Bourse de Montréal Inc.

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☐	**Back-office – Futures**	☒	**Regulation**
		☐	**MCeX**

CIRCULAR
May 29, 2008

REQUEST FOR COMMENTS

AMENDMENTS TO ARTICLE 6380 OF RULE SIX OF BOURSE DE MONTRÉAL INC.

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

Summary

The Rules and Policies Committee of Bourse de Montréal Inc. (the Bourse) has approved amendments to article 6380 of Rule Six of the Bourse. These amendments will allow to update and adapt the Bourse's options market model to the current state of the market and also to meet more adequately the needs of market participants. Following a survey of market participants realized at the beginning of 2007, the Bourse proposes to offer an automated crossing mechanism for large options orders that fits their needs and also proposes to allow the execution of pre-arranged transactions and cross transactions at prices that are outside of the best bid and offer while respecting the integrity of the central limit order book.

Process for Changes to the Rules

Bourse de Montréal Inc. is recognized as a self-regulatory organization (SRO) by the Autorité des marchés financiers (the Autorité). In accordance with this recognition, the Bourse carries on activities as an exchange and as a SRO in Québec. 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.

Circular no.: 089-2008

Tour de la Bourse
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The Division is under the authority of a Special Committee appointed by the Board of Directors of the Bourse. The Special Committee is empowered to recommend to the Board of Directors the approval or amendment of some aspects of the Rules and Policies of the Bourse governing approved participants, among which, the Rules and Policies relating to margin and capital requirements. The Board of Directors has delegated to the Rules and Policies Committee of the Bourse its powers to approve or amend these Rules and Policies with recommendation from the Special Committee. These changes are submitted to the Autorité for approval.

Comments on the proposed amendments to article 6380 of Rule Six must be submitted within 30 days following the date of publication of the present notice in the bulletin of the Autorité. Please submit your comments to:

Ms. Joëlle Saint-Arnault
Vice-President, Legal Affairs and Secretary
Bourse de Montréal Inc.
Tour de la Bourse
P.O. Box 61, 800 Victoria Square
Montréal, Quebec H4Z 1A9
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A copy of these comments shall also be forwarded to the Autorité to:

Ms. Anne-Marie Beaudoin
Director – Secretariat of L'Autorité
Autorité des marchés financiers
800 Victoria Square, 22nd Floor
P.O. Box 246, Tour de la Bourse
Montréal (Quebec) H4Z 1G3
E-mail: consultation-en-cours@lautorite.qc.ca

Appendices

For your information, you will find in appendices an analysis document of the proposed rule amendments, the proposed regulatory text as well as the amended procedures. The implementation date of the proposed amendments will be determined, if applicable, with the other Canadian self-regulatory organizations following approval by the "Autorité des marchés financiers”.

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

AMENDMENTS TO ARTICLE 6380 OF THE RULES OF BOURSE DE MONTRÉAL INC.

A- Overview

Within the context of the global evolution of the options markets, Bourse de Montréal Inc. (the Bourse) initiated a revision of its market model by issuing in June 2007 a consultation on changes to the procedures applicable to the execution of cross and prearranged transactions. (See Circular No. 097-2007 "Consultation on Proposed Changes to Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions" issued by the Bourse on June 14,2007).

The objective of the consultation was to propose new procedures which would facilitate the execution of cross and prearranged transactions for large orders.

The volume of cross transactions on options experienced a high growth rate in the first half of 2007. The data collected between January and June 2007, show that this activity constituted 17% of total volume (1,120,484 contracts/6,554,314 contracts). This renewal of strength in the volume of crosses reflects an increased interest on behalf of the institutional participants hence the need to revise the market model.

These proposed changes constitute a first step in the context of a general revision of the options market model. The Bourse thinks it was important to first look at the procedures applicable to crosses and prearranged transactions in order to automate them and reduce the execution risk that market participants face when using manual procedures.

The Bourse is aware that this is a delicate exercise and spent time and efforts consulting market participants before taking a decision that it believes is in the interest of all of them.

B- Current Procedures

Under the current crossing procedures:

1. For equity option crosses of less than 100 contracts, the approved participant wishing to make a cross or a prearranged transaction must issue a Request For Quote (RFQ) for the total intended transaction quantity and then must enter the order into the trading system and respect a delay equal to the prescribed time delay applicable (30 seconds) before executing an offsetting transaction.
2. For equity options crosses of 100 contracts or more, the market makers are permitted to participate in the transaction up to a total of 50% of the residual quantity and the market participant is guaranteed 50% of the residual quantity plus any quantity not taken of the 50% that had been shown to the market makers.
3. For index options crosses, the prescribed time delay for a quantity below the minimum quantity threshold (50 contracts) is 15 seconds.

