NOTICE TO MEMBERS

No. 2011 – 137
December 22, 2011

REQUEST FOR COMMENTS

FUTURES CONTRACTS ON CANADIAN SHARES

AMENDMENT TO RULE A-9 ADJUSTMENTS IN CONTRACT TERMS AND RULE C-15 SHARE FUTURES

AMENDMENT TO RISK AND OPERATIONS MANUALS OF CDCC

Summary

Bourse de Montréal Inc. ("**Bourse**") intends to launch futures contracts on canadian shares ("**Share Futures**"). In order to allow the Bourse to launch Share Futures, the Canadian Derivatives Clearing Corporation ("**CDCC**") must amend Rule A-9 – Adjustments in Contract Terms ("**Rule A-9**"), Rule C-15 Share Futures ("**Rule C-15**") and the Risk and Operations Manuals of the CDCC.

The Board of Directors of the CDCC approved amendments to Rule A-9, Rule C-15 and to the Risk and Operations Manuals of the CDCC. The purpose of the proposed amendments is to offer clearing of Share Futures transactions.

Please find enclosed an analysis document as well as the proposed amendments.

Process for Changes to the Rules

CDCC is a recognized self-regulatory organization (SRO) by the Autorité des marchés financiers (the "**AMF**") and as such, carries on activities as a clearing house and as an SRO in Québec.

The Board of Directors of CDCC has the power to approve the adoption or amendment of Rules of CDCC. The amendments are submitted to the AMF in accordance with the self-certification process.

Comments on the proposed amendments must be submitted within 30 days following the date of publication of the present notice. Please submit your comments to:

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Assistant Secretary
Canadian Derivatives Clearing Corporation
Tour de la Bourse
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A copy of these comments shall also be forwarded to the AMF to:

Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
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FUTURES CONTRACTS ON CANADIAN SHARES AND AMENDMENTS TO THE ADJUSTMENTS IN CONTRACT TERMS

AMENDMENTS TO THE RULES AND MANUALS OF THE CDCC

I. Introduction

Bourse de Montréal Inc. (the "Bourse") launched on January 31, 2001, futures contracts on Canadian Shares and International Shares. The former were settled by physical delivery and the latter were cash settled. Trading volume in the product never gained traction and retail investor interest never materialized. As a result, the Bourse deferred any plans to extend its product offering of share futures to other Canadian names and the product was subsequently de-listed.

Given renewed interest by market participants for trading share futures on Canadian names, the Bourse has decided to re-launch the product (see attached the contract specifications for the Share Futures on Individual Canadian stocks). The Rules of the Bourse and the Canadian Derivatives Clearing Corporation (the "CDCC") are already in place since the product rules were drafted and approved in 2000. In this context, the CDCC identified the necessity to update its current rules and manuals applicable to share futures contracts.

II. Rationale

A recent survey among Canadian banks, pension funds, insurance companies and broker dealers has shown renewed interest for share futures contracts. The product is viewed as a niche product that would target institutional users who would use the product mainly as an alternative to securities lending, for tax and dividend motivated strategies, arbitrage with options and for hedging purposes. The Bourse and CDCC's positioning will follow the model adopted in the U.S. (One Chicago) and in Europe (Eurex and Euronext-Liffe). A model that promotes institutional use via wholesale facilities that includes block trading, crosses and exchange for physical (EFP's).

III. Proposed Regulatory Amendments

a) Modifications to Rule A-9 – Adjustments in Contract Terms

CDCC identified the necessity to update and align its current rules applicable to adjustments in stock option and share futures contract terms with the adjustment policies of the principle options clearing corporations operating in the United States, among them the Options Clearing Corporation (OCC). The primary purposes are to ensure transparency in terms of decisions made by the Adjustments Committee for CDCC's clearing members and equivalent treatment of inter-listed instruments in the U.S. and Canada.

CDCC must amend article A-902 of *Rule A-9 – Adjustments in Contract Terms* ("Rule A-9") to harmonize its contract terms adjustment methodology with those of OCC since a significant number of instruments are inter-listed in the U.S. and Canada.

As share futures were removed from the Bourse's product offering in 2001, CDCC's current contract adjustment rules had to be updated to meet current best practices with regard to share futures. Consequently, the major regulatory amendments proposed by CDCC consists in aligning share futures adjustment procedures to ensure equivalence with current best practices but also to ensure share futures can be adjusted in a manner consistent with adjustments made to stock options contracts on the same underlying security.

In addition, the proposed amendments include revisions and updates of stock options treatment, as well as a new rule allowing under certain conditions the suspension of adjustments for recurring special cash dividends.

The proposed rule changes and associated rationales can be summarized as follows:

1. <u>Revision of the fixed amount threshold which determines whether a cash dividend will result in an adjustment of stock options</u>

A. Rationale

In accordance with the rules of CDCC currently in effect, in the case of stock option contracts, a cash dividend or distribution is considered ordinary (regardless of size) and will not trigger an adjustment if CDCC's Adjustment Committee determines that such dividend or distribution is declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly or other regular basis. In addition, as a general rule, a cash dividend or distribution that is less than CAD15 per contract will not trigger an adjustment.

This procedure is similar to the methodology applied by OCC to define whether a cash dividend or distribution should result in an adjustment, except that OCC's fixed amount threshold for a cash dividend or distribution is USD12.50 per contract. The exchange rate implied between the two different thresholds is 0.83 CAD/USD which is significantly lower than the levels of the currency rate over the last year (52 week range of 0.9223 - 1.0585 CAD/USD). In order to avoid discrepancies in treatment of cash dividends or distributions by CDCC and OCC, and thus arbitrage opportunities, CDCC will update the threshold for a cash dividend or distribution per contract to CAD 12.50, a fixed amount similar to OCC's threshold of USD12.50 per contract.

B. Proposed Rule Change

CDCC proposes to revise the fixed amount threshold per contract that triggers an adjustment of stock options in the case of a cash dividend or distribution. CDCC will update the threshold for a cash dividend or distribution to CAD 12.50 per contract. The amended rule will provide that a cash dividend or cash distribution that is less than CAD12.50 per contract will not result in an adjustment of stock options.

2. Adjustment methodology of stock options in the case of reverse stock splits

A. Rationale

CDCC's rules specify a method of adjusting for reverse stock splits which is not in line with the procedure applied by OCC in the same case. Currently, the rules of CDCC in effect state that the strike price in effect immediately prior to a reverse stock split, combination of shares or similar event shall be proportionately increased, while the unit of trading shall be proportionately decreased.

An alternative method which consists in adjusting the deliverable but not the strike price is used by OCC. This method was introduced to avoid, in the case of non-integral stock splits and reverse stock splits, the need for rounding strike prices, when a significant number of contracts cleared by OCC had the strikes stated in eighths. Even if the conversion to decimal strikes has been completely achieved in today's markets, OCC still applies this procedure to adjust stock options in the case of reverse stock splits.

