Policies Committee of the Bourse its powers to approve and amend the Rules, the Policies and the Procedures, which are thereafter submitted to the Autorité in accordance with the self-certification process as determined by the *Derivatives Act* (CQLR, chapter I-14.01).

In its SRO capacity, the Bourse assumes market regulation and supervision responsibilities of its approved participants. The responsibility for regulating the market and the approved participants of the Bourse comes under the Regulatory Division of the Bourse (the "**Division**"). The Division carries on its activities as a distinct business unit separate from the other activities of the Bourse.

The Division is under the authority of a Special Committee (the "**Special Committee**") appointed by the Board of Directors of the Bourse. The Special Committee is empowered to recommend to the Board of Directors the approval or amendment of some aspects of the Rules of the Bourse governing approved participants. The Board of Directors has delegated to the Rules and Policies Committee of the Bourse its powers to approve or amend these Rules upon recommendation from the Special Committee.

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**AMENDMENTS TO ARTICLE 6.200 OF THE RULES OF BOURSE DE MONTRÉAL INC. :
OFF-EXCHANGE TRANSFERS**

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I. SUMMARY

The Regulatory Division (the “Division”) of Bourse de Montreal (the “Bourse”) hereby proposes amendments to Article 6.200 of the Rules of the Bourse (the “Rules”) to better capture the circumstances for which an off-exchange transfer (an “Off-exchange transfer”) is permitted and add clarity on the conditions and requirements that may be applicable.

These amendments will also align the Rules with the practices of other exchanges on Off-exchange transfers.

II. ANALYSIS

a. Background

The general rule under Article 6.3 of the Rules is that trading of all Listed Products¹ shall occur on or through the Trading System² of the Bourse. Article 6.200, relating to Off-exchange transfers, is one of the exceptions provided in the Rules prescribing circumstances where a transfer is permitted outside of the Trading System. As such, Article 6.200 identifies specific sets of events where an Off-exchange transfer can be initiated and circumstances where the Bourse has to permit such a transfer to take place.

In considering requests received for Off-exchange transfers the Division has identified a number of issues in applying Article 6.200 in its current form (as described hereinafter). The Division has also received comments and questions from market participants seeking clarifications or guidance regarding events which were not captured under the Rules while being allowed by other exchanges. The issues can be regrouped as follows. First, the general rule prohibiting trading outside of the Trading System of the Bourse refers to Listed Products which includes both Future contracts and Options, whereas Article 6.200 provides for the transfer of open Futures contracts only. Secondly, situations described under paragraph a) of Article 6.200 do not reflect entirely and adequately the circumstances where market participants should be able to initiate an Off-exchange transfer without the prior approval of the Bourse (via the Division).

The Division therefore decided to conduct an analysis with the aim of addressing those concerns and ensure the requirements for Off-exchange transfer of the Bourse are aligned with current practices and consistent with the rules of other derivatives exchanges.

b. Description and Analysis of Market Impacts

Paragraphs a) and c) of Article 6.200 list the conditions under which an Off-exchange transfer can be permitted. To the extent there is no change in the beneficial ownership of the Futures Contracts, paragraph (a) of the article prescribes that (i) the beneficial owner of the Futures Contracts can request to transfer the positions from one Approved Participant to another; (ii) an

¹ Defined as ‘any Derivative Instrument listed for trading on the Bourse’ under article 1.101

² Defined as ‘the electronic systems administered by or on behalf of the Bourse for execution of Transactions on the Bourse, including both system defined strategies and User Defined Strategies’ under article 1.101

Approved Participant can request to transfer the positions it holds to another Approved Participant; (iii) a transfer may take place to correct an error in clearing; or (iv) a transfer may take place to correct an error in the recording of Transactions in the Approved Participant's books.

On the other hand, before submitting a transfer request to the Canadian Derivatives Clearing Corporation ("CDCC") as provided under Article 6.200 (b), all Off-exchange transfers under paragraph (c) of the article require the prior permission of the Bourse. The situations listed under paragraph (c) are: (i) a transfer in connection with, or which results from, a merger, asset purchase, consolidation or similar non-recurring transaction between two or more entities; (ii) a transfer involving a Partnership, investment fund, or commodity pool and the purpose of the transfer is to facilitate a restructuring or consolidation of such Partnership, investment fund, or pool, provided that the managing partner or pool operator remains the same, the transfer does not result in the liquidation of any Open Positions, and the pro rata allocation of interests in the consolidating account does not result in more than a *de minimis* change in the value of the interest of any party; or (iii) a transfer that is in the best interests of the market and the situation so requires.