C- Rationale

A survey of market participants realized at the beginning of 2007 demonstrated a frustration concerning the current crossing procedures. The complaints were mainly from the buy side and the sales teams responsible of getting the options business. The main issues were:

1. The manual procedure that consists of calling the market makers and offering them 50% of the size of the cross. This procedure is not optimal and in changing market conditions, the time delay is a risk factor.
2. Sharing the allocation of the cross with the market makers puts the participant

who initiated the cross at risk when the time comes to unwind his position.

Following Circular No. 097-2007, the Bourse received a wide range of opinions from market participants reflecting the lack of consensus in regards to the proposed changes.

The Bourse reviewed the comments received in the context of the evolution of the market, and based its decision on the following statistics:

1. The data collected between January and June 2007 show that even when they are offered 50%, market makers only participate up to 13% in crosses transactions.
2. Data from January 2005 to June 2006 show that 98% of all option orders are less than 100 contracts and that the average size per order is 31 contracts.
3. The average size of a cross was 1,561 contracts and 78% of crosses had a size higher than 499 contracts.

In order to increase automation and efficiency of the market place, in particular for large orders, the Bourse proposes to introduce the following changes to the existing crossing procedures.

D- Proposed Procedures

Eligible Products	Minimum Quantity Threshold	New Prescribed Time delay	Minimum Quantity Threshold	New Prescribed Time delay
Equity Options	<100 contracts	5 seconds	≥100 contracts	0 seconds
S&P Canada 60 Index Options	<50 contracts	5 seconds	≥50 contracts	0 seconds

Cross and prearranged transactions would have to be executed in accordance with one of the following procedures:

1. Procedure for quantity smaller than the minimum quantity threshold

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

2. Procedure for quantity equal to or greater than the minimum quantity threshold

a) If a market participant has a cross or a prearranged transaction order between the bid and ask, he would have the option of either:
   - using a specific system function to enter a zero-second cross; or
   - entering 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).

b) If the intended cross or prearranged transaction price is on or outside the option’s current best bid or ask, the market participant would have the obligation to fill all existing orders in the central order book which are at limit prices better than or equal to the cross price before completing such transaction

Note 1: The bundling of orders to meet the admissible quantity threshold will not be permitted.
Note 2: There will be no changes to the procedures applicable to the execution of options strategies.

E- Difference Between the Procedures Proposed in Circular No. 097-2007 and the Procedures Actually Proposed

The Bourse’s circular sent to participants in June 2007, was proposing the following changes to the procedures:

1. **15 seconds** posting requirement for orders with a quantity smaller than a minimum quantity threshold of **500 contracts** instead of the current **30 seconds** posting requirement for orders with a quantity smaller than the minimum quantity threshold of **100 contracts**;
2. A **zero second** posting delay for orders with a quantity equal to or greater than the minimum quantity threshold of **500 contracts**;
3. Abrogation of the obligation to issue a Request for Quotes (RFQ);
4. Deletion of the 50% guaranteed participation of market makers;
5. Introduction of an obligation, when the cross or the prearranged transaction is at or outside the bid and ask, to fill all existing orders which are at a limit price better than or equal to the cross price.

The procedures proposed by the Bourse in this document are the following ones:

1. **5 seconds** posting requirement for orders with a quantity smaller than a minimum quantity threshold of **100 contracts** instead of the current **30 seconds** posting requirement for orders with a quantity smaller than the minimum quantity threshold of **100 contracts**;
2. A **zero seconds** posting delay for orders with a quantity equal to or greater than the minimum quantity threshold of **100 contracts**;
3. Abrogation of the obligation to issue a Request for Quotes (RFQ);
4. Deletion of the 50% guaranteed participation of market makers;
5. Introduction of an obligation, when the cross or the prearranged transaction is at or outside the bid and ask, fill all existing orders which are at a limit price better than or equal to the cross price.

The differences between the Bourse's initial proposal and the current one affect point 1 and 2 and are related to the minimum quantity threshold and to the prescribed time delay that were adjusted following the comments received and the discussions with different market participants.