As the Bourse lists stock options with strike prices denominated only in decimals, the inequities due to rounding are not considered (rounding errors created by rounding to the nearest cent is immaterial given the large positions taken on the markets). Nevertheless, for the purpose of harmonization with OCC's rules, CDCC decides to employ the same methodology of adjusting for reverse stock split.

B. Proposed Rule Change

The basic elements of all adjustments under the new methodology are the following:

- Strike prices remain unchanged;
- The eliminated shares are subtracted from the contract deliverable;
- The adjusted option continues to use 100 as the multiplier to extend premium and strike amounts;
- The number of contracts remains unchanged.

In addition, rounding rules have been included to clarify this methodology. If the method of adjusting for a reverse stock split results in a fractional deliverable (e.g. a 2-for-3 reverse stock split produces a deliverable of 66.6667 shares), such deliverable will be rounded down to 66 shares to eliminate the fraction. Instead of compensating for the elimination of the .6667 share by reducing the strike prices, the strike prices would remain unchanged, and the cash value of the eliminated fractional share (.6667 x the post-split value of the share stock as determined by CDCC) would be the deliverable along with the 66 shares. The adjusted option would also continue to use 100 as the multiplier to calculate aggregate strike and premium amounts.

3. Definition of ordinary distributions in the case of options on securities issued by Exchange Traded Funds (ETFs)

A. Rationale

As OCC's, CDCC's rules currently define that a short-term or long-term capital gains distributed in an ETF is not deemed, as a general rule, to be ordinary if it exceeds a fixed amount threshold.

However, no adjustment procedure similar to OCC's is provided if distributions other than capital gains are made on ETFs. OCC's rules define whether to adjust in the case of other than capital gains distributions in respect with options on ETFs that track indexes. If the indexes' divisors have been adjusted to compensate for a special dividend issued by one of the companies included in the indexes, failing to adjust options on ETFs that track those indexes could create an unfair and inequitable disconnect between the values of ETF options and the values of index options based on the same index. The effect of adjusting those indexes by modifying the divisors not only nullifies the effect of the special dividend on the indexes themselves but also on options overlying those indexes.

Indexes have procedures to adjust for a distribution from one of their constituents which differ from the ones of entities holding the securities like ETFs or derivatives on such securities. While indexes are not holding entities and are not receivers of a dividend on portfolio security, ETFs traditionally hold the portfolio security and will receive the dividend from the issuer and might therefore afterwards distribute an equivalent to the ETF unitholders. So while divisors of indexes are adjusted to counterbalance the devaluation following a distribution, ETF may proceed with a distribution equivalent to the special dividend. Thereby, the index divisor has been adjusted and the ETF may proceed with a distribution. The ETF option must be adjusted accordingly if 1) the amount of the adjustment for the distribution is of greater value than 0.125$ per fund share, and 2) the Adjustment Committee does not determine not to adjust for such distribution. Although this rationale applied only to some ETFs (i.e. those that track indexes that are being adjusted), it would be inconsistent and potentially confusing not to adjust for other options on other ETFs that also hold in their portfolios the same stock which distributed the special dividend.

B. Proposed Rule Change

CDCC proposes to harmonize its rules with OCC's with the following revision to determine that a distribution other than capital gain in respect with an ETF is not to be deemed ordinary and should result in an adjustment of the ETF option:

(i) the fund tracks the performance of an index that underlies a class of index options or index futures, and the distribution on the fund shares includes or reflects a dividend or other distribution on a portfolio security that resulted in an adjustment of the index divisor; or

(ii) the distribution in the fund shares includes or reflects a dividend or other distribution on a portfolio security:

(x) that results in an adjustment of options on other fund shares; or

(y) that is not deemed to be ordinary dividend or distribution under Interpretation (Section I 1)).

All adjustments shall be made in accordance with paragraph 6) of Section A-902 unless the Adjustment Committee determines on a case by case basis not to adjust for such a distribution. However, no adjustment shall be made, if the adjustment for the distribution would amount to less than $0.125 per fund share.

4. Definition of ordinary dividends and distributions in the case of share futures

A. Rationale

As a general rule, CDCC does not adjust stock options for cash dividends unless the amount of the dividend exceeds a certain threshold value of the underlying stock (currently CAD.15 per share). If the holder of a call option wants to capture a dividend below that threshold, he can do so by exercising his option. Because share futures, like other futures products, are not exercisable, the holder of a long share future would not have that ability. Recurrent stock cash dividends are not regarded as a problem because they can be anticipated and discounted in futures settlement prices. But there is no economical way for holders of long share futures positions to ensure themselves the benefit of unscheduled dividends.

Share futures adjustment procedures generally parallel adjustment rules for stock options. But in order to take into account the economic difference between options and futures markets discussed above, CDCC proposes to adopt a procedure similar to OCC's for defining, in the case of share futures, whether a cash dividend or cash distribution is deemed "ordinary".

B. Proposed Rule Change

CDCC's proposed rule change provides that in case of share futures, a cash dividend would be deemed "ordinary" if CDCC determined that it was declared pursuant to a policy or practice of paying such dividends on a quarterly or other regular basis regardless of the size of the cash dividend.

This change recognizes that market pricing mechanisms can compensate for anticipated cash dividends, but because the market cannot anticipate and price special dividends, the rule change provides for adjustments to outstanding share futures when a company pays a special (i.e. non-recurring) cash dividend without regard to size.

5. Adjustment methodologies of share futures in the case of stock dividends, stock distributions, stock splits, reverse stock splits, and when an underlying security is converted into a right to receive a fixed amount of cash

A. Rationale

CDCC's current share futures adjustment rules in the case of stock dividends, stock distributions, stock splits, reverse stock splits and when the underlying security is converted into a right to receive a fixed amount of cash are presently out of line with OCC's methodology. In order to ensure share futures are adjusted in a manner consistent with adjustments made to stock option contracts on the same underlying security, the procedures for share futures in the cases mentioned above should parallel the adjustment rules for stock options which are currently in line with OCC's, except in the case of reverse stock splits as described earlier.

B. Proposed Rule Change

CDCC's proposed amendments include applying the following adjustment methodologies to share futures, analogous to the stock options rules for the same corporate events:

- Methods of adjusting for stock dividends, stock distributions, and stock splits:

In cases where one or more whole shares are issued with respect to each outstanding share, the number of outstanding share futures contracts is correspondingly increased and settlement prices are proportionally reduced. In all other cases, the number of shares to be delivered under the futures contract is increased and the settlement price is reduced proportionately.

- Methods of adjusting for reverse stock splits:

The analogous procedure to the one proposed earlier for stock options is provided for share futures: the settlement price remains unchanged, eliminated shares are subtracted from the contract deliverable, the adjusted futures contract continues to use 100 as the multiplier to extend premium and settlement amounts, and the number of contracts remains unchanged.