Unlike some of the situations listed in paragraph (a), transfers under paragraph (c) of the article can either be on the books of an Approved Participant or from one Approved Participant to another. Moreover, for the circumstances described in paragraph (c), there may be a change of beneficial ownership.

Based on the concerns noted by the Division and comments received from market participants the issues were analyzed and the following amendments are proposed:

- i. The current Article 6.200 refers to '*...transfers of existing Futures Contracts*' in the title and to '*...off-exchange transfer of open Futures Contracts...*' in the text. Therefore, the article may be interpreted as excluding Option contracts positions from the exception to Article 6.3. Prior to the amendments made to the Rules in 2017 (Circular [187-17](#)), the general provisions relating to '*Off-Exchange Transactions*' (Article 6005, now abrogated) allowed for the adjustment of errors for '*any securities or derivatives instruments listed on the Bourse*'. For practical reasons, the Division is of the view that Off-exchange transfers should not be limited to Futures contracts. The benchmarking shows for example that the CBOE's rules permit off-floor position transfers³ for the options listed on that market.

In light of the above the Division proposes to amend Article 6.200 by replacing the reference to 'Futures contracts' by 'Listed Product' to capture Option contracts.

Furthermore, to ensure consistency and clarity, instead of using the terms 'a position' or 'Open Positions', the latter term being restricted to a "*position of a buyer or seller of a Futures Contract*" in the definition section of the Rules, the Division proposes to refer to 'an existing position' in the article. As such it will clearly convey the intent of the Bourse for this article not to be used where positions may be closed, except where there is a correction of error, or where new positions may be created. This notion is addressed in more detail later in the analysis and in the illustrations provided.

³ Cboe Options Regulatory Circular RG18-039

At the same time, the Division also proposes to modify the title of Article 6.200. Following the introduction of the new Rulebook in January 2019, it was noted that the title of Article 6.200 was changed to *'Non-Trading System Transfers of Existing Futures Contracts'*. To ensure clarity and consistency with existing references on this subject, the Division proposes changing the title to *'Off-Exchange Transfers of Existing Positions on a Listed Product'*.

Finally, in order to be coherent with the foregoing material change and consistent with the general rule under Article 6.3, the Division proposes to amend Article 6.7 of the Rules in order to replace all references to "Future contracts" by "Listed Products". By doing so, the term "Listed Products" will be used with consistency throughout Chapter A of Part 6 of the Rules.

- ii. Presently, the application of Article 6.200 a) is driven by the notion of "no change in beneficial ownership". The latter is a determining factor to decide whether paragraph (a) or (c) of Article 6.200 applies, subject to the specific scenarios prescribed. In the absence of a *'change in beneficial ownership'*, Approved Participant may be allowed to initiate a transfer without having to seek the prior approval of the Division, as long as the transfer falls within one of the circumstances listed under paragraph (a). When a transfer can cause a change in the beneficial ownership of the positions, a request for approval must be submitted to the Division. Such approval could be granted if it falls within one of the circumstances described under paragraph (c).

However, the prescribed situations under paragraph a) of Article 6.200 do not contemplate the correction of an error in clearing or recording in an Approved Participant's book in cases where a change in beneficial ownership would occur. In other words, if a correction has to be done from one client's account to another following an error, the situation does not qualify under paragraph (a) (iii) or (iv)⁴ given the restriction regarding the change in beneficial ownership.

As a result, the Division proposes to review Article 6.200 to ensure it properly addresses the needs of market participants for Off-exchanges transfers in these situations. More specifically, the Division proposes to amend paragraph (a) to include the correction of errors in clearing or recording without being subject to the condition of *'no change in beneficial owner'* and will not require the prior approval of the Division. The Division wishes to remind participants of their obligation to adequately document such Off-exchange transfers and to be able to provide such records promptly upon request of the Division.

- iii. Finally, the Division also proposes to remove the specific circumstances where an Off-exchange transfer would be permitted when there is no change of beneficial owner, as is currently the case with paragraph a) of Article 6.200 while restricting the definition of beneficial owner for the purpose of an Off-exchange transfer. To align the rules on Off-exchange transfers with other exchanges the Division proposes to expressly provide that beneficial ownership should be deemed to be 100% owned for purposes of Article 6.200. As

⁴ Extract of article 6.200 (a) *"...off-exchange transfers of open Futures Contracts may be accomplished only if there is no change in the beneficial ownership...and the transfer either:*

...

