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CIRCULAR
June 16, 2011

REQUEST FOR COMMENTS

UPDATING OF RULE FIVE OF THE BOURSE – MISCELLANEOUS RULES

The Rules and Policies Committee of Bourse de Montréal Inc. (the Bourse) has approved the updating of Rule Five of the Rules of the Bourse, which deal with the integration of Bourse de Montréal Inc. into TMX Group in 2008. The purpose of these amendments is therefore to reflect certain organizational changes that took place at the Bourse.

Comments on the proposed updating of Rule Five of the Rules of the Bourse must be submitted within 30 days following the date of publication of the present notice, at the latest on July 18, 2011. Please submit your comments to:

Mr. François Gilbert
Vice-President, Legal Affairs, Derivatives
Bourse de Montréal Inc.
Tour de la Bourse
P.O. Box 61, 800 Victoria Square
Montréal, Quebec H4Z 1A9
E-mail: legal@m-x.ca

A copy of these comments shall also be forwarded to the Autorité to:

Ms. Anne-Marie Beaudoin
Corporate Secretary
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

Circular no.: 108-2011

Appendices

For your information, you will find in appendices an analysis document of the proposed rule amendments as well as the proposed regulatory text. The implementation date of the proposed amendments will be determined by the Bourse, in accordance with the self-certification process as established in the Derivatives Act (2008, c.24).

Process for Changes to the Rules

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

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

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



UPDATING OF RULE FIVE OF THE BOURSE – MISCELLANEOUS RULES

I SUMMARY

Following the integration of Bourse de Montréal Inc. (the Bourse) within TMX Group in 2008, some amendments to Rule Five have become necessary to reflect, amongst other, certain organizational changes that took place at the Bourse.

Furthermore, the Bourse also wishes to withdraw the provisions pertaining to fees and charges, as these are already provided for under Rule Three — “Approved Participants” of the Rules of the Bourse.

II ANALYSIS

A) The Context

Even though the Bourse intends to maintain the arbitration process found in Rule Five — Miscellaneous Rules, which currently applies to any dispute involving at least one approved participant of the Bourse and regarding a derivative instrument traded on its market, it has become necessary to proceed to some amendments given that since the integration of the Bourse within TMX Group, certain organizational changes took place at the Bourse.

The Regulatory Division of the Bourse being already responsible for carrying out the regulatory functions pertaining to the Bourse’s market and participants, notably as per Decision no 2008-PDG-0102 of the Autorité des marchés financiers dated April 10, 2008, as well as the Rules Regarding the Regulatory Division, it is therefore proposed to replace all references made to the Secretary of the Bourse, in the actual version of Rule Five, by a reference to the Vice-President, Regulatory Division.

Finally, it is proposed to abrogate article 5251 of Rule Five as similar provisions are currently found in article 3009 of Rule Three — Approved Participants.

B) Amended Articles

Article 5201 — Arbitration of Disputes

The proposed amendment purpose is to harmonize the term “exchange contract” with the one defined in article 1102 of Rule One - Regulations of the Bourse as well the one used in article 5204.

Article 5202 — Appointment of Arbitrators

Article 5203 — Arbitration Hearing

Article 5206 — Costs

For these three articles of Rule Five and as indicated above, it is proposed to replace any reference to the « Secretary of the Bourse » and, at the end of article 5202, to the « Bourse » by « Vice-President, Regulatory Division », as the latter shall now be responsible for the arbitration process provided for in Rule Five.

C) Abrogated Article

Article 5251 – Fees and Charges

The Bourse proposes to abrogate this article, as the provisions it contains are already present in paragraphs 2 and 3 of article 3009 of Rule Three — Approved Participants.

D) Public Interest

Since the abrogations and amendments proposed in this analysis aim to update Rule Five of the Bourse, as well as abrogate provisions that already exist elsewhere in its Rules, the Bourse considers that these proposed amendments and abrogations are of public interest.

E) Impact of the Proposed Amendments on Systems

The Bourse considers that the proposed regulatory abrogations and amendments will have no impact on the systems of approved participants, their approved persons, clients or the public in general.

F) Interest of Financial Markets

The Bourse considers that the proposed abrogations and amendments will not negatively affect the interests of financial markets.

G) Other considered alternatives

No other alternative was considered by the Bourse.

III COMMENTS

A) Efficiency

As previously mentioned, the main objective of the proposed abrogations and amendments to Rule Five of the Bourse, discussed in this analysis, is to update the Rules of the Bourse so that they no longer contain provisions that are now irrelevant, and that Rule Three — Approved Participants already contains similar provisions pertaining to fees and charges.

B) Process

The first step for the approval of the regulatory abrogations and amendments that are proposed in this analysis consisted in having them approved by the Special Committee — Regulatory Division of the Bourse. The Special Committee gave its approval at its meeting held on December 14, 2010.

Once approved by the Special Committee, the proposed abrogations and amendments, including this analysis must then be approved by the Rules and Policies Committee of the Bourse and, following such approval, be simultaneously published by the Bourse for a 30 days comment period and submitted to the Autorité des marchés financiers (AMF) for

self-certification purposes. The AMF also publishes the proposed abrogations and amendments, and the 30-day request for comments, in its weekly bulletin.

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

IV SOURCES

- Rule Five of Bourse de Montréal Inc. — Miscellaneous Rules
- Rule One of Bourse de Montréal Inc. — Regulations of the Bourse
- Rule Three of Bourse de Montréal Inc. — Approved Participants
- Decision no 2008-PDG-0102 of l'Autorité des marchés financiers issued on April 10, 2008 — Published in the Weekly Bulletin of the Autorité des marchés financiers of April 11, 2008 (Vol. 05, no. 14)
- Rules of Bourse de Montréal Inc. regarding the Regulatory Division

RULE FIVE**MISCELLANEOUS RULES****Section 5001 - 5100
Business Day****5001 Business Day**
(25.02.94, 15.03.05)

Unless indicated otherwise, as to particular days, the term "business day" means any day on which the Bourse is open for business. However, on any business day that settlement may not occur through the clearing corporation, settlements ordinarily due on such a day shall be due on the following business day.