- Methods of adjusting when the underlying security is converted into a right to receive a fixed amount of cash as in a merger:

Outstanding share futures are adjusted to replace the underlying security with the fixed amount of cash as the underlying interest, and the unit of trading remains unchanged.

6. Adjustments of share futures contracts in the case of a rights distribution

A. Rationale

CDCC's rule A-9 does not currently provide a specific adjustment procedure for share futures if the issuer of the underlying security declares a rights distribution.

Consequently, CDCC proposes to adopt a methodology similar to OCC's for adjusting outstanding share futures following this corporate event. This methodology reflects the economic consequence of the expiration of at-the-money rights, before the time they could be exercised, upon delivery under the share futures contract, by specifying a further adjustment procedure.

B. Proposed Rule Change

Under the proposed rule addition, when an adjustment is made for a rights distribution, the unit of trading in effect immediately prior to the corporate event will ordinarily be proportionately adjusted to include the number of rights distributed by the issuer. If the rights are due to expire before the time they could be exercised upon delivery under the share futures contract, then delivery of the rights will not be required. Instead, the last settlement price established before the rights expire will be adjusted to reflect the value, if any, of the rights as determined by CDCC.

7. Ceasing adjustments for recurring special cash dividends

A. Rationale

On August 31st, 2010, OCC filed with the U.S. Securities and Exchange Commission (SEC) a proposed rule change with immediate effectiveness to interpret its by-laws as to recurring special cash dividends adjustment.

OCC proposed to amend its stock option and share futures contract adjustment rules to allow its Securities Committee under certain conditions to cease adjusting for recurring cash dividends previously deemed to be non-ordinary dividends. The amendment was prompted by the existence of a consistent pattern of non-ordinary dividends for an underlying security (Diamond Offshore Drilling Inc.). OCC and the options exchanges received strong feedback from investors that the series of special dividends paid on a quarterly basis by the company, alongside their regular quarterly dividend have demonstrated such consistency and thereby have achieved such predictability that they should no longer be considered "non-ordinary" for adjustment purposes.

The standard method of adjustment of a stock option is to reduce the strike price by the amount of the dividend. Options with "standard" strike prices are then reintroduced by the listing option exchange. With each successive adjustment, this process is repeated, proliferating strike prices. OCC noticed that liquidity naturally gravitates to the options with standard strike prices at the expense of liquidity for options with non-standard strike prices. The proliferation of option strike prices caused by successive quarterly adjustments can have an adverse effect on liquidity but also occasion other adverse operational effects.

Share futures likewise are adjusted in response to non-ordinary cash dividends or distributions and equivalent adverse effects can occur with successive adjustments for recurring non-ordinary cash dividends.

B. Proposed Rule Change

OCC's rule change for ceasing adjustment under certain conditions for recurring non-ordinary cash dividends will become effective February 1, 2012 and has been filed with the SEC. CDCC is following OCC's lead and proposes to proceed with similar amendments to its rules in order to ensure equivalent treatment of inter-listed instruments in the U.S. and in Canada.

The conditions under which the Adjustment Committee will be allowed to reclassify as "ordinary" dividends previously deemed "non-ordinary" dividends are as follow:

1. the issuer discloses that it intends to pay such dividends or distributions on a quarterly or other regular basis,
2. the issuer has paid such dividends or distributions for four or more consecutive months or quarters or two or more years after the initial payment, whether or not the amounts paid were the same from period to period, or
3. the Adjustment Committee determines for other reasons that the issuer has a policy or practice of paying such dividends or distributions on a quarterly or other regularly basis.

The portion of CDCC's rule A-9 which allows under the conditions enumerated above recharacterization of dividends as ordinary shall become effective on the same effective date as the amendment to adjustment policy of OCC, on February 1st, 2012.

b) Modifications to Rule C-15 Share Futures

CDCC identified the necessity to update its current rules applicable to share futures. Considering pending proposed amendments to *Rule B-6 Equity Options* ("Rule B-6"), CDCC might have to amend paragraph (1) of *Section C-1503 Criteria for Eligibility of Share Futures* to make sure Rule C-15 refers to the general eligibility criteria of a stock option's underlying interest. Rule C-15 currently refers to *Section B-603 Criteria for Eligibility of Stock Options*. CDCC will assess the necessity to amend the relevant reference following completion of Rule B-6 on going regulatory amendment process.

Also, CDCC proposes to add a new *Section C–1504 Ineligibility Criteria for Share Futures* to Rule C-15 to harmonize with its current practices for equity options. Section C-1504 will initially refer to *Section B-604 Deficiency Criteria for Stock Options*. CDCC will assess the necessity to amend the relevant reference following completion of Rule B-6 on going regulatory amendment process.

In addition, CDCC proposes to add to Rule C-15 a definition for "Canadian Stock" to be defined as an individual stock issued by a Canadian reporting issuer listed on a Canadian Recognized Exchange. Also, Section C-1503 has been modified accordingly to reflect the addition of the Canadian Stock definition to Rule C-15.

c) Modifications to Risk Manual

CDCC identified the necessity to update its current Risk Manual applicable to share futures. CDCC proposes to add to the Risk Manual of CDCC explicit references to the relevant sections of Rule C-15 for the eligibility and ineligibility criteria for share futures. The following amendments will be added to the section *Acceptability of Underlying Interests* of CDCC's Risk Manual:

> "Acceptable Underlying Interests of Share Futures
>
> *Section C-1503* of the Rules sets out the eligibility criteria for share futures.
> *Section C-1504* of the Rules sets out the ineligibility criteria for share futures.
>
> CDCC reviews and publishes quarterly the eligibility threshold and deficiency threshold in terms of market capitalization and volume (expressed as an average daily volume of the last 20 business days) for clearing share futures."

Also, CDCC proposes to add to the *Initial Margin for Futures Contracts* section of the Risk Manuals an explicit mention of share futures.

d) Modifications to Operations Manual

CDCC identified the necessity to update its current Operations Manual applicable to share futures. CDCC proposes to add to subsection *Submission of Tender Notices* of Section 6 *Exercises, Tenders, Assignments and Deliveries* of the Operations Manual an explicit mention of share futures.

IV. Summary of the Proposed Amendments to the Rules of CDCC

CDCC proposes to update and align its current rules applicable to adjustments in stock options and share futures contract terms with the adjustment policies of the principle options clearing corporations operating in the United States, among them the Options Clearing Corporation (OCC). The primary purposes are to ensure transparency in terms of decisions made by the Adjustments Committee for CDCC's clearing members and equivalent treatment of inter-listed instruments in the U.S. and Canada.

CDCC proposes to update its current Rule C-15 applicable to share futures.

CDCC proposes to update the Risk Manual and the Operations Manual so that they may apply to share futures.