1. The minimum quantity threshold of 500 contracts initially proposed was reduced to 100 contracts to reflect the following facts of the options market:
   - a- According to point 1 of Appendix 1 attached, 98% of all option orders are for less than 100 contracts and the average size per order is 31 contracts.
   - b- According to point 2.1 of Appendix 1, crosses and prearranged transactions constitute only 17% of the total volume of the options market.
   - c- According to point 2.2 of Appendix 1, 78% of crosses and prearranged transactions have a size greater than 499 contracts.
   - d- According to point 2.3 of Appendix 1, even when offered the possibility to participate up to 50% of the cross transaction, the market makers participate on average only up to 13%.
   - e- Finally, some market participants commented that the quantity threshold of 500 contracts that had been originally proposed by the Bourse was too high and that there should be no delay in executing a cross or prearranged transaction.

2. The prescribed time delay of 15 seconds initially proposed was reduced to 5 seconds following market participants' comments that in today's technological environment, a delay of 15 seconds constitute a very important delay. The prescribed delay in the US markets is 3 seconds.

F- Proposed Rule Amendment

In order to accommodate the proposed changes to the procedures applicable to the execution of cross transactions and of prearranged transactions and also to ensure that there is no conflict between the procedures and the Rules, the Bourse proposes to amend paragraph 3 of article 6380 relative to the execution of cross transactions and prearranged transactions.

First, the Bourse proposes to delete subparagraph 3) iii) of article 6380. This subparagraph, as currently drafted, stipulates that the execution of cross transactions and prearranged transactions are permitted by the Bourse when the transaction must be effected at a price that is at or between the current best bid and current best offer available in the electronic trading system of the Bourse;"

The Bourse proposes to delete this subparagraph because it is redundant in the context of the Bourse's electronic trading system's central limit order book, which respects strict price and time priority. Any order that is entered into the electronic trading system must respect any marketable limit order that has been previously entered into the system. As a consequence, any cross transaction or prearranged transaction that is priced outside the best bid (offer) will need to fill all better bids (offers) that are resting in the book. Having filled all of the marketable limit orders in the book, the new order effectively becomes the best bid (offer). The integrity of the central limit order book is respected, and the client is filled at the best prices resting in the book before the balance of the order is crossed at the prenegotiated price.

Secondly, the Bourse is proposing to amend subparagraph 3) iv) of article 6380 which stipulates that the execution of cross transactions and prearranged transactions are permitted by the Bourse when "the prescribed time delay between the input of an order and its opposite side order is respected in order to allow market participants to show their interest".

The prescribed delay for large size orders has been established to zero second in the proposed changes to procedures. Consequently, in this context, it is no more relevant for market participants to show their interest.

G- Objectives

The above-described proposed amendments to article 6380 relative to the execution of cross transactions and prearranged transactions have for objective to harmonise the Rules of the Bourse with the Bourse's procedures.

H- Impact of the Proposed Rule

The proposed amendment will allow the Bourse to offer market participants an automated crossing mechanism for large options orders that fits their needs.

The proposed amendments will also allow the execution of pre-arranged transactions and cross transactions at prices that are outside of the best bid and offer while respecting the integrity of the central limit order book.

The Bourse believes that the proposed amendments will have no impact on systems for its approved participants.

I- Public Interest

This proposal to amend the Bourse's procedures relative to the execution of cross and prearranged options transactions and to amend article 6380 of the Rules of the Bourse will allow to update and adapt the Bourse's options market model to the current state of the market and also to meet more adequately the needs of market participants. Since the proposed changes will result in significant changes in the trading practices of market participants and of clients when they want to execute cross transactions and prearranged transactions, the proposal is considered to be of the public interest.

The proposed amendments will not contribute to the creation of an unfair discrimination between clients, issuers, brokers/dealers, approved participants or other persons. They will not impose any unnecessary or inappropriate competitive burden. The Bourse has also determined that the proposed amendments are not detrimental to the interests of capital markets.

J- Procedure

The first step of the approval process for the regulatory amendments that are proposed in this analysis consists in having them approved by the the Rules and Policies Committee of the Bourse.

Following such approval, a request for comments on the proposed amendments is then published by the Bourse by way of a circular.

The amendment proposal, including this analysis, is also transmitted to the Autorité des marchés financiers (AMF) for approval. The AMF also publishes a request for comments in its weekly Bulletin. The comment period ends 30 days after the publication date of the proposed amendments in the AMF weekly Bulletin.