(iii) is made to correct an error in clearing; or

(iv) is made to correct an error in the recording of Transactions in the Approved Participant's books."

a result of the proposed amendments, an Off-exchange transfer will be permitted without the prior approval of the Division only on the condition that there will be no change in beneficial owner. Therefore, in addition to transfers from one Approved Participant to another, as it is currently permitted, this will allow transfers within the books of the Approved Participants when there is no change of beneficial owner.

Furthermore, one should note that such transfer would be possible only for opened positions, meaning that a transfer should not as a result create a new position or offset existing positions.

Participants should be reminded of the regulatory requirements related to the treatment of long and short positions by their clearing member as prescribed by Article 6.8 of the Rules of the Bourse:

“(a) Unless concurrent Long Positions and Short Positions in the same Delivery Month or Settlement Month are held on behalf of an Omnibus Account; or in accordance with the provisions of paragraph (c) of this Article, a clearing member shall not be permitted to maintain with the Clearing Corporation such positions for (y) a single account; or (z) accounts under common control and ownership. It is the duty of the clearing member to ascertain that such positions are permitted to be concurrently Long Position and Short Position. (...)”

As per provisions of paragraph c) of Article 6.8, the “clearing member would be permitted to carry with the Clearing Corporation concurrent Long Position and Short Position for separate accounts of a customer, provided that: (i) each Person directing trading for one of the separate accounts is unaffiliated with and acts independently from each other Person directing trading for a separate account; (ii) each trading decision made for each separate account is determined independently of all trading decisions made for the other separate account or accounts; (...)”

Therefore, before contemplating a position transfer for accounts held by the same beneficial owner, participants should ensure it is permissible as specified under Article 6.8 (d): *“Although Article 6.200 allows for off-exchange transfers of Futures Contracts, a clearing member shall not be permitted to knowingly allow such transfers when, as a result, concurrent Long Position and Short Position would be held contrary to this Rule. The positions which would create the concurrent Long Position and Short Position situation may not be so transferred, but must remain with the original clearing member, be transferred elsewhere, or liquidated by Transactions made on the Electronic System of the Bourse.”*

Finally market participants must keep an audit trail of their assessment which should be made available to the Division upon request.

iv. For illustrating the application of Article 6.200, here are some examples of:

A) Off-transfer exchange that could be allowed under the amended Article 6.200 a):

1. A client holds Listed Products in account 123 with Participant ABC. The client opens another account, account 789, with the same Participant. Participant ABC could proceed

with the transfer of the Listed Products positions held in account 123 to account 789 as long as the transfer does not offset positions in compliance with the provisions of Article 6.8.

2. Participant ABC requests the Clearing Corporation to correct the allocation of positions of Listed Products in account 123 in the name of Ms. X to account 789 in the name of Ms. Y. An employee of Participant ABC realized that a human error occurred when allocating positions of Listed Products at the end of the day. Participant ABC could request an adjustment or transfer in connection with the correction of a bona fide error, so that the positions in the Listed Product are recorded in the originally intended account (account 789), provided that the original trade documentation confirms the error.
3. Bank ABC is long 50 BAXM20 contracts in its account held at its affiliated firm MNO. MNO is owned 100% by the Bank ABC. MNO wishes to purchase 50 BAXM20 to add to its existing long 100 contracts position. Since the accounts are for the same beneficial owner, the Off-exchange transfer of 50 BAXM20 from Bank ABC to MNO would be permissible. No offset would result from the transfer and there is sufficient open positions to transfer.
4. Participant DEF has a swap desk holding 100 contracts of Dec CGB in account 123 and its cash desk wishes to purchase 100 contracts of Dec CGB in account 789. Since the accounts are for the same beneficial owner, no offset of positions would result from the transfer, in compliance with Article 6.8 and no new positions would be created as a result of the transfer, the Off-exchange transfer would be allowed.
5. Participant ABC and Participant FGH are wholly owned by Enterprise Inc. As such, trading in their accounts are for the same beneficial owner and Listed Products can be transferred Off-exchange if they do not result in an offsetting of positions in compliance with Article 6.8.