V. Objective of the Proposed Amendments to the Rules of CDCC

CDCC's proposed amendments are in line with a consistent request by clearing members to the effect that CDCC's Adjustment of Contract Terms Rule be harmonized with that of OCC to ensure that there is no confusion for clients trading in Canada and the United States.

The proposed amendments to CDCC's Rule A-9 fulfill the primary objectives of higher transparency and lower uncertainty in terms of decisions made by the Adjustments Committee for CDCC's clearing members, along with the elimination of arbitrage opportunities between instruments on inter-listed stocks cleared by CDCC and OCC.

The proposed amendments to CDCC's Rule C-15 will harmonize CDCC's with its current practices for equity options

VI. Public Interest

These amendments to the Rules and Manuals of CDCC are proposed in order to update CDCC's current practice and harmonize its operations with the practices in effect in other jurisdictions to eliminate discrepancies with regards to treatment of interlisted derivatives instruments traded in Canada and the United States. The proposed amendments will also allow CDCC to offer clearing services for share futures on Canadian stocks.

VII. Process

The proposed regulatory amendments are submitted for approval by the CDCC Board. Once the approval has been obtained, they will then be transmitted to the Autorité des marchés financiers in accordance with the self-certification process and to the Ontario Securities Commission for information. They will also be published by CDCC for a request for comments period of 30 days.

VIII. References

Documents Attached

- Rule A-9 Adjustments in Contract Terms
- Rule C-15 Share Futures
- Bourse Contract Specifications – Share Futures on Individual Canadian stocks.

Sources

- The Options Clearing Corporation Rulebook

  http://www.theocc.com/components/docs/legal/rules_and_bylaws/occ_rules.pdf

Appendix XX:

RULE A-9 ADJUSTMENTS IN CONTRACT TERMS

Section A-901 Application

This Rule A-9 is applicable to Transactions where the Underlying Interest is an equity related product.

Section A-902 Adjustments in Terms

(1) Whenever there is a dividend, stock dividend, stock distribution, stock split, trust unit split, reverse stock split, reverse trust unit split, rights offering, distribution, reorganization, recapitalization, reclassification or similar event in respect of any Underlying Interest, or a merger, consolidation, dissolution or liquidation of the issuer of any Underlying Interest, the number of Derivative Instruments, the Unit of Trading, the Exercise Price, and the Underlying Interest, or any of them, with respect to all outstanding Derivative Instruments open for trading in that Underlying Interest may be adjusted in accordance with this Section A-902.

(2) Subject to Subsection ~~(10)~~ (13) of this Section A-902, all adjustments made pursuant to this Section A-902 shall be made by a committee ("Adjustments Committee"). The Adjustments Committee shall determine whether to make adjustments to reflect particular events in respect of an Underlying Interest, and the nature and extent of any such adjustment, based on its judgment as to what is appropriate for the protection of investors and the public interest, taking into account such factors as fairness to Clearing Members and the Corporation, the maintenance of a fair and orderly market in Derivative Instruments on the Underlying Interest, consistency of interpretation and practice, efficiency of exercise settlement procedures, and the coordination with other clearing agencies of the clearance and settlement of transactions in the Underlying Interest. The Adjustments Committee may, in addition to determining adjustments on a case-by-case basis, adopt statements of policy or interpretation having general application to specified types of events. Any such statements of policy or interpretation shall be disseminated to all Clearing Members, exchanges and securities regulatory authorities having jurisdiction over the Corporation. Every determination by the Adjustments Committee pursuant to this Section A-902 shall be within the sole discretion of the Adjustments Committee and shall be conclusive and binding on all Clearing Members and not subject to review, other than review by securities and regulatory authorities having jurisdiction over the Corporation pursuant to applicable provisions of the respective statutes.

(3) It shall be the general rule that there will be no adjustments of Options and similar instruments to reflect ordinary cash dividends or distributions, or ordinary stock dividends or distributions, or ordinary trust unit dividends or distributions declared by the issuer of the Underlying Interest, or any cash dividend or distribution declared by the issuer of the Underlying Interest if such dividend or distribution is less than ~~$0.15 per share~~ $12.50 per contract.

(4) It shall be the general rule that there will be no adjustments of Transactions other than Options and similar instruments to reflect ordinary cash dividends or distributions, or ordinary stock dividends or distributions, or ordinary trust unit dividends or distributions declared by the issuer of the Underlying Interest.

~~(4)~~ (5) (i) For all Options and similar instruments ~~It~~ it shall be the general rule that in the case of a stock dividend, stock distribution, stock split, trust unit dividend, trust unit distribution, trust unit split or similar event whereby one or more whole number of additional shares of the Underlying Interest are issued with respect to each outstanding share, each ~~Derivative Instrument~~ Option or similar instrument covering that Underlying Interest shall be increased by the same number of additional contracts as the number of additional shares issued with respect to each share of the Underlying Interest~~. In the case of Options and similar instruments~~, the Exercise Price per share in effect immediately prior to such event shall be proportionately reduced, and the Unit of Trading ~~or the Multiplier (as defined below)~~ shall remain the same.

(ii) For all Options and similar instruments it shall be the general rule that in the case of a stock dividend, stock distribution, stock split, trust unit dividend, trust unit distribution, trust unit split or similar event whereby other than a whole number of shares of the Underlying Interest is issued in respect of each outstanding share, the Exercise Price in effect immediately prior to such event shall be proportionately reduced, and ~~conversely, in the case of a reverse stock split, consolidation or combination of shares, or similar event, the Exercise Price in effect immediately prior to such event shall be proportionately increased. Whenever the Exercise Price with respect to an Option or similar instrument has been reduced or increased in accordance with this Subsection (4), the Unit of Trading or the Multiplier (as defined below) shall be proportionately increased or reduced, as the case may be~~ the Unit of Trading shall be proportionately increased.

(iii) For all Options and similar instruments it shall be the general rule that in the case of a reverse stock split, consolidation or combination of shares, or similar event, each Option and similar instrument covering the affected Underlying Interest shall be adjusted, solely for purposes of determining the property deliverable upon exercise of the Option or similar instrument, by decreasing the Unit of Trading to reflect the number of shares eliminated. If an adjustment is made in accordance with the preceding sentence, the Unit of Trading for all such adjusted series of Options or similar instruments shall remain unchanged for purposes of determining the aggregate Exercise Price of the Option or similar instrument and for purposes of determining the premium for any such instrument purchased and sold.

~~(iii)~~ (iv) For all Transactions other than Options and similar instruments it shall be the general rule that in the case of a stock dividend, stock distribution, stock split, trust unit dividend, trust unit distribution, trust unit split or similar event whereby one or more whole number of additional shares of the Underlying Interest are issued with respect to each outstanding share, each Derivative Instrument covering that Underlying Interest shall be increased by the same number of additional contracts as the number of additional shares issued with respect to each share of the Underlying Interest, the last Settlement Price established immediately before such event shall be proportionately reduced, and the Unit of Trading shall remain the same.

