

POLICY C-1**EXEMPTION REQUEST FROM A POSITION LIMIT
(08.09.89, 30.12.93, 15.05.15)**

This policy explains the filing procedure for an exemption request from a position limit and describes how the application is processed.

I. REQUEST

1. An *Approved Participant* or a client may file an exemption request from a position limit with the *Bourse*.

An exemption request must be addressed to the Regulatory Division of the *Bourse* in writing, and sent electronically.

2. An exemption request is made by filling out the appropriate form and shall include the following information:

- 1° a statement to the effect that the request is either a new request, a request for increasing a limit under an existing exemption or a request for the renewal of an existing exemption;
- 2° a detailed statement of the open positions and a description of upcoming positions in the *Derivative*. The statement shall include the number of contracts, the expected maturity of the positions and the direction (long or short) of the positions. In the case of options, the statement must indicate the *Exercise Price* and the type of option. The description of upcoming positions must contain the same information if it is available;
- 3° the requested position limit and desired duration of the exemption;
- 4° a statement to the effect that the positions are bona fide hedging transactions or that they were taken or will be taken for risk management purposes;

This statement must be accompanied by a complete and accurate description of the positions taken in the *Underlying Interest* or in a security related to the *Underlying Interest* of the *Derivative* for which the exemption is sought. The existence and ownership of the *Underlying Interest* or of the security related to the *Underlying Interest* must be demonstrated;

- 5° an undertaking to provide any information or document which the *Bourse* may deem relevant, including any information which allows the *Bourse* to assess the financial situation of the applicant;

- 6° an undertaking to provide the *Bourse* with a daily statement of open positions in the *Derivative* for which the exemption is sought and in any *Underlying Interest* or security related to the *Underlying Interest*;
 - 7° an undertaking to comply with the *Rules*, policies and procedures of the *Bourse* as well as with the terms and restrictions of the exemption;
 - 8° an undertaking to notify the *Bourse* without delay of any material change in the information provided with the exemption request;
 - 9° an undertaking to liquidate the positions in an orderly fashion upon maturity or at any other time; and
 - 10° an acknowledgement that the *Bourse* may at any time, for valid reasons, modify or revoke an exemption from a position limit.
3. To be admissible, an exemption request shall serve a risk management purpose or shall relate to a *Bona Fide Hedger* account, as defined in section 14226 and 14227 of the *Rules*.

An exemption from a position limit shall not be granted for a speculative account.

4. The following positions qualify as positions taken for risk management purposes:
- 1° a position taken by a *Person* who regularly buys, sells or carries positions in the cash market underlying a *Derivative*; and
 - 2° a position taken by a *Person* who regularly buys, sells or carries positions in a *Derivative* on the stock market or OTC market. This market must be sufficiently liquid relative to the size of the position held.
5. An exemption request from a position limit shall be filed the moment the position limit for a specific *Derivative* is reached or the moment the *Approved Participant* or client realizes that the limit will be breached as a result of an anticipated transaction.

Where an exemption request cannot be filed immediately, it shall be filed not later than 10:30 A.M. (Montreal time) on the first business day following the day on which the limit is reached and shall provide justification for the late filing of the request.

6. The *Approved Participant* or the client may file an application with the Vice-President, Regulatory Division of the *Bourse*, or his or her designee, to obtain an extension of the exemption request filing period. This application shall be filed before the *Approved Participant* or the client fails to file an exemption request within the prescribed time.

The time extension granted by the Vice-President, Regulatory Division of the *Bourse*, or his or her designee, to file a request for exemption shall not exceed five (5) business days after the day on which the position limit is reached.

7. An *Approved Participant* or client who fails to comply with the prescribed time period for filing an exemption request must immediately liquidate the positions who exceed the prescribed limit.

II. PROCESSING REQUESTS FOR EXEMPTION FROM POSITION LIMITS

8. If all the required information is included in an exemption request, the applicant shall be notified of the approval or refusal as soon as possible after the request is received by the Regulatory Division of the *Bourse*.
9. Only the Vice-President, Regulatory Division of the *Bourse*, or his or her designee, may decide to accept or refuse a request for exemption from a position limit.

The designee of the Vice-President, Regulatory Division of the *Bourse* shall come from the Regulatory Division of the *Bourse*.

Before making a decision, the Vice-President, Regulatory Division of the *Bourse*, or his or her designee, shall submit each exemption request to the Internal Consultation Committee.