5002 Montréal Local Time
(15.03.05)

The Bourse shall conform to local Montréal time.

**Section 5101 - 5125
Canadian Investor Protection Fund**
(abr. 17.03.08)**5101 Canadian Investor Protection Fund**
(15.03.05, abr. 17.03.08)**5102 Display as Canadian Investor Protection Fund Participant**
(01.01.95, 15.03.05, abr. 17.03.08)**Section 5126 - 5200
Brokers' Clearing Fund**
(abr. 15.03.05)**5126 Creation of Fund**
(abr. 15.03.05)**5127 Financing**
(abr. 15.03.05)**5128 Advances from Reserves**
(abr. 15.03.05)**5129 Benefits**
(abr. 15.03.05)**5130 Exclusions**
(abr. 15.03.05)**5131 Failure to Pay Assessments**
(abr. 15.03.05)

5132 Winding-up
(abr. 15.03.05)

Section 5201 - 5250
Disputes - Arbitration

5201 Arbitration of Disputes
(07.05.97, 15.03.05)

Any dispute arising between approved participants regarding an ~~exchange~~Bourse contract must be submitted to the majority decision of three arbitrators appointed as hereinafter provided.

5202 Appointment of Arbitrators
(15.03.05)

The procedure for the appointment of the arbitrators shall be as follows. The approved participant believing himself to be the injured party shall deliver to the ~~Secretary of the Bourse~~Vice-President, Regulatory Division a written memorandum in triplicate, stating in a summary way the matter in dispute and the redress he claims, and appointing an arbitrator. The ~~Secretary~~Vice-President, Regulatory Division shall forward one copy of such memorandum to the opposite party, who shall within seven business days after receipt thereof file with the ~~Secretary~~Vice-President, Regulatory Division a written memorandum in triplicate containing his statement of the matter in dispute, and appointing an arbitrator. The ~~Secretary~~Vice-President, Regulatory Division shall forward one copy thereof to the opposite party and copies of both memoranda to the arbitrators so appointed, and the latter shall proceed within forty-eight hours after receipt of the memoranda to appoint a third arbitrator. If a party fails to appoint an arbitrator, the ~~Bourse~~Vice-President, Regulatory Division shall appoint one for him, and in the event of the two arbitrators already appointed failing to appoint the third arbitrator within the time set above, he shall be appointed by the ~~Bourse~~Vice-President, Regulatory Division.

5203 Arbitration Hearing
(15.03.05)

The three arbitrators so appointed must forthwith give written notice to the parties of the date, time and place of their first sitting, which shall be held within seven days after the appointment of the third arbitrator and at which the parties shall be required to be present and to produce any books or documents respecting the matter in dispute. The arbitrators shall hear the parties, receive such evidences as they may deem necessary, make their award and fix the costs of the arbitration within thirty days from the date of the first sitting or such other period as the parties may agree upon. They shall forward their award in writing to the ~~Secretary of the Bourse~~Vice-President, Regulatory Division who shall give notice thereof to all the parties concerned.

5204 Court Proceedings
(15.03.05)

Submission to arbitration in accordance with this section shall be a condition precedent to any legal proceedings between approved participants with reference to an exchange contract.

No approved participant shall commence legal proceedings against another approved participant with reference to an exchange contract unless and until he has given due notice thereof to the Special Committee.

5205 Persons other than approved participants
(15.03.05)

A person or an entity who is not an -approved participant may submit to arbitration under this section any dispute with an approved participant and relating to a Bourse contract.

5206 Costs
(15.03.05)

The arbitrators may require that prior to an arbitration hearing the parties deposit with the [Secretary of the Bourse Vice-President, Regulatory Division](#) such sum as an advance on the costs for which the parties or either of them may be adjudged liable.

5207 Arbitration award and failure to Comply
(15.03.05)

Any approved participant who fails to comply with any arbitration award shall deemed to be guilty of an act detrimental to the interest and welfare of the Bourse.

5208 Multiparty Disputes
(15.03.05)

When more than two parties are involved in a dispute which is subject to arbitration, the rules set forth in articles 5201 to 5207 above shall apply mutatis mutandis. Each party to the dispute shall be entitled to appoint an arbitrator, and in the event that an even number of parties is involved, the arbitrators appointed by or for them shall appoint an additional arbitrator in the manner provided in article 5202. In the event that an uneven number of parties is involved, the arbitrators appointed by or for them shall appoint two additional arbitrators in the manner provided in article 5202.

Section 5251 - 5300

Fees and Charges

~~**5251 Fees and Charges**~~
~~(15.03.05)~~

~~The Bourse may levy fees and charges as determined from time to time by the Board of Directors in respect of services or facilities provided by the Bourse.~~

~~The Bourse may require, in exceptional circumstances, to be reimbursed for the costs of its professional fees for the services of its lawyers and accountants in accordance with their hourly rate.~~

Section 5301 - 5350
Electronic Records

5301 Electronic Records
(15.03.05)

An approved participant is permitted to maintain required records and documents in electronic form provided that :

- a) such records are retained for the required time and are protected against loss or falsification, and
- b) the approved participant provides means for making the records available for inspection in a complete and intelligible form within a reasonable period of time.

Section 5351-5400
Exchange Reorientation
(22.11.99, abr. 12.02.02)