~~(iv)~~ (v) For all Transactions other than Options and similar instruments it shall be the general rule that in the case of a stock dividend, stock distribution, stock split, trust unit dividend, trust unit distribution, trust unit split or similar event whereby other than a whole number of shares of the Underlying Interest is issued in respect of each outstanding share, the last Settlement Price established immediately before such event shall be proportionately reduced, and the Unit of Trading shall be proportionately increased. ~~Conversely, in the case of a reverse stock split, consolidation or combination of shares or similar event, the Unit of Trading shall be proportionately reduced.~~

(v) For all Transactions other than Options and similar instruments it shall be the general rule that in the case of a reverse stock split, consolidation or combination of shares, or similar event, each Derivative Instrument covering the affected Underlying Interest shall be adjusted, solely for purposes of determining the property deliverable upon exercise of the instrument, by decreasing the Unit of Trading to reflect the number of shares eliminated. If an adjustment is made in accordance with the preceding sentence, the Unit of Trading for all such adjusted series of Derivatives Instruments shall remain unchanged for purposes of determining the aggregate Settlement Price of the Derivatives Instrument and for purposes of determining the premium for any such instrument purchased and sold.

~~(v) For the purpose of Rule A-9, the term "Multiplier" shall have the following meaning:~~

~~"Multiplier" – in respect of any series of futures and options that are cash settled, means the number of units of the Underlying Interest which has been designated by the Corporation and the exchange on which the Derivative Instrument is traded as the number to be the subject of a single Derivative Instrument contract.~~

~~(5)~~ (6) It shall be the general rule that in the case of any distribution made with respect to shares of an Underlying Interest, other than ordinary dividends or distributions subject to Subsection (3) and (4) of this Section A-902 and other than dividends or distributions for which adjustments are provided in Subsection ~~(4)~~ (5) of this Section A-902, if an adjustment is determined by the Adjustments Committee to be appropriate, for Options and similar instruments:

(i) the Exercise Price in effect immediately prior to such event shall be reduced by the value per share of the distributed property, in which event the Unit of Trading shall not be adjusted, or

(ii) the Unit of Trading in effect immediately prior to such event shall be adjusted so as to include the amount of property distributed with respect to the number of shares of the Underlying Interest represented by the Unit of Trading in effect prior to such adjustment, in which event the Exercise Price shall not be adjusted;

for all other Transactions for which an Exercise Price is not available:

(i) the last Settlement Price established immediately before such event shall be reduced by the value per share of the distributed property, in which event the Unit of Trading shall not be adjusted, or

(ii) the Unit of Trading in effect immediately prior to such event shall be adjusted so as to include the amount of property distributed with respect to the number of shares of the Underlying Interest represented by the Unit of Trading in effect prior to such adjustment, in which event the Settlement Price shall not be adjusted.

The Adjustments Committee shall, with respect to adjustments under this Subsection or any other Subsection of this Section A-902, have the authority to determine the value of distributed property.

~~(6)~~ (7) In the case of any event for which adjustments are not provided in any of the foregoing Subsections of this Section A-902, the Adjustments Committee may make such adjustments, if any, with respect to the Derivative Instrument affected by such event as the Adjustments Committee determines.

~~(7)~~ (8) Adjustments pursuant to this Section A-902 as a general rule shall become effective in respect of Transactions outstanding on the "ex-dividend date" established by the exchange or exchanges on which the Underlying Interest is traded. In the event that the "ex-dividend date" for an Underlying Interest traded on exchanges differs from one exchange to another, the Corporation shall deem the earliest date to be the "ex-dividend date" for the purposes of this Section A-902. "Ex-dividend dates" established by any other exchange or exchanges on which an Underlying Interest may be traded shall be disregarded.

(9) It shall be the general rule that (i) all adjustments of the Exercise Price of an outstanding Option or similar instrument shall be rounded to the nearest adjustment increment, (ii) when an adjustment causes an Exercise Price to be equidistant between two adjustment increments, the Exercise Price shall be rounded up to the next highest adjustment increment, (iii) all adjustments of the Unit of Trading shall be rounded down to eliminate any fraction, and (iv) if the adjustment is made pursuant to subparagraph (5)(iii) above, the value of the fractional share so eliminated as determined by the Corporation shall be added to the Unit of Trading, or if the adjustment is made pursuant to subparagraph (5)(ii) above, if the Unit of Trading is rounded down to eliminate a fraction, the adjusted Exercise Price may be further adjusted, to the nearest adjustment increment, to reflect any diminution in the value of the Option or similar instrument resulting from the elimination of the fraction.

(10) It shall be the general rule that (i) all adjustments of the Settlement Price of an outstanding transaction other than an Option or similar instrument shall be rounded to the nearest adjustment increment, (ii) when an adjustment causes a Settlement Price to be equidistant between two adjustment increments, the settlement price shall be rounded up to the next highest adjustment increment, (iii) all adjustments of the Unit of Trading shall be rounded down to eliminate any fraction, and (iv) if the adjustment is made pursuant to subparagraph (5)(v) above, the value of the fractional share so eliminated as determined by the Corporation shall be added to the Unit of Trading, or if the adjustment is made pursuant to subparagraph (5)(iv) above, if the Unit of Trading is rounded down to eliminate a fraction, the adjusted Settlement Price may be further adjusted, to the nearest adjustment increment, to reflect any diminution in the value of the Derivative Instrument resulting from the elimination of the fraction.

~~(8)~~ (11) Notwithstanding the general rules set forth in Subsections (3) through ~~(7)~~ (9) of this Section A-902 or which may be set forth as interpretations and policies under this Section A-902, the Adjustments Committee shall have the power to make exceptions in those cases or groups of cases in which, in applying the standards set forth in Subsection (2) thereof the Adjustments Committee shall determine such exceptions to be appropriate. However, the general rules shall be applied unless the Adjustments Committee affirmatively determines to make an exception in a particular case or group of cases.

~~(9)~~ (12) The Adjustments Committee shall consist of two designated representatives of each exchange that lists the Derivative Instrument that the adjustments apply to, and one representative of the Corporation. The quorum for transacting business at any meeting of the Adjustments Committee shall be one from each exchange that lists the Derivative Instrument that the adjustments apply to and one from the Corporation. The vote of a majority of the members of the Adjustments Committee in attendance at any meeting shall constitute the determination of the Adjustments Committee. The Adjustments Committee may transact its business by means of a telephonic, electronic or other communication facility that permits all participants to communicate appropriately with each other during the meeting. Notwithstanding the foregoing provisions of this Subsection, any representative of the Corporation or of an exchange may designate any other representative of the Corporation or of the exchange, respectively, to serve in his place at any meeting of the Adjustments Committee. In the event of such designation, the designee, for the purposes of such meeting, shall have all of the powers and duties under this Section A-902 of the person designating him. Neither the Corporation nor any exchange shall designate to serve on the Adjustment Committee, any person, who, to the knowledge of the self-regulatory organization designating such person, is the beneficial holder of a long or short position in the Derivative Instrument as to which the Adjustments Committee is to make a determination. As stipulated in the By-laws of the Corporation, a majority of the members of the Adjustments Committee shall be resident Canadians.