B) Off-transfer exchange that would not be allowed under the amended Article 6.200 a):

1. Account 123, under the name of Enterprise Inc., is held at Participant ABC. Enterprise Inc. is owned 50% by Mr. X and 50% by Mr. Y. Participant ABC receives a request from Mr. X to transfer the Listed Products positions held in account 123, to account 789, under the name Company Ltd., also held at Participant ABC. Company Ltd. is owned 20% by Mr. X and 80% by Mr. Z. This transfer would not be allowed since the beneficial owners of the accounts are not the same.
2. Bank ABC is long 50 BAXM20 contracts in its account held at its affiliated firm MNO. MNO is owned 100% by the Bank ABC. MNO wishes to purchase 100 BAXM20. While the accounts are for the same beneficial owner, there is insufficient open positions to transfer from Bank ABC to MNO. While 50 BAXM20 could be transferred provided it would not result in an offsetting position, MNO would need to trade the remaining 50 BAXM20 contracts on the market.
3. Bank ABC is long 50 BAXM20 contracts in its account held at its affiliated firm MNO. MNO is owned 100% by Bank ABC. MNO wishes to purchase 100 BAXM20 to close its short

position. While the accounts are for the same beneficial owner, such transfer would result in offsetting part of the MNO short positions and would therefore not be permitted.

C) Finally, a scenario of an Off-exchange transfer that could be authorized by the Division under Article 6.200 c):

1. Account 123, under the name of Enterprise Inc., is held at Participant ABC. Enterprise Inc. is owned 50% by Mr. X and 50% by Mr. Y. Participant ABC receives a request from Mr. X to transfer the Listed Products positions held in account 123, to be transferred to account 789, under the name Company Ltd., as a result of an asset purchase transaction in view of a dissolution of Enterprise Inc. Account 789 is also held at Participant ABC and Company Ltd. is owned 100% by Mr. Y. Such transfer, could be authorized by the Division under the specific circumstances of the dissolution and asset purchase transaction between the two entities.

c. Benchmarking

The Bourse has conducted a comparative analysis with other exchanges (CME, ICE Futures US, ICE Futures Europe and CBOE) on the rules applicable for Off-exchange transfers. The analysis and proposal in the preceding section takes into consideration the circumstances and principles adopted by these exchanges. For instance, with the changes proposed to the structure of the rules to broaden the circumstances within which an Off-exchange transfer can be completed while restricting the notion of beneficial ownership for the purposes of Off-exchange transfers, Article 6.200 will be closer in application to the rules of CME and Ice Futures (US and Europe).

d. Proposed Amendments

Please refer to Appendix 1, which details the amendments to Articles 6.200 and 6.7 of the Rules. Hence, please note that accessory amendments are being made to Article 3.105, 6.8 and 6.204 of the Rules.

III. AMENDMENT PROCESS

In the course of its activities, the Division noted gaps in the Off-exchange transfer process and received unsolicited comments from market participants seeking clarification on the application of Article 6.200. This amendment process is therefore undertaken to amend the article to review the circumstances where an Off-exchange transfer can be permitted under the Rules and add clarity on the notion of beneficial ownership.

IV. IMPACTS ON TECHNOLOGICAL SYSTEMS

None of the proposed amendments have an impact on the Bourse's technological systems or those of its Approved Participants.

V. OBJECTIVES OF THE PROPOSED AMENDMENTS TO THE PROCEDURES AND RULES OF THE BOURSE

The objectives of the proposed amendments are to:

- Clarify that Article 6.200 covers Options as well;
- Review the situations under which an Off-exchange transfer can be permitted;
- Distinguish where a transfer can be done without prior communication to the Division compared to scenarios where the prior approval of the Division will be required;
- Define beneficial ownership for purposes of the article; and
- Adapt other articles of the Rules to the amendments of Article 6.200.

VI. PUBLIC INTEREST

The Division does not consider that the amendments will have an impact on public interest.

VII. EFFICIENCY

The proposed amendments will improve the efficiency of market participants and the Division when dealing with situations where Off-exchange transfers can be allowed.

VIII. PROCESS

The proposed amendments are subject to the Special Committee and the Rules and Policies Committee of the Bourse for approval purposes. They will also be submitted to the Autorité des marchés financiers in accordance with the self-certification procedure and to the Ontario Securities Commission for information.

IX. APPENDIX

- Appendix 1: Proposed Amendments to Article 6.200 of the Rules of the Bourse;
- Appendix 2: Proposed Amendments to Articles 6.7 and 6.8 of the Rules of the Bourse;
- Appendix 3: Proposed Amendments to Article 3.105 of the Rules of the Bourse;
- Appendix 4: Proposed Amendments to Article 6.204 of the Rules of the Bourse.