10. The Internal Consultation Committee include the following persons or their designees:
 - 1) Vice-President, Legal Affairs;
 - 2) Vice-President, CDCC Risk Management;
 - 3) Vice-President, Financial Markets; and
 - 4) Vice-President, Research and Development.
11. The Internal Consultation Committee may be consulted in person, by phone or by electronic messaging.
12. Each member of the Internal Consultation Committee, or his or her designee, shall be provided with the exemption request form, all information provided with the exemption request and any other document on which the Vice-President, Regulatory Division of the *Bourse*, or his or her designee, intends to base his or her decision.
13. The Vice-President, Regulatory Division of the *Bourse*, or his or her designee, may issue a decision if the opinion of the members of the Internal Consultation Committee cannot be obtained within a reasonable time.

III. CONSIDERED FACTORS IN ASSESSING AN EXEMPTION REQUEST FROM A POSITION LIMIT

14. The following factors shall be considered by the Vice-President, Regulatory Division of the *Bourse*, or his or her designee, when assessing an exemption request from a position limit:
 - 1° the reputation and financial capacity of the *Approved Participant* or the client;
 - 2° the level of the *Approved Participant's* or the client's inventory in the *Underlying Interest* or in securities related to such *Underlying Interest* relative to the limit sought by the *Approved Participant* or the client;
 - 3° the *Approved Participant's* or the client's recent activity in the market for which the request is made;
 - 4° the regular activity in the market for which the request is made (liquidity, open interest, etc.);
 - 5° the proposed strategy by the *Approved Participant* or the client; and
 - 6° any other factor deemed relevant by the Vice-President, Regulatory Division of the *Bourse* or his or her designee.
15. The Vice-President, Regulatory Division of the *Bourse*, or his or her designee, may at any time require additional information from an *Approved Participant* or a client.

IV. COMMUNICATION AND EFFECTS OF THE DECISION

16. The decision of the Vice-President, Regulatory Division of the *Bourse*, or of his or her designee, shall be communicated to the applicant as soon as possible, followed by written confirmation.

When the exemption request is approved, the written confirmation shall set forth the terms and restrictions of the exemption.
17. The exemption shall be effective when the applicant receives the decision.
18. Where the Vice-President, Regulatory Division of the *Bourse*, or his or her designee, refuses an exemption request, the applicant shall have a reasonable time to liquidate, in an orderly fashion the positions that are in excess of the prescribed limit.
19. Where the Vice-President, Regulatory Division of the *Bourse*, or his or her designee, refuses an exemption request from a client and the positions in excess of the prescribed limit are not liquidated in a reasonable time, the Vice-President, Regulatory Division of the *Bourse* may order each *Approved Participant* with whom the client carries a position to reduce such position proportionately.

20. All exemptions from position limits are temporary.

The duration of an exemption is determined by the Vice-President, Regulatory Division of the *Bourse*, or his or her designee, and shall not exceed three (3) months from the filing of the request.

21. The Vice-President, Regulatory Division of the *Bourse*, or his or her designee, may review, amend or terminate an exemption.

V. RENEWING, AMENDING, REVOKING OR INCREASING AN EXEMPTION

22. An *Approved Participant* or a client wishing to increase or renew the limit under an exemption from a position limit must file an exemption request using the appropriate form.

23. An *Approved Participant* or a client wishing to increase the limit under an exemption from a position limit must file a request for exemption.

The exemption request shall be filed the moment it becomes obvious that the limit is insufficient, but not later than 10:30 A.M. (Montréal time) on the business day following the day on which the limit is breached.

24. An *Approved Participant* or a client wishing to renew an exemption from a position limit must file a request for exemption with the Vice-President, Regulatory Division of the *Bourse*.

The exemption request shall be filed not later than ten (10) business days before the expiration date of the exemption.

25. The decision-making process set forth in Parts II, III and IV of this Policy shall apply when an *Approved Participant* or a client requests an increase or renewal of a limit under an exemption from a position limit.

ANNEXE A

**STANDARDIZED FORM
EXEMPTION REQUEST FOR POSITION LIMITS ON DERIVATIVES TRADED
ON BOURSE DE MONTRÉAL INC.**

Indicate if this is:

A new request

or

An increase or a renewal of an existing exemption

1. Name of the beneficiary owner(s) of the account for whom this request is submitted:

2. Address: _____

City: _____ Province or State: _____

Postal or Zip Code: _____ Country: _____

Name and title of the person responsible for the account:

Phone: (____) _____ Fax: (____) _____

E-mail: _____

3. Attach an appendix which provides the following information for each approved participant with whom the applicant holds one or more accounts.