~~(10)~~(13)In the event that the Adjustments Committee is unable to determine whether to make adjustments in any particular case, the matter shall be referred to the Board for a determination.

INTERPRETATIONS AND POLICIES

(1) (i) Cash dividends or distributions (regardless of size) declared by the issuer of the Underlying Interest which the Corporation considers to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis, as well as resumption of dividends or distributions will, as a general rule, be deemed to be "ordinary cash dividends or distributions" within the meaning of Subsection A-902(3). Cash dividends or distributions declared by the issuer of the Underlying Interest which are declared outside of a policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis will be deemed to be "special cash dividends or distributions" if they exceed the threshold of ~~$0.15 per share~~ $12.50 per contract.

(ii) Stock dividends or distributions, or trust unit dividends or distributions declared by the issuer of the Underlying Interest in an aggregate amount that per dividend or distribution does not exceed 10% of the number of shares of the Underlying Interest outstanding as of the close of trading on the declaration date, and which the Corporation considers to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis ~~or other regular basis~~ will, as a general rule, be deemed to be "ordinary stock dividends or distributions" or "ordinary trust unit dividends or distributions" within the meaning of Subsection A-902(3).

(iii) Cash dividends or distributions declared by the issuer of the Underlying Interest which the Corporation considers to have been declared outside of a regular policy or practice of paying such dividends or distributions and that exceeds ~~$0.15 per share~~ $12.50 per contract will be deemed to be "special cash dividends or distributions" within the meaning of Subsection A-902(3).

(iv) Stock dividends or distributions, or trust unit dividends or distributions declared by the issuer of the Underlying Interest which the Corporation considers to have been declared outside of a regular policy and that exceeds 10% of the number of shares of the Underlying Interest will be deemed to be "special stock dividends or distributions" or "special trust unit dividends or distributions" within the meaning of Subsection A-902(3).

(v) Cash dividends or distributions declared by the issuer of the Underlying Interest which the Corporation considers to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis or other regular basis, as well as resumption of dividends or distributions will, as a general rule, be deemed to be "ordinary distributions" within the meaning of Subsection A-902(4). The Corporation will determine on a case-by-case basis whether other dividends or distributions are "ordinary distributions" or whether they are dividends or distributions for which an adjustment should be made.

(vi) Stock dividends or distributions or trust unit dividends or distributions by the issuer of the Underlying Interest which the Corporation considers to have been declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly basis will, as a general rule, be deemed to be "ordinary distributions" within the meaning of Subsection A-902(4). The Corporation will ordinarily adjust for other stock dividends and distributions.

Nevertheless, the Adjustments Committee will determine, on its sole discretion, on a case-by-case basis whether other dividends or distributions are "ordinary dividends or distributions" or whether they are dividends or distributions for which adjustments should be made, regardless of the threshold of ~~$0.15 per share~~ $12.50 per contract applied to "special dividends or distributions".

Normally, the Adjustments Committee shall classify a cash dividend or cash distribution as non-ordinary when it believes that similar cash dividends or cash distributions will not be paid on a quarterly or other regular basis. Notwithstanding that the Adjustments Committee has classified a cash dividend or cash distribution as non-ordinary, it may, with respect to events announced on or after February 1, 2012, classify subsequent cash dividends or cash distributions of a similar nature as ordinary if (i) the issuer discloses that it intends to pay such dividends or distributions on a quarterly or other regular basis, (ii) the issuer has paid such dividends or distributions for four or more consecutive months or quarters or two or more years after the initial payment, whether or not the amounts paid were the same from period to period, or (iii) the Adjustments Committee determines for other reasons that the issuer has a policy or practice of paying such dividends or distributions on a quarterly or other regular basis.

(2) (i) Adjustments will not ordinarily be made to reflect the issuance of so-called "poison pill" rights that are not immediately exercisable, trade as a unit or automatically with the Underlying Interest, and may be redeemed by the issuer. In the event such rights become exercisable, begin to trade separately from the Underlying Interest, or are redeemed, the Adjustments Committee will determine whether adjustments are appropriate.

(ii) Except as provided above in the case of certain "poison pill" rights, adjustments for rights distributions will ordinarily be made to Transactions other than Options and similar instruments. When an adjustment is made for a rights distribution, the Unit of Trading in effect immediately prior to the distribution will ordinarily be adjusted to include the number of rights distributed with respect to the number of shares of the Underlying Interest comprising the Unit of Trading. If, however, the Corporation determines that the rights are due to expire before the time they could be exercised upon delivery under the contract, then delivery of the rights will not be required. Instead, the Corporation will ordinarily adjust the last Settlement Price established before the rights expire to reflect the value, if any, of the rights as determined by the Corporation in its sole discretion.

~~(ii)~~ (iii) Adjustments will not be made to reflect a take-over bid or issuer bid made for the Underlying Interest, whether such offer is for cash, Securities or other property. This policy will apply without regard to whether the price of the Underlying Interest may be favourably or adversely affected by the offer or whether the offer may be deemed to be "coercive". Outstanding Transactions ordinarily will be adjusted to reflect a merger, amalgamation, arrangement or similar event that becomes effective following the completion of a take-over bid.

~~(iii)~~ (iv) Adjustments will not be made to reflect changes in the capital structure of an issuer where all of the Underlying Interest in the hands of the public (other than dissenters' shares) are not changed into another Security, cash or other property. For example, adjustments will not be made merely to reflect the issuance (except as a distribution on an Underlying Interest) of new or additional debt, stock, trust units, or options, warrants or other securities convertible into or exercisable for the Underlying Interest, the refinancing of the issuer's outstanding debt, the repurchase by the issuer of less than all of the Underlying Interest outstanding or the sale by the issuer of significant capital assets.

~~(iv)~~ (v) When an Underlying Interest is converted into a right to receive a fixed amount of cash, such as in a merger, amalgamation, arrangement or similar event, outstanding Options or similar instruments will be adjusted to require the delivery upon exercise of cash in an amount per share equal to the conversion price. As a result of such adjustments, the value of all outstanding In-the-money Options or similar instruments will become fixed, and all At-the-money and Out-of-the-money Options or similar instruments will become worthless. Outstanding transactions other than Options or similar instruments will be adjusted to replace such Underlying Interest with such fixed amount of cash as the Underlying Interest, and the Unit of Trading shall remain unchanged.