AMENDED VERSION

Chapter C—Prearranged Transactions and Trade Cancellation

Article 6.200 ~~Non-Trading—System~~Off-Exchange Transfers of Existing ~~Futures Contracts~~Positions in a Listed Product

(a) Notwithstanding the provisions of Article 6.3, an off-exchange transfer of existing positions on a Listed Product may be accomplished without the prior permission of the Bourse only if:

(i) such off-exchange transfer is made to correct an error in clearing and/or an error in the recording of Transactions in an Approved Participant's books; or

(ii) subject to Article 6.8, there is no change in the beneficial ownership of the positions transferred. For purposes of an off-exchange transfer, notwithstanding anything to the contrary in the Rules including, without limitation, Article 1.103, a change in beneficial ownership shall not be deemed to have occurred with respect to (A) an off-exchange transfer between Persons which are 100% owned by the same Person or (B) an off-exchange transfer between any Person and another Person or entity owned 100% by such Person.

(b) Futures Contracts, In all situations described in paragraph (a), the Approved Participants involved in the off-exchange transfer are able to produce shall maintain and shall without delay provide to the Bourse, upon request, all orders, records—and, memoranda or other documentary evidence pertaining thereto and to the off-exchange transfer either:

(i) is made at the request of the beneficial owner of the Futures Contracts from one Approved Participant to another; or (c) All

(ii) is made at the request of one Approved Participant to another Approved Participant; or

(iii) is made to correct an error in clearing; or

(iv) is made to correct an error in the recording of Transactions in the Approved Participant's books.

(b) Both Approved Participants which are parties to an off-exchange transfer pursuant to this Article shall complete and submit to the designated Clearing Corporation such information evidencing the terms of the off-exchange transfer as may be prescribed by the Clearing Corporation on the day on which such transfer is effected.

(ed) Notwithstanding the provisions of paragraph (a), and subject to a prior written approval of the Bourse, a transfer of a position existing positions in a Listed Product either on the books of an Approved Participant, or from one Approved Participant to another, may be permitted at the discretion of the Bourse if the transfer:

(i) is in connection with, or results from, a merger, asset purchase, consolidation or similar non-recurring transaction between two or more entities; or

(ii) involves a Partnership, investment fund, or commodity pool and the purpose of the transfer is to facilitate a restructuring or consolidation of such Partnership, investment

fund, or pool, provided that the managing partner or pool operator remains the same, the transfer does not result in the liquidation of any ~~Open Position~~existing positions, and the pro rata allocation of interests in the consolidating account does not result in more than a de minimis change in the value of the interest of any party; or

(iii) is in the best interests of the market and the situation so requires.

Chapter C—Prearranged Transactions and Trade Cancellation

Article 6.200 Off-Exchange Transfers of Existing Positions in a Listed Product

(a) Notwithstanding the provisions of Article 6.3, an off-exchange transfer of existing positions on a Listed Product may be accomplished without the prior permission of the Bourse only if:

- (i) such off-exchange transfer is made to correct an error in clearing and/or an error in the recording of Transactions in an Approved Participant's books; or
- (ii) subject to Article 6.8, there is no change in the beneficial ownership of the positions transferred. For purposes of an off-exchange transfer, notwithstanding anything to the contrary in the Rules including, without limitation, Article 1.103, a change in beneficial ownership shall not be deemed to have occurred with respect to (A) an off-exchange transfer between Persons which are 100% owned by the same Person or (B) an off-exchange transfer between any Person and another Person or entity owned 100% by such Person.

(b) In all situations described in paragraph (a), the Approved Participants involved in the off-exchange transfer shall maintain and shall without delay provide to the Bourse, upon request, all orders, records, memoranda or other documentary evidence pertaining to the off-exchange transfer.

(c) All Approved Participants which are parties to an off-exchange transfer pursuant to this Article shall complete and submit to the designated Clearing Corporation such information evidencing the terms of the off-exchange transfer as may be prescribed by the Clearing Corporation on the day on which such transfer is effected.

(d) Notwithstanding the provisions of paragraph (a) and subject to a prior written approval of the Bourse, a transfer of existing positions in a Listed Product either on the books of an Approved Participant, or from one Approved Participant to another, may be permitted at the discretion of the Bourse if the transfer:

- (i) is in connection with, or results from, a merger, asset purchase, consolidation or similar non-recurring transaction between two or more entities; or
- (ii) involves a Partnership, investment fund, or commodity pool and the purpose of the transfer is to facilitate a restructuring or consolidation of such Partnership, investment fund, or pool, provided that the managing partner or pool operator remains the same, the transfer does not result in the liquidation of any existing positions, and the pro rata allocation of interests in the consolidating account does not result in more than a de minimis change in the value of the interest of any party; or
- (iii) is in the best interests of the market and the situation so requires.