- 1) Name of the approved participant;
- 2) Name(s) of the person(s) responsible for the account;
- 3) Account number(s);
- 4) Phone number(s) of the responsible person(s) at the approved participant;
- 5) Fax number (s) of the responsible person(s) at the approved participant;
- 6) E-mail address(s) of the responsible person(s) at the approved participant.

4. If an approved participant identified in section 3 has not or will not clear the positions with the CDCC, attach an appendix which provides the following information for each clearing broker who has or will undertake the clearing of the applicant's positions.

- 1) Name of the clearing broker;
- 2) Name(s) of the person(s) responsible for the account;
- 3) Account number(s);
- 4) Phone number(s) of the responsible person(s) at the clearing broker;
- 5) Fax number(s) of the responsible person(s) at the clearing broker;
- 6) E-mail address(s) of the responsible person(s) at the clearing broker.

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5. Indicate the *Bourse* traded *derivative* for which an exemption from position limits is being requested, the requested limit, the desired length of the exemption and the side (long or short) of positions.

Product (Symbol): _____

Requested limit (number of contracts): _____

Long: _____

Short: _____

Length of the exemption (maximum of 3 months): _____

6. Include a detailed statement of current open positions in this *derivative* as well as a detailed description of upcoming positions in the *derivative*, if they are known. The statement and description shall especially mention the following information :

- 1) the number of contracts;
- 2) the expiration date;
- 3) whether the positions are long or short;
- 4) the strike price if it's an option.

7. Exemption type:

- Hedger (*Bona Fide Hedger* – see definitions in articles 14226 and 14227 of the Rules of the *Bourse*)
- Risk management (see definition in section 4 of Policy C-1)

8. Include a detailed statement of current positions in the *Underlying Interest* of the above-mentioned *derivative* or in securities related to this *Underlying Interest*.

This statement shall demonstrate the existence and ownership of this *Underlying Interest* or of the securities related to this *Underlying Interest*.

9. Include any other information considered useful for the purpose of this request.

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DECLARATIONS AND UNDERTAKINGS

1. The undersigned declares that positions declared in this request are real bona fide hedges or that they have been taken or will be taken for risk management purposes and that their description is complete and accurate.
2. The undersigned promises to provide any other information or document that the Bourse could deem relevant to request, including any information allowing the *Bourse* to know and assess the financial situation of the applicant.
3. If the requested exemption is granted, the undersigned undertakes to provide the *Bourse* with a daily statement not only of open positions in the *derivative* instrument subjected to such exemption but also in the *Underlying Interest* or in the security related to such *Underlying Interest* and this as long as the exemption will be in force.
4. The undersigned undertakes to comply with all the Rules, Policies and Procedures of the *Bourse* as well as with all the conditions and limitations that could be imposed by the *Bourse* in connection with the granted exemption.
5. The undersigned undertakes to communicate promptly to the *Bourse* any significant change in the information provided in this request for exemption.
6. The undersigned undertakes to liquidate in an orderly fashion all positions held in the relevant *derivative* instrument on expiry or at any other time where it is determined by the undersigned or by the *Bourse* that it is necessary to liquidate these positions in whole or in part.
7. The undersigned acknowledges that the *Bourse* may at any time and for any valid reason, amend or withdraw any position limit exemption it has granted.

No exemption and no increase or renewal of such exemption shall be considered as having been approved or in force as long as the approval of such has been confirmed verbally and in writing by the Regulatory Division of the *Bourse*. Any exemption, increase or renewal of such exemption shall be for a limited period of time and in no case shall such exemption, increase or renewal be valid for a period of time exceeding three (3) months from the date on which it has been granted.

The approval of this request does not in any way limit the authority of the *Bourse* to take any emergency measures or to take any discretionary decision if taking such measures or such decision is necessary to ensure market integrity. The *Bourse* can also improve additional conditions to any exemption already granted or withdraw such exemption if it deems it necessary in reason of operational regulatory or financial problems of the exemption beneficiary or in reason of matters related to market integrity, lack of market liquidity or depth or any other situation that may be causing a risk for the *Bourse*, for the clearing corporation and for market participants.

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The undersigned certifies that he/she is authorized to sign and submit this request.

Name of applicant (client or approved participant for the account of whom the exemption request is submitted):

Submitted by (complete name): _____

Position/Title: _____ Phone: _____

E-mail : _____

Date : _____