~~(v)~~ (vi) In the case of a spin off or similar event by the issuer of an Underlying Interest which results in a property distribution, Derivatives Instruments will be adjusted to reflect such distribution. The value of the property distributed shall be reflected in the shares deliverable.

~~(vi)~~ (vii) In the case of a corporate reorganization or similar occurrence by the issuer of an Underlying Interest which results in an automatic share-for-share exchange of the Underlying Interest for shares of another class in the capital of the issuer or in the resulting company, the Transactions on the Underlying Interest will ordinarily be adjusted to require delivery upon exercise of a like number of units of the shares of such other class or of the resulting company. Because the Securities are generally exchanged only on the books of the issuer and/or the resulting company, as the case may be, and are generally not exchanged physically, deliverable shares will ordinarily include certificates that are denominated on their face as shares in the original class of shares of the original issuer, but which, as a result of the corporate transaction, represent shares in the other class or in the resulting company, as the case may be.

~~(vii)~~ (viii) When an Underlying Interest is converted in whole or in part into a debt security and/or a preferred stock, as in a merger, and interest or dividends on such debt security or preferred stock are payable in the form of additional units thereof, outstanding ~~option contracts~~ Transactions that have been adjusted to call for delivery of such debt security or preferred stock shall be further adjusted, effective as of the ex-date for each payment of interest or dividends thereon, to call for delivery of the securities distributed as interest or dividends thereon.

~~(viii)~~ (ix) ~~Notwithstanding Interpretation and Policy (1) of this Section A-902, a distribution of short-term and long-term capital gains in respect of index participation units by the issuer thereof, if such distribution equals or exceeds $ 0.15 per unit shall not, as a general rule, be deemed to be "ordinary dividends or distributions" within the meaning of Subsection A-902(3), and adjustments of the terms of Options on such units for any such distributions shall be made in accordance with Subsection A-902(3) unless the Adjustments Committee determines, on a case-by-case basis, not to adjust for such a distribution.~~ Notwithstanding Interpretation and Policy (1) under Section A-902, (i) distributions of short-term or long-term capital gains by the issuer for an Underlying Interest thereof shall not, as a general rule, be deemed to be "ordinary dividends or distributions" within the meaning of paragraph (3) of Section A-902, and (ii) other distributions by the issuer for an Underlying Interest thereof shall not, as a general rule, be deemed to be "ordinary dividends or distributions" within the meaning of paragraph (3) of this Section A-902 to the extent that (a) the issuer is an entity that holds securities or replicates holding of securities that track the performance of an index that underlies a class of index Options or index Futures, and the distribution on the Underlying Interest includes or reflects a dividend or other distribution on a security part of the index that resulted in an adjustment of the index divisor; or (b) the distribution on the Underlying Interest includes or reflects a dividend or other distribution on a security part of the index (I) that results in an adjustment of Options and similar instruments on other Underlying Interest pursuant to clause (ii)(a), or (II) that is not deemed an ordinary dividend or distribution under Interpretation (1) above. Adjustments of the terms of

Options and similar instruments on such Underlying Interest for distributions described in clause (i) or (ii) above shall be made in accordance with paragraph (6) of Section A-902, unless the Adjustment Committee determines, on a case-by-case basis, not to adjust for such a distribution; provided, however, that no adjustment shall be made for any such distribution where the amount of the adjustment would be less than $.125 per Underlying Interest.

RULE C-15 SHARE FUTURES

The Sections of this Rule C-15 are applicable only for Futures settling on a future date where the Underlying Interest is an individual stock.

Section C-1501 Definitions

"Canadian Share Futures" – A Futures contract that requires the parties to this contract to make or receive delivery of a specified number of Canadian S~~s~~tocks at the expiry of the contract at a price agreed upon when the contract was entered into on the Exchange.

"Canadian Stock" – An individual stock issued by a Canadian reporting issuer listed on a Canadian Recognized Exchange.

"Delivery" – physical delivery made in accordance with the delivery procedure of CDS following the Maturity Date, or on a day as otherwise determined by the Corporation.

"Final Settlement Price" – the price of the Underlying Interest as determined by the product specifications of the Bourse de Montréal Inc.

"Foreign Share Futures" – A Futures contract that requires the parties to this contract to pay or receive from the Corporation the difference between the Final Settlement Price of the Underlying Interest and the initial Trade Price multiplied by the appropriate Unit of Trading.

"Last Trading Date" – the Maturity Date.

"Maturity Date" – the Final Settlement Date as defined by the Bourse de Montréal Inc. from time to time.

"Recognized Exchange" – an recognized exchange according to the definition in Rule One of Bourse de Montréal Inc.

"Settlement Price" – the official daily closing price of a Futures, as determined in accordance with Section C-301.

"Underlying Interest" – Stocks meeting the criteria described in this Rule.

"Unit of Trading" – 100 shares of the Underlying Interest, unless otherwise designated.

Section C-1502 Approval of Underlying Interest

(1) The Stocks underlying the Futures issued by the Corporation shall be approved based on criteria described in Section C-1503 of the Rules.

Section C-1503 Criteria for Eligibility of Share Futures

In considering whether any Stock should be approved as the Underlying Interest of a Share Futures, the Corporation, in those circumstances where C-1505~~4~~ does not apply, shall ensure that prior to being approved as an Underlying Interest the Stock meets all of the following criteria:

(1) For a Canadian Share Futures, the Canadian Stock will meet the Options eligibility criteria described in Section B-603.

(2) For a Foreign Share Futures, the Stock:

(i) trades on a Recognized Exchange; and

(ii) there are derivatives listed on a Recognized Exchange on that Underlying Interest.

Section C-1504 Ineligibility Criteria for Share Futures

No new series of Canadian Share Futures which is already listed may be opened for trading if any one of the events described in Section B-604 occurs with respect to the Underlying Interest.

Section C-150~~5~~4 Procedure for Assessing the Effect of Stock List Changes on Share Futures Eligibility

(1) Acquisition of a Listed Company by a Newly-Established Company

If a newly-established company has acquired a listed company, the trading record and history of the predecessor company may be used to test the Share Futures eligibility of the stock of the new company as provided for in Section C-1503.

(2) Name Changes

Corporate name changes have no effect on listed issues Share Futures eligibility. All statistics and history of the predecessor company continue to apply to the Underlying Interest under the new corporate name.

(3) Substitutional Listings

When a Stock list change which is the result of a merger or acquisition involving the issuance or acquisition of listed shares has occurred, all listed issues connected with the change are reviewed. No decision to change the Share Futures status of a listed issue will occur until after the offer or transaction is completed. The general process which applies is as follows:

(a) (i) it is confirmed by the Corporation that each of the predecessor companies is listed on a Recognized Exchange; or

(ii) on receipt of the notice of corporate change or following the closing date of a share purchase offer, it is confirmed by the Corporation that at least one predecessor company has Share Futures currently listed on the Bourse de Montréal Inc., and these Share Futures are not at or past the date where no new series may be listed if they are classified as delistable by the Corporation.