[...]

Chapter A—In General

Article 6.0 Discretionary Authority of Bourse

The Bourse may prescribe such terms and conditions as it shall deem appropriate relating to Transactions in Listed Products traded either on or off the Bourse.

Article 6.1 Emergency Authority of the Bourse

- (a) The Bourse has the power and the authority to act in the event that it determines the existence of an emergency situation which threatens the integrity, liquidity or orderly trading or liquidation of any Listed Product. The Bourse may exercise its emergency powers in the event that it believes in good faith that any of the circumstances similar to the following exist:
- (i) a manipulation, attempted manipulation, corner or squeeze is occurring or threatens to occur;
 - (ii) the liquidity of a Listed Product on the Bourse or its orderly liquidation is threatened by the concentration of positions in the hands of entities or individuals who are unable or unwilling to settle or to make or take Delivery in the ordinary course;
 - (iii) an action of the Government of Canada, of a Canadian provincial government or any foreign government or of any other Derivative Instruments market is likely to have a direct and adverse impact on the integrity, liquidity and orderly liquidation of any Listed Product on the Bourse; or
 - (iv) an unusual, unforeseeable, and adverse circumstance has occurred.
- (b) In the event that the Bourse determines that an emergency situation exists, it may take any of the following actions or any other action that may be appropriate to remedy the situation:
- (i) terminate trading;
 - (ii) limit trading to liquidation of Listed Products only;
 - (iii) order liquidation of all or a portion of an Approved Participant's accounts;
 - (iv) order liquidation of positions as to which the holder is unable or unwilling to settle or to make or take Delivery;

- (v) confine trading to a specific price range or otherwise modify the daily price limit when such a limit exists;
 - (vi) modify the Trading Days or trading hours;
 - (vii) alter conditions of Delivery or of settlement;
 - (viii) fix the Settlement Price at which Listed Products are to be liquidated according to the rules of the Clearing Corporation;
 - (ix) require additional Margins to be deposited with the Clearing Corporation.
- (c) When the Clearing Corporation informs the Bourse of any emergency situation, whether in progress or feared, of which it has become aware, the Bourse shall act within twenty-four (24) hours to consider appropriate measures, if any. The Clearing Corporation shall have the right to participate in any deliberation made pursuant to the present Article.
- (d) As soon as practicable following the imposition of emergency action, the Board of Directors must be promptly notified. Any action taken pursuant to this Article may not extend beyond the duration of the emergency. In no event shall actions taken pursuant to this Article remain in effect for more than ninety (90) days following their imposition.

Article 6.2 Trading Restricted to the Bourse

Subject to the exceptions set out in Article 6.204 and Article 6.200, all Transactions in Listed Products made by Approved Participants, an affiliated corporation or a Person must take place on the Bourse during a trading session thereof.

Article 6.3 Transactions Required on the Bourse Electronic Trading System

All trading in Listed Products must occur on or through the Trading System, except as otherwise permitted in accordance with the Rules.

Article 6.4 Open Positions; Liquidation Trades

- (a) All Derivative Instruments positions for a Client Account or non-client account must remain open until liquidated by a closing Transaction, by Delivery, by cash settlement or failure to perform as provided in the rules of the exchange where such Derivative Instruments are traded and the Clearing Corporation.
- (b) All Closing Trades shall take place on the Bourse and shall be subject to the Regulations of the Bourse and of the designated Clearing Corporation.

Article 6.5 Dissemination of Trades

All Trades shall be disseminated through the market data feed after execution.

Article 6.6 Trading Hours

Trading hours are determined by the Bourse.

Article 6.7 Trading Outside Trading Hours

Except as permitted by Article 6.208 and Article 6.200, no ~~Futures Contracts~~Listed Products may be traded or transferred, and no agreement to trade or transfer Listed Products~~Futures Contracts~~ may be entered into, before the opening or after the closing of trading in any Listed Product~~Futures Contract~~ such as determined by the Bourse.

