



## NOTICE TO MEMBERS

No. 2004 - 008

February 5, 2004

### **Trading by U.S. Residents**

This is a reminder that it is a requirement of registration with the Securities and Exchange Commission, and by individual state securities commissions, that CDCC report all CDCC Options transactions entered into by U.S. residents.

It is essential, therefore, that every CDCC Clearing Member report to us, on a monthly basis, all trades by U.S. residents, both Corporate and Retail Clients. Please use the attached form which reflects the current reporting requirements for the state securities commissions. No report is required if your firm did not trade for U.S. residents.

Please note this report must be submitted to the CDCC Toronto office **ON OR BEFORE THE TENTH BUSINESS DAY OF EACH MONTH.**

Michel Favreau  
Senior VicePresident &  
Chief Clearing Officer

Attachment

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#### **Canadian Derivatives Clearing Corporation**

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Toronto, Ontario	Montréal, Québec
M5H 2M5	H4Z 1A9
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[www.cdcc.ca](http://www.cdcc.ca)

**MONTHLY SUMMARY OF U.S. ORIGINATED CDCC OPTIONS ORDERS**

REPORT COVERING RETAIL TRANSACTIONS FOR THE MONTH OF \_\_\_\_\_

**Contact Person:** \_\_\_\_\_ **Phone No.:** \_\_\_\_\_

## PUTS

[illegible]



Michigan(1)	<input type="checkbox"/>
Minnesota*	<input type="checkbox"/>
Mississippi	<input type="checkbox"/>
Missouri*	<input type="checkbox"/>
Montana	<input type="checkbox"/>
Nebraska (2)	<input type="checkbox"/>
Nevada	<input type="checkbox"/>
New Hampshire*	<input type="checkbox"/>
New Jersey	<input type="checkbox"/>
New Mexico*	<input type="checkbox"/>
New York	<input type="checkbox"/>
North Carolina*	<input type="checkbox"/>
North Dakota	<input type="checkbox"/>
Ohio	<input type="checkbox"/>
Oklahoma*	<input type="checkbox"/>
Oregon	<input type="checkbox"/>
Pennsylvania	<input type="checkbox"/>
Rhode Island	<input type="checkbox"/>
South Carolina*	<input type="checkbox"/>
South Dakota	<input type="checkbox"/>
Tennessee	<input type="checkbox"/>
Texas*	<input type="checkbox"/>
Utah	<input type="checkbox"/>
Vermont	<input type="checkbox"/>
Virginia(1)	<input type="checkbox"/>
Washington	<input type="checkbox"/>
West Virginia	<input type="checkbox"/>
Wisconsin	<input type="checkbox"/>
Wyoming	<input type="checkbox"/>



**NOTES:**

1. This report must be completed by every Clearing Member who has orders originating in the U.S.A.
2. This report must be returned to CDCC (Toronto Office) **ON OR BEFORE THE TENTH BUSINESS DAY FOLLOWING EACH MONTH END.**
3. The trades must be broken down as indicated, as CDCC has to report by individual state.
4. Members must maintain detailed working papers to allow CDCC to reconcile this report.
5. No report is required if your firm did not process any U.S. originated orders during the month.

**AT THE PRESENT TIME, AND SUBJECT TO CERTAIN CONDITIONS, CDCC OPTIONS MAY ONLY BE OFFERED AND SOLD TO U.S. RESIDENTS IN THE ABOVE NOTED JURISDICTIONS.**

**IN THOSE STATES MARKED WITH AN ASTERISK (\*), I.E. DISTRICT OF COLUMBIA, MINNESOTA, MISSOURI, NEW HAMPSHIRE, NEW MEXICO, NORTH CAROLINA, OKLAHOMA, SOUTH CAROLINA, AND TEXAS, SALES TO THE PUBLIC ARE PROHIBITED, BUT CDCC OPTIONS MAY BE OFFERED AND SOLD TO CERTAIN CATEGORIES OF INSTITUTIONAL INVESTORS.**

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Members of CDCC marketing products cleared by CDCC to U.S. residents should carefully review their U.S. registration status to ensure that the firm and relevant personnel are qualified to sell CDCC options, futures and futures options in the United States. CDCC members should consult with their legal advisers concerning the requirements imposed upon them by the Securities and Exchange Commission ("SEC"), the Commodity Futures Trading Commission and state securities authorities.

CDCC members should also be aware that by virtue of CDCC's SEC registration, Rule 9b-1 under the Securities Exchange Act of 1934 provides, with respect to customers who are U.S. residents, that:

No broker or dealer shall accept an order from a customer to purchase or sell an option contract relating to an option class that is the subject of an options disclosure document, or approve the customer's account for the trading of such option, unless the broker or dealer furnishes or has furnished to the customer the options disclosure document.

Copies of CDCC's current U.S. options disclosure document, entitled "The Characteristics and Risks of Listed Canadian Options" are available from CDCC upon request.

At the present time, options on S&P/TSE 60 Index Participation Fund Units and Sponsored Options are not available for sale regardless of a member firm's U.S. registration status. Other CDCC options are only available for sale in the states in which such options have been registered or in transactions that are exempt from registration.

- (1) CDCC options may only be sold to Michigan and Virginia residents who meet the following suitability standards. Purchasers in Michigan and Virginia must:
  - a. have a minimum net worth of \$65,000, excluding home, home furnishings and automobiles ("net worth"), have had a minimum annual gross income ("minimum income") of \$65,000 for each of the last two tax years, and reasonably expect to have a minimum income of \$65,000 for the current tax year; or
  - b. have a minimum net worth of \$150,000.
- (2) CDCC options may only be sold in Nebraska by broker-dealers registered with the Nebraska Department of Banking and Finance. In addition, as a condition to the Nebraska securities registration covering the CDCC options, only the following CDCC options may be sold to Nebraska residents pursuant to such registration:



- a. options on securities issued or guaranteed by Canada, any Canadian province, any political subdivision of any such province or any agency or corporate or other instrumentality of one or more of the foregoing;
- b. options on securities that are listed on (or equal in seniority with or senior to securities that are listed on) the New York Stock Exchange, the American Stock Exchange or the Nasdaq National Market; and
- c. index options.