(b) It is confirmed by the Corporation that the resultant company is listed on a Recognized Exchange.

(4) New Shares

If new shares are created for the purpose of completing a merger or acquisition involving the issuance or acquisition of listed shares, the relationship between the old and new shares will determine if the new shares will be treated either as a substitutional, original or supplementary listing by the Corporation. Generally if the new issue is the only common issue of the company, then the new issue will be treated as a substitutional issue. Otherwise the issue will be treated as an original or supplementary issue by the Corporation.

Section C-1506~~5~~ Withdrawal of Approval of Underlying Interest

Whenever the Board determines that an Underlying Interest, for any reason, should no longer be approved, the Corporation shall advise the Exchange that the Corporation will no longer accept trades in such Class of Futures (other than closing transactions) or in any additional Series of Futures of the Class of Futures covering that Underlying Interest.

Section C-1507~~6~~ Unavailability or Inaccuracy of Current Value

(1) If the Corporation shall determine that the Final Settlement Price for any series of Share Futures is unreported or otherwise unavailable for purposes of calculating the gains and losses, then, in addition to any other actions that the Corporation may be entitled to take under the Rules, the Corporation may do any or all of the following:

(a) suspend the Settlement of Gains and Losses. At such times as the Corporation determines that the required Final Settlement Price is available, the Corporation shall fix a new date for Settlement of the Gains and Losses.

(b) fix the Final Settlement Price in accordance with the best information available as to the correct Final Settlement Price.

(2) The Final Settlement Price as reported by the Exchange shall be conclusively deemed to be accurate except that where the Corporation determines in its sole discretion that there is a material inaccuracy in the reported Final Settlement Price, it may take such action as it determines in its discretion to be fair and appropriate in the circumstances. Without limiting the generality of the foregoing, the Corporation may require an amended Final Settlement Price to be used for settlement purposes.

A) Section C-1508~~7~~ through Section C-1511~~0~~ inclusive apply to Canadian Share Futures:

Section C-1508~~7~~ Good Deliverable Form of Stocks

A Stock held at CDS shall be deemed to be in good deliverable form for the purposes hereof only if the delivery of such Stock would constitute good delivery under the regulations, rules and policies of the Exchange.

Section C-1509~~8~~ Delivery Through the Central Securities Depository

(1) Day of Delivery – Physical delivery of the Underlying Interest as required by this Rule shall be made in accordance with the delivery procedure of CDS following the Maturity Date, or on a day as otherwise determined by the Corporation.

(2) If the member can not provide proof of delivery by that deadline, the member will be considered non-conformed.

Section C-1510~~09~~ Assignment of Share Futures Contracts

(1) All long Share Futures contract positions will receive delivery in accordance with the Corporation's procedures from accounts with open Short Positions in the Series of Futures involved. The Corporation shall treat the accounts of all Clearing Members equally.

B) Section C-1511~~0~~ through C-1513~~2~~ inclusive apply to Foreign Share Futures:

Section C-1511~~0~~ Settlement in Cash Through the Corporation

Unless otherwise specified by the Corporation, settlement of positions held following the close of trading on the last day of trading in a Series of Futures shall be made on the first Business Day following the last day of trading. Settlement shall be made by an exchange of cash between the Corporation and each of the short and long Clearing Members. The amount to be paid or received in final settlement of

(a) each position opened prior to the last trading day is the difference between

(i) the Final Settlement Price; and

(ii) the Settlement Price of the contract on the business day before the last trading day,

multiplied by the Unit of Trading using the current foreign currency rate as specified in the product specifications, and

(b) each position opened on the last trading day is the difference between

(i) the Final Settlement Price; and

(ii) the Trade Price of the open contract,

multiplied by the Unit of Trading using the current foreign currency rate as specified in the product specifications.

Section C-1512~~1~~ Tender Notices

Rule C-5 shall not apply to Foreign Share Futures as they are cash-settled.

Section C-1513~~2~~ Payment and Receipt of Payment of the Trade Price

The settlement value of maturing contract will be included with other settlements on the daily Detailed Futures Consolidated Activity Report and Futures Sub-Accounts Consolidated Activity Report.

SHARE FUTURES* ON INDIVIDUAL CANADIAN STOCKS

Specifications

Underlying	Individual Canadian stocks.
Trading Unit	The trading unit shall be determined for each share futures contract.
Contract Months	Quarterly and serials contract months.
Price Quotation	Prices are quoted in Canadian cents and dollars per share for Canadian shares.
Minimum Price Fluctuation	CAN $0.01 per share.
Last Trading Day	Trading ceases at 4:00 p.m. (ET) on the third Friday of the contract month, providing it is a business day; if not, the first preceding business day.
Final Settlement Price	The trading unit of the corresponding share futures contract times the last trade price of the underlying stock at the close of the last trading day.
Contract Type	Delivery of the underlying stocks via the Canadian Depository for Securities Limited (CDS), on the third business day following the Last Trading Day.
Reporting Level	The equivalence of 25,000 shares gross long or gross short in all contracts months combined.
Position Limits	Varies between the equivalent of 1,350,000 shares and 7,500,000 shares net long or net short positions in all contract months combined. Information on position limits can be obtained from Bourse de Montréal Inc. as they are subject to periodical changes.
Exchange of Futures for Physicals (EFP) and Exchange for Risk (EFR)	Approved Participants may exchange a futures position for a physical position (EFP) or an over-the-counter derivative instrument (EFR) of equal quantity by submitting a notice to the Bourse. EFPs and EFRs may be used to either initiate or liquidate a futures position.
Daily Price Limit	A trading halt of a share futures contract will be invoked in conjunction with the triggering of a trading halt in the underlying stock.

Trading Hours

- Early session: 6:00 A.M. to 9:15 A.M. (ET)*
- Regular session: 9:30 A.M. to 4:00 P.M. (ET)
- Extended session: 4:05 P.M to 4:30 P.M. (ET)

*During the early session when the underlying stock is not open for trading on a Recognized Exchange in Canada, the last traded price registered in the underlying stock during that session on a Recognized Exchange or an Alternative Trading System as this term is defined in Regulation 21-101 Respecting Marketplace Operation (“Canadian ATS”) shall be used to determine the No Cancel Range for futures contracts on Canadian shares. In case of a last traded price registered on a Recognized Exchange outside of Canada, the relevant exchange rate published by Bloomberg will be used to convert the price in CAN dollars and cents.

However, if there is no trade registered in the underlying stock on a Recognized Exchange or Canadian ATS during the early session and in accordance with article 6393A of the Rules of the Bourse, a trading range of 5% price variation (upper price limit and lower price limit) from the previous day’s settlement price shall be applied to transactions on futures contracts on Canadian shares during the early session.

*** Also referred to as single stock futures**