



## NOTICE TO MEMBERS

No. 2005 - 083

September 21, 2005

### NEW PRODUCTS OF THE BOURSE CURRENCY OPTION CONTRACTS OPTIONS ON THE U.S. DOLLAR (USX)

Canadian Derivatives Clearing Corporation (CDCC) will begin clearing the option contracts on the U.S. dollar of Bourse de Montréal Inc. (the Bourse) on **Monday, September 26, 2005**.

Herein enclosed are the amendments to the Rules of CDCC and contract specifications approved by the Autorité des marchés financiers regarding currency option contracts. Amendments to the Rules will be effective as of September 26, 2005.

The associated symbol and strike prices for the option contracts on the U.S. Dollar are listed as follows:

<i>US Dollar</i> USX				
Months	Calls	Puts	Strike Price	Strike Price Codes
October	J	V	112.00	K
November	K	W	113.00	O
December	L	X	114.00	S
March	C	O	115.00	W
June	F	R	116.00	D
			116.50	F
			117.00	H
			117.50	J
			118.00	L
			119.00	P
			120.00	T
			121.00	A
			122.00	E

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Strike prices are subject to change depending on the Bank of Canada's closing rate for the underlying USD/CAD exchange rate on Friday, September 23, 2005.

Listed below is the symbol and margin interval for the option contract on the U.S. dollar (USX)

<b>NEW SYMBOL</b>	<b>MARGIN INTERVAL</b>
<b>USX</b>	<b>2.23%</b>

For further information, please contact your local CDCC office.

Michel Favreau  
Senior Vice-President and Chief Clearing Officer

## Currency Options

# Specifications

<b>Underlying Currency</b>	<ul style="list-style-type: none"> <li>❖ U.S. Dollar;</li> <li>❖ Euro</li> </ul>
<b>Trading Unit</b>	<ul style="list-style-type: none"> <li>❖ \$10,000 U.S. Dollars;</li> <li>❖ €10,000 Euros</li> </ul>
<b>Contract Months</b>	<p>The first three months plus the next two quarterly months in the March, June, September, December cycle. Annual expiry of January for terms of 1 year or greater (long term)</p>
<b>Exercise Price</b>	<p>Exercise prices are expressed in cents per unit of foreign currency. For example, CAD 120.50¢ equivalent to CAD\$1.2050.</p>
<b>Exercise Price Intervals</b>	<p>Exercise price intervals are set at a minimum of CAD 0.50¢ per unit of foreign currency.</p>
<b>Premium Quotation</b>	<p>Option premiums are quoted in Canadian cents per unit of foreign currency. For example, a premium quotation of CAD 0.75¢ for an option on the U.S. dollar represents an aggregate premium value of <math>CAD\ 0.75¢/US\\$ \times US\\$10,000 \times CAD\\$1/CAD100¢ = CAD\\$75</math>.</p>
<b>Minimum Price Fluctuation (tick size)</b>	<p>The minimum price fluctuation of the premium is CAD 0.01¢ or tick value of CAD\$1 per unit of foreign currency. That is: <math>CAD\ 0.01¢/US\\$ \times US\\$10,000 \times CAD\\$1/CAD100¢ = CAD\\$1</math>.</p>
<b>Aggregate Premium Value</b>	<p>The aggregate premium value for a contract is the premium quotation multiplied by the trading unit of a contract.</p>
<b>Exercise Style</b>	<p>European style. Options may be exercised only on the expiration date.</p>
<b>Exercise Settlement</b>	<p>Cash settlement. The amount to be paid or received in final settlement of each option contract is determined by multiplying the trading unit by the difference between the exercise price and the Bank of Canada noon rate expressed in Canadian cents for the designated currency vis-à-vis the Canadian dollar on the expiration date.</p>
<b>Expiration Date / Last Trading Day</b>	<p>At 12:00 p.m. (ET), on the third Friday of the expiration contract month.</p>
<b>Reporting Level</b>	<p>500 contracts. As specified in Rule Six of the Bourse</p>
<b>Position Limits</b>	<p>40,000 contracts. As specified in Rule Six of the Bourse.</p>
<b>Minimum Margin Requirements</b>	<p>As specified in Rule Nine of the Bourse.</p>
<b>Trading Hours</b>	<p>9:30 a.m. to 4:00 p.m. (ET)</p>
<b>Clearing Corporation</b>	<p>Canadian Derivatives Clearing Corporation (CDCC).</p>
<b>Ticker Symbol</b>	<ul style="list-style-type: none"> <li>❖ USX - U.S. Dollar</li> <li>❖ EUX - Euro</li> </ul>

## Section B-307 Expiration Date Exercise Procedure

(...)

- (e) Each Clearing Member shall be deemed to have properly and irrevocably tendered to the Corporation, immediately prior to the Expiration Time on such Expiration Date, an Exercise Notice with respect to
  - (i) each Option listed on the Clearing Member's Expiry Response Screen which the Clearing Member has instructed the Corporation to exercise in accordance with subparagraphs (b), (c) or (d), and
  - (ii) every Option of each series listed in the Clearing Member's Expiry Response Screen which is of a Class of Options subject to automatic exercise and which has an exercise price below (in the case of a call) or above (in the case of a put) the closing price of the Underlying Interest by such limit amount as may be specified by the Corporation from time to time, unless the Clearing Member shall duly instruct the Corporation in accordance with subparagraph (b) to exercise none or fewer than all of the Options of such series carried in such account. If the Clearing Member desires that such Option not be exercised, it shall be the responsibility of the Clearing Member to give appropriate instructions to the Corporation in accordance with subparagraph (b).