Finally, a copy of the proposed amendments is transmitted to the Ontario Securities Commission for information.

The management of the Bourse recommends to the Rules and Policies Committee the approval of the proposed amendment to subparagraphs iii) and iv) of article 6380 of the Rules of the Bourse.

K- Sources

- Rule Six of the Bourse: article 6380.
- Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions
- Circular No. 097-2007 - Consultation on Proposed Changes to Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions" issued by the Bourse on June 14,2007

APPENDIX 1

STATISTICAL ANALYSIS FOR THE OPTIONS MARKET MODEL

1. Order size (January 2005 to June 2006)

- 98% of orders had a size below 100 contracts.
- 96% of orders had a size below 50 contracts.
- 43% of orders had a size below 10 contracts.
- Average order size was 31 contracts.

Distribution of orders - January 2005 to June 2006

Min	Max	Number of Orders	%	Cum		Total Number Of Contracts	%	Cum		Average order size	Average order size Cum
1	10	1,011,840	42.6040%	1,011,840	42.6040%	7,257,668	10.00%	7,257,668	10.00%	7	7
11	20	315,135	13.2689%	1,326,975	55.8729%	5,636,426	7.76%	12,894,094	17.76%	18	10
21	25	45,312	1.9079%	1,372,287	57.7808%	1,099,475	1.51%	13,993,569	19.27%	24	10
26	30	60,916	2.5649%	1,433,203	60.3457%	1,803,846	2.48%	15,797,415	21.76%	30	11
31	40	40,290	1.6964%	1,473,493	62.0421%	1,537,417	2.12%	17,334,832	23.88%	38	12
41	50	812,730	34.2204%	2,286,223	96.2625%	40,596,524	55.92%	57,931,356	79.79%	50	25
51	100	47,560	2.0025%	2,333,783	98.2650%	3,983,112	5.49%	61,914,468	85.28%	84	27
101	500	40,040	1.6859%	2,373,823	99.9509%	9,467,626	13.04%	71,382,094	98.32%	236	30
501	1,000	859	0.0362%	2,374,682	99.9871%	706,579	0.97%	72,088,673	99.29%	823	30
1,001	1,500	167	0.0070%	2,374,849	99.9941%	189,583	0.26%	72,278,256	99.55%	1,135	30
1,501	2,000	88	0.0037%	2,374,937	99.9979%	164,705	0.23%	72,442,961	99.78%	1,872	31
2,001	3,000	36	0.0015%	2,374,973	99.9994%	90,774	0.13%	72,533,735	99.90%	2,522	31
3,001	4,000	4	0.0002%	2,374,977	99.9995%	15,523	0.02%	72,549,258	99.93%	3,881	31
4,001	5,000	11	0.0005%	2,374,988	100.0000%	53,800	0.07%	72,603,058	100.00%	4,891	31
1	5,000	2,374,988				72,603,058	100%				
	Average Order Size					31	contrats				

2. Statistics on cross transactions (January to June 2007)

2.1. Percentage of cross transactions in total activity

Cross transaction activity constituted 17% of total volume (1,120,484 contracts / 6,554,314 contracts)

2.2. Size of crosses

- The average size of a cross was 1,561 contracts.
- The median size of a cross was 1,000 contracts.

Counterpart (MM) Firm Name	MM Median Volume	Initiator Median Cross	MM % Median	MM Average Volume	Initiator Average Cross	MM % Average
Firm 1	35	1,400	2.5%	39	2,106	1.87%
Firm 2	50	1,355	3.7%	71	1,727	4.11%
Firm 3	50	1,300	3.8%	113	1,712	6.63%
Firm 4	100	1,137	8.8%	142	1,483	9.58%
Firm 5	125	1,371	9.1%	256	1,697	15.08%
Firm 6	200	1,045	19.1%	324	1,795	18.06%
Firm 7	50	1,000	5.0%	89	1,357	6.58%
Firm 8	100	1,045	9.6%	91	1,703	5.32%
Total	**98**	**1,000**	**9.8%**	**172**	**1,561**	**10.99%**

- 78% of crosses had a size greater than 499 contracts.
- 60% of crosses had a size greater than 999 contracts.

