CIRCULAR
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Acceptable Strategy Types for Equity Option User Defined Strategies

The purpose of this Circular is to inform Approved Participants (AP) and Foreign Approved Participants (FAP) of the equity option strategy types accepted by the Bourse de Montréal (Bourse) for the purpose of User Defined Strategies (UDS), pursuant to the Procedures Applicable to the Execution of Strategies Involving Options.

On March 21, 2011 the Bourse launched the UDS functionality on the Bourse's SOLA® trading engine. This functionality permits APs and FAPs to create strategies as per their specifications via their individual software applications. Strategies that meet the acceptance criteria will be broadcast to the market and participants may enter orders on the newly created instruments.

At this time only two-legged strategies with a maximum ratio of 1 to 4 will be accepted. For greater precision, the list of acceptable strategy types are as follows:

Strategy	Example
Call spread	Buy call and sell call
Put spread	Buy put and sell put
Straddle	Buy call and buy put with same expiry month and same strike price
Strangle	Buy put and sell call with same expiry month and different strike price
Synthetic position	Buy call and sell put with same expiry month and same strike price
Synthetic position with split strikes	Buy call and sell put with same expiry month and different strike price
1:2 ratio call spread	Buy one call and sell two calls
1:2 ratio put spread	Buy one put and sell two puts
1:3 ratio call spread	Buy one call and sell three calls
1:3 ratio put spread	Buy one put and sell three puts
1:4 ratio call spread	Buy one call and sell four calls
1:4 ratio put spread	Buy one put and sell four puts

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