



## NOTICE TO MEMBERS

No. 2008 – 040

May 5, 2008

**NEW PRODUCTS: FUTURES CONTRACTS ON  
CARBON DIOXIDE EQUIVALENT (CO<sub>2</sub>e) UNITS  
Addition of New Rules C-19, C-20 and  
Amendments to Rule A-1A01, A-102 and C-5 of CDCC's Rules**

Canadian Derivatives Clearing Corporation (CDCC) wishes to inform its Members that the afore-mentioned additions and amendments to its Rules relating to the clearing of Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units have been approved by the Autorité des marchés financiers (AMF) on April 29, 2008 (decision number 2008-OAR-0015). CDCC hereby notifies its Members that the amendments will be effective as of Friday, May 30, 2008.

The addition of Rules C-19 and C-20 and the amendments to Rules A-1A01, A-102, and C-5 of CDCC's Rules will permit the clearing by CDCC of Futures Contracts on Carbon Dioxide Equivalent Units (CO<sub>2</sub>e) following their listing and trading on the electronic trading platform of Bourse de Montréal Inc.

It is important to note that for what regards paragraph e) of Section A-1A01, which requires that a Clearing Member which intends to clear futures contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units with physical settlement must ensure that it and/or its client is and remains in good standing with the Registry (as this term is defined in Section A-102 of the Rules), this paragraph will not be enforced by CDCC until the Registry is effectively put in place. At that time, CDCC will implement procedures to verify that his requirement is complied with.

You will find enclosed the Rule amendments and the Confirmation of Agreement form for an Alternative Delivery Procedure. These amendments will be incorporated to the version of the Rules available on CDCC's website ([www.cdcc.ca](http://www.cdcc.ca)) on May 30, 2008.

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## **Comparative Analysis of the Rules**

When CDCC submitted its regulatory amendments proposal to the AMF in October 2007, it also published a request for comments. No comments were received following this publication.

During the period of time between this publication and the date on which the AMF gave its final approval to CDCC for this proposal, there were extensive discussions and consultations between the AMF staff assigned on that file and the staff of CDCC. These exchanges resulted in various changes being made to the regulatory amendments initially submitted by CDCC. In most cases, amendments made are of a housekeeping type. However, some of these changes are more significant.

Considering the relatively significant number of changes that were made on CDCC initial proposal, it has been agreed with the AMF that CDCC would provide to interested persons an analysis comparing the regulatory amendments originally submitted by CDCC with the final Rules approved by the AMF and providing an explanation on the changes made when these are significant.

We therefore include this analysis as an appendix to this circular. This analysis is presented as a three columns schedule in which are respectively found, for each article of the Rules, the regulatory text originally proposed, the final text approved by the AMF in which the changes made are identified with revision marks and the explanation of these changes.

For further information, CDCC Clearing Members may contact the CDCC Operations Department.

**Michel Favreau**  
Executive Vice-President and Chief Clearing Officer

**Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units –  
Rules Initially Published for Comments by CDCC on October 5, 2007 and the Final Rules Approved by the “Autorité des  
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Section	Initial Rules (October 2007)	Final Rules (March 2008)	Explanations / Comments
<b>Section C-1901 Definitions</b>	<p>Notwithstanding Section A-102 for the purposes of Carbon Dioxide Equivalent Futures Contracts with Physical Settlement, the following terms are as defined:</p> <p>“Carbon Dioxide Equivalent (CO<sub>2</sub>e)” means a unit of measure used to allow the addition of or the comparison between gases that have different global warming potentials.</p> <p>“Carbon Dioxide Equivalent Unit” means any right, benefit, title or interest recognized by a governmental or legislative authority in Canada, associated partly or in its entirety to a reduction of the emissions of GHG expressed in carbon dioxide equivalent.</p>	<p>Notwithstanding Section A-102 for the purposes of <a href="#">Futures Contract on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units</a><del>Futures Contracts</del> with Physical Settlement, the following terms are as defined:</p> <p><a href="#">“Alternative Delivery Procedure (ADP)” - an agreement between the delivering Clearing Member and the assigned Clearing Member to make and take delivery under terms or conditions which differ from the usual delivery terms and conditions prescribed by the futures contract specifications and by the present Rule.</a></p> <p>“Carbon Dioxide Equivalent (CO<