Cross Size	Number of Crosses	Number of Crosses %	Cumulative %	% Above	Cross Volume	Cross Volume %	Cumulative %	% Above
0-499	155	21.59%	21.59%	78.41%	44,044	3.93%	3.93%	96.07%
500-999	134	18.66%	40.25%	59.75%	99,001	8.84%	12.77%	87.23%
1000-1499	145	20.19%	60.45%	39.55%	159,911	14.27%	27.04%	72.96%
1500-1999	97	13.51%	73.96%	26.04%	165,426	14.76%	41.80%	58.20%
2000-2499	68	9.47%	83.43%	16.57%	139,955	12.49%	54.29%	45.71%
2500-2999	24	3.34%	86.77%	13.23%	64,352	5.74%	60.04%	39.96%
3000-3499	26	3.62%	90.39%	9.61%	79,589	7.10%	67.14%	32.86%
3500-3999	11	1.53%	91.92%	8.08%	41,594	3.71%	70.85%	29.15%
4000-4499	32	4.46%	96.38%	3.62%	129,612	11.57%	82.42%	17.58%
4500-4999	5	0.70%	97.08%	2.92%	24,391	2.18%	84.60%	15.40%
5000-5499	5	0.70%	97.77%	2.23%	25,020	2.23%	86.83%	13.17%
5500-5999	2	0.28%	98.05%	1.95%	11,259	1.00%	87.83%	12.17%
6000-6499	2	0.28%	98.33%	1.67%	12,045	1.07%	88.91%	11.09%
7000-7499	2	0.28%	98.61%	1.39%	14,120	1.26%	90.17%	9.83%
7500-7999	1	0.14%	98.75%	1.25%	7,745	0.69%	90.86%	9.14%
8000-8499	4	0.56%	99.30%	0.70%	32,385	2.89%	93.75%	6.25%
10000-10499	3	0.42%	99.72%	0.28%	30,010	2.68%	96.43%	3.57%
20000-20499	2	0.28%	100.00%	0.00%	40,025	3.57%	100.00%	0.00%
Total	**718**	**100.00%**			**1,120,484**	**100.00%**		

2.3. Market makers participation

Market makers participated up to only 13% in crossing transactions

Initiator Firm Name	Client		MM		Client-Other		Total
Firm A	406,947	88.49%	52,932	11.51%			459,879
Firm B	199,236	82.56%	42,087	17.44%			241,323
Firm C	78,100	87.38%	11,276	12.62%			89,376
Firm D	66,499	100.00%					66,499
Firm E	53,841	88.77%	6,808	11.23%			60,649
Firm F	50,990	91.01%	5,036	8.99%			56,026
Firm G	36,250	81.11%	8,444	18.89%			44,694
Firm H	36,344	82.26%	7,840	17.74%			44,184
Firm I	38,474	89.11%	4,700	10.89%			43,174
Firm J	11,640	80.67%	2,730	18.92%	60	0.42%	14,430
Firm K	250	100.00%					250
Total	**978,571**	**87.33%**	**141,853**	**12.66%**	**60**	**0.01%**	**1,120,484**

6380 Prenegotiation Discussions, Cross Transactions, Prearranged Transactions and Block Trades
(25.09.00, 24.09.01, 29.10.01, 31.01.05, 00.00.00)

For the purpose of this article, the terms hereunder are defined as follows:

(…)

3) Prearranged Transactions

A prearranged transaction is considered having occurred when one or more approved participants engage in prenegotiation discussions in order to agree on the terms of a transaction before entering the orders in the electronic trading system of the Bourse.

Execution of cross transactions and prearranged transactions are permitted by the Bourse when:

i) they are on eligible securities or derivative instruments;

ii) the orders are for a quantity equal to or greater than the minimum quantity threshold established for that eligible security or derivative instrument;

~~iii) the transaction must be effected at a price that is at or between the current best bid and current best offer available in the electronic trading system of the Bourse;~~

iv) the prescribed time delay between the input of an order and its opposite side order is respected~~ in order to allow market participants to show their interest~~;

v) the transactions are executed in accordance with the Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions.

The eligible securities or derivative instruments, the prescribed time delays and the minimum quantity thresholds are determined by the Bourse and published in the Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions.

It is forbidden to use the hidden quantity functionality of the electronic trading system of the Bourse to execute a cross transaction or a prearranged transaction.

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

In accordance with article 6380 of the Rules of Bourse de Montréal Inc. (the Bourse), the following are the eligible products, the prescribed exposure time delays which must be respected and the related ~~between the input of two orders and the~~ minimum quantity thresholds at which this prescribed exposure time delay is applicable.