Article 6.8 Treatment of Long Position and Short Position

- (a) Unless concurrent Long Positions and Short Positions in the same Delivery Month or Settlement Month are held on behalf of an Omnibus Account; or in accordance with the provisions of paragraph (c) of this Article, a clearing member shall not be permitted to maintain with the Clearing Corporation such positions for (y) a single account; or (z) accounts under common control and ownership. It is the duty of the clearing member to ascertain that such positions are permitted to be concurrently Long Position and Short Position.
- (b) A clearing member shall promptly close out a customer's open Long Position or Short Position held with the Clearing Corporation if an offsetting purchase or sale Transaction is made for such customer's account.
- (c) A clearing member would be permitted to carry with the Clearing Corporation concurrent Long Position and Short Position for separate accounts of a customer, provided that :
 - (i) each Person directing trading for one of the separate accounts is unaffiliated with and acts independently from each other Person directing trading for a separate account;
 - (ii) each trading decision made for each separate account is determined independently of all trading decisions made for the other separate account or accounts; and
 - (iii) no position held in accordance with the above sub-paragraphs i) and ii) may be offset by transfer, adjustment, or any other bookkeeping procedures. Each position must be offset by Transactions made on the Electronic Trading System.

- (d) Although Article 6.200 allows for off-exchange transfers of Listed Products~~Futures Contracts~~, a clearing member shall not be permitted to knowingly allow such transfers when, as a result, concurrent Long Position and Short Position would be held contrary to this Rule. The positions which would create the concurrent Long Position and Short Position situation may not be so transferred, but must remain with the original clearing member, be transferred elsewhere, or liquidated by Transactions made on the Electronic Trading System.

[...]

Chapter A—In General

Article 6.0 Discretionary Authority of Bourse

The Bourse may prescribe such terms and conditions as it shall deem appropriate relating to Transactions in Listed Products traded either on or off the Bourse.

Article 6.1 Emergency Authority of the Bourse

- (a) The Bourse has the power and the authority to act in the event that it determines the existence of an emergency situation which threatens the integrity, liquidity or orderly trading or liquidation of any Listed Product. The Bourse may exercise its emergency powers in the event that it believes in good faith that any of the circumstances similar to the following exist:
 - (i) a manipulation, attempted manipulation, corner or squeeze is occurring or threatens to occur;
 - (ii) the liquidity of a Listed Product on the Bourse or its orderly liquidation is threatened by the concentration of positions in the hands of entities or individuals who are unable or unwilling to settle or to make or take Delivery in the ordinary course;
 - (iii) an action of the Government of Canada, of a Canadian provincial government or any foreign government or of any other Derivative Instruments market is likely to have a direct and adverse impact on the integrity, liquidity and orderly liquidation of any Listed Product on the Bourse; or
 - (iv) an unusual, unforeseeable, and adverse circumstance has occurred.
- (b) In the event that the Bourse determines that an emergency situation exists, it may take any of the following actions or any other action that may be appropriate to remedy the situation:
 - (i) terminate trading;
 - (ii) limit trading to liquidation of Listed Products only;
 - (iii) order liquidation of all or a portion of an Approved Participant's accounts;
 - (iv) order liquidation of positions as to which the holder is unable or unwilling to settle or to make or take Delivery;

- (v) confine trading to a specific price range or otherwise modify the daily price limit when such a limit exists;
 - (vi) modify the Trading Days or trading hours;
 - (vii) alter conditions of Delivery or of settlement;
 - (viii) fix the Settlement Price at which Listed Products are to be liquidated according to the rules of the Clearing Corporation;
 - (ix) require additional Margins to be deposited with the Clearing Corporation.
- (c) When the Clearing Corporation informs the Bourse of any emergency situation, whether in progress or feared, of which it has become aware, the Bourse shall act within twenty-four (24) hours to consider appropriate measures, if any. The Clearing Corporation shall have the right to participate in any deliberation made pursuant to the present Article.
- (d) As soon as practicable following the imposition of emergency action, the Board of Directors must be promptly notified. Any action taken pursuant to this Article may not extend beyond the duration of the emergency. In no event shall actions taken pursuant to this Article remain in effect for more than ninety (90) days following their imposition.

Article 6.2 Trading Restricted to the Bourse

Subject to the exceptions set out in Article 6.204 and Article 6.200, all Transactions in Listed Products made by Approved Participants, an affiliated corporation or a Person must take place on the Bourse during a trading session thereof.

Article 6.3 Transactions Required on the Bourse Electronic Trading System

All trading in Listed Products must occur on or through the Trading System, except as otherwise permitted in accordance with the Rules.