### INTERPRETATION AND POLICIES:

The predetermined limit amounts relevant to Rule B-307 (e) (ii) are as follows:

Equity, Silver, Bond and  
Index Participation Unit Options

- \$0.25 or more in-the-money for Client Accounts
- \$0.15 or more in-the-money for Firm and On-Floor Professional Trader Accounts

Index, Gold, Currency,  
and Futures Options

- No limit amount. All in-the-money Long Positions will be automatically exercised.

(...)

- (l) Unless otherwise specified by the Corporation, the term "closing price", as used with respect to any Underlying Interest in this Section B-307, means the price of the Underlying Interest at or about the close of trading on the Business Day preceding the Expiration Date as reported to the Corporation by the Primary Exchange. If no trading took place on the Primary Exchange on such Business Day, then the price for such Security at or about the close of trading as reported to the Corporation by the other Participating Exchange will be used.

Notwithstanding the foregoing, if an Underlying Interest was not traded on the Business Day immediately preceding any Expiration Date or circumstances indicate that there may be other uncertainty regarding the Underlying Interest, the Corporation may determine not to fix a closing price for that Underlying Interest. In the event of such a determination, Expiry Response Screens will not include a daily closing price for that Underlying Interest, and Clearing Members may exercise Options for the Underlying Interest only by giving affirmative exercise instructions in accordance with subparagraphs (b) or (e).

## **RULE B-16 CURRENCY OPTIONS**

This Rule B-16 is applicable only to European Style Options where the Underlying Interest is a currency. Such Options are referred to in this Rule B-16 as "Currency Options".

### **Section B-1601 Definitions**

Notwithstanding Section A-102 for the purpose of European Style Currency Options the following terms shall have the meanings specified:

"Aggregate Current Value" - The Bank of Canada noon rate expressed in Canadian cents for one unit of foreign currency on the Expiration Date of the Option multiplied by the number of Units of Trading.

"Aggregate Exercise Price" - the Exercise Price of an Option multiplied by the number of Units of Trading of the Underlying Interest covered by the Option.

"Call" - an exchange-traded European Style Option which gives the holding Clearing Member the right to receive from the Corporation on the Expiration Date the Call Exercise Settlement Amount.

"Call Exercise Settlement Amount" - The cash difference when the Aggregate Exercise Price is deducted from the Aggregate Current Value.

"Put" - an exchange-traded European Style Option which gives the holding Clearing Member the right to receive from the Corporation on the Expiration Date the Put Exercise Settlement Amount.

"Put Exercise Settlement Amount" - The cash difference when the Aggregate Current Value is deducted from the Aggregate Exercise Price.

"Exercise Settlement Date" - the Business Day following the Expiration Date.

"Expiration Date" - the third Friday of the month.

"Underlying Interest" - The foreign currency which is the subject of the option.

"Unit of Trading" - 10,000 units, or a multiple thereof, of foreign currency.

### **Section B-1602 Trade Reporting of Options Transactions**

Notwithstanding Section B-201 each Clearing Member shall have until 1.5 hours prior to the Close of Business on the Business Day following the day on which the trade took place to notify the Corporation, in the form prescribed, of any error, with the exception of the Expiration date. On Expiration date, the corporation must receive this notification 1.5 hours prior to the Close of Business on that Business Day. Unless such notification is received by the established cut-off hour, the exchange transactions accepted by the Corporation and as contained in the report shall be final and binding upon the Clearing Members reported as parties to such transaction.

### **Section B-1603 Expiration Date Exercise Procedure**

- (1) European Style Currency Options will be listed with American Style Options on the Expiry Report issued on the Saturday following Expiration Date and all in-the-money Long Positions will be automatically exercised in accordance with Section B-307.
- (2) The term "closing price" as used in Section B-307(1) in reference to the currency underlying any European Style Currency Option shall mean the Bank of Canada noon rate expressed in Canadian cents on the Expiration Date as reported to the Corporation by the relevant Exchange.

### **Section B-1604 General Rights and Obligations of Clearing Members**

Notwithstanding Section B-109, for the purposes of Currency Options:

- (a) A Clearing Member holding a Long Position in a Call Option has the right, on (and only on) the Expiration Date, to receive from the Corporation, on tender of an Exercise Notice, the Call Exercise Settlement Amount;
- (b) A Clearing Member holding a Short Position in a Call Option is obligated, upon the assignment to the Clearing Member of an Exercise Notice in respect of such Option, to pay to the Corporation the Call Exercise Settlement Amount;
- (c) A Clearing Member holding a Long Position in a Put Option has the right, on (and only on) the Expiration Date, to receive from the Corporation, on tender of an Exercise Notice, the Put Exercise Settlement Amount; and
- (d) A Clearing Member holding a Short Position in a Put Option is obligated, upon the assignment to the Clearing Member of an Exercise Notice in respect of such Option, to pay to the Corporation the Put Exercise Settlement Amount.

Adopted 09/05