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	1 contract
Remaining expiry months and strategies	15 seconds	1 contract
Thirty-day Overnight "Repo" Rate Futures Contracts (ONX):		
Front month	5 seconds	1 contract
Remaining expiry months and strategies	15 seconds	1 contract
Government of Canada Bond Futures Contracts:		
All expiry months and strategies	5 seconds	1 contract
S&P Canada 60 Index Futures Contracts (SXF):		
All expiry months	0 second	100 contracts
All expiry months and strategies	5 seconds	1 contract
Carbon Dioxide Equivalent (CO_2e) Units Futures Contracts:		
All expiry months and strategies	5 seconds	1 contract
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	1 contract

ELIGIBLE PRODUCTS	PRESCRIBED TIME DELAY	MINIMUM QUANTITY THRESHOLD
Equity and Currency Options ~~(1):~~		
All expiry months	5 seconds	1 contract
All expiry months ~~and strategies~~	~~30~~ 0 second~~s~~	100 contracts
Index Options ~~(1)~~ :		
All expiry months	5 seconds	1 contract
All expiry months ~~and strategies~~	~~15~~ 0 second~~s~~	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.

~~**(1)**~~ **Equity Options, Index Options and Currency Options Contracts**

~~Equity options, index options and currency options are products for which market makers are assigned. In order to encourage the market making activities,~~ C~~c~~ross transactions and prearranged transactions can only be executed in accordance with one of the following procedures:

~~**Procedure for transactions with a 50% guaranteed minimum (residual quantity equal or greater than the minimum quantity threshold):**~~

~~The 50% execution guarantee applies only if the residual quantity (described below) is equal to or greater than the minimum quantity threshold.~~

~~The approved participant must contact a market official at 1-888-693-6366 or at (514) 871-7871 and provide details of the intended transaction: total quantity which must be equal to or greater than the minimum quantity threshold, price, side(s) of the transaction on which the approved participant is required to give priority.~~

~~The approved participant must ensure that all existing disclosed orders on SAM, regardless of type of orders, which are at limit prices better than or equal to the intended transaction price are executed before completing such transaction. The market official will ensure, in collaboration with the approved participant, that this requirement is met;~~

~~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.~~

~~If the residual quantity is less than the minimum quantity threshold, the approved participant must follow the procedure applicable to transactions with no minimum guaranteed volume, described further below.~~

~~If the residual quantity of the intended transaction is equal to or greater than the minimum quantity threshold, a market official will contact the market makers and inform them of the residual quantity covered by the transaction and the limit price. The market official will expose to the market makers active on the class the side of the transaction on which the approved participant is required to give priority.~~

~~Market makers will be permitted to participate to the transaction up to a total maximum of 50% of the quantity of the original intended transaction~~[1]

~~The approved participant will be permitted to execute the transaction for the remaining quantity (a minimum of 50% of the residual quantity, plus any quantity not taken of the 50% of the original intended transaction quantity that had been shown to the market makers and to the market).~~

Procedure for a quantity smaller than the eligible quantity threshold

A market participant wishing to make 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.

Procedure for a quantity equal to or greater than the eligible quantity threshold

a. If a market participant has a cross 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).

b. If the intended cross price is on or outside the option's current best bid or ask, the market participant is responsible for filling all existing orders in the central order book which are at limit prices better than or equal to the cross price before completing such transaction

Note1: The bundling of orders to meet the admissible quantity threshold is not permitted.
Note 2: There will be no changes to procedures applicable to the execution of options strategies.

~~[1] *In the case where the total quantity requested by the market makers is equal to or less than the 50% of the quantity of the original intended transaction shown to them, each order will be executed entirely. If the total market makers' interest exceeds the quantity shown to them, each will receive the lesser of the following quantities: (a) an equal portion for each of them or (b) the quantity they requested. A market maker cannot increase the quantity allocated to him by proposing a price better than the intended transaction price. The quantity allocated to a market maker will not be based on previous executions relating to existing orders in the book at prices equal to or better than the intended transaction price.*~~

~~**Procedure for transactions with no guaranteed minimum volume (residual quantity smaller than the minimum quantity threshold):**~~

~~Approved participants wishing to make a cross transaction or a prearranged transaction must issue a Request For Quote (RFQ) for the total intended transaction quantity and must then respect a delay that is not less than the prescribed time delay applicable to the specific product before entering the orders into the trading system.~~

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.

~~Bundling of orders to meet the minimum quantity threshold is not permitted.~~