Article 6.4 Open Positions; Liquidation Trades

- (a) All Derivative Instruments positions for a Client Account or non-client account must remain open until liquidated by a closing Transaction, by Delivery, by cash settlement or failure to perform as provided in the rules of the exchange where such Derivative Instruments are traded and the Clearing Corporation.
- (b) All Closing Trades shall take place on the Bourse and shall be subject to the Regulations of the Bourse and of the designated Clearing Corporation.

Article 6.5 Dissemination of Trades

All Trades shall be disseminated through the market data feed after execution.

Article 6.6 Trading Hours

Trading hours are determined by the Bourse.

Article 6.7 Trading Outside Trading Hours

Except as permitted by Article 6.208 and Article 6.200, no Listed Products may be traded or transferred, and no agreement to trade or transfer Listed Products may be entered into, before the opening or after the closing of trading in any Listed Product such as determined by the Bourse.

Article 6.8 Treatment of Long Position and Short Position

- (a) Unless concurrent Long Positions and Short Positions in the same Delivery Month or Settlement Month are held on behalf of an Omnibus Account; or in accordance with the provisions of paragraph (c) of this Article, a clearing member shall not be permitted to maintain with the Clearing Corporation such positions for (y) a single account; or (z) accounts under common control and ownership. It is the duty of the clearing member to ascertain that such positions are permitted to be concurrently Long Position and Short Position.
- (b) A clearing member shall promptly close out a customer's open Long Position or Short Position held with the Clearing Corporation if an offsetting purchase or sale Transaction is made for such customer's account.
- (c) A clearing member would be permitted to carry with the Clearing Corporation concurrent Long Position and Short Position for separate accounts of a customer, provided that :
 - (i) each Person directing trading for one of the separate accounts is unaffiliated with and acts independently from each other Person directing trading for a separate account;
 - (ii) each trading decision made for each separate account is determined independently of all trading decisions made for the other separate account or accounts; and
 - (iii) no position held in accordance with the above sub-paragraphs i) and ii) may be offset by transfer, adjustment, or any other bookkeeping procedures. Each position must be offset by Transactions made on the Electronic Trading System.

- (d) Although Article 6.200 allows for off-exchange transfers of Listed Products, a clearing member shall not be permitted to knowingly allow such transfers when, as a result, concurrent Long Position and Short Position would be held contrary to this Rule. The positions which would create the concurrent Long Position and Short Position situation may not be so transferred, but must remain with the original clearing member, be transferred elsewhere, or liquidated by Transactions made on the Electronic Trading System.

[...]

Chapter B—Obligations of Approved Participants

[...]

Article 3.105 Notification of Regulatory Division of Non-Compliance

- (a) An Approved Participant must immediately notify the Regulatory Division in the event that this Approved Participant or any of its Approved Person:
 - (i) fails to be able to continue to meet its obligations;
 - (ii) becomes insolvent;
 - (iii) commits an act of bankruptcy within the meaning of the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3; or
 - (iv) becomes a debtor company within the meaning of the Companies' Creditor Arrangement Act.

- (b) An Approved Participant must diligently conduct a review in accordance with its internal supervision policies and procedures upon becoming aware that, such Approved Participant, an employee, an Approved Person, or a client authorized pursuant to Article 3.5 possibly violated the Rules pertaining to:
 - (i) Article 7.6 respecting front running;
 - (ii) Article 7.5 respecting manipulative or deceptive methods of trading;
 - (iii) Article 7.3 respecting best execution;
 - (iv) Articles 3.4 and 3.5 respecting access to electronic trading;
 - (v) Articles 6.114 and 6.116 respecting management of priorities;
 - (vi) Articles 6.203, 6.204, 6.205, 6.206 and 6.207 respecting Transactions required on Bourse facilities;
 - (vii) Article 6.200 respecting Off-Exchange Transfers of Existing Positions on a Listed Product~~Futures Contracts~~.

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 - (vii) Article 6.200 respecting Off-Exchange Transfers of Existing Positions on a Listed Product.

[...]

Chapter C—Prearranged Transactions and Trade Cancellation

[...]

Article 6.204 Exceptions to Prohibition on Prearranged Transactions

The prohibition in Article 6.203 shall not apply to prearranged Transactions pursuant to Article 6.205; block Trades pursuant to Article 6.206; riskless basis cross Trades pursuant to Article 6.207; exchange of Futures for risk pursuant to Article 6.208; and off-exchange transfers ~~of Open Positions~~ under Article 6.200; *provided however*, no Transaction under any of the exceptions included in this Article may be executed using a hidden volume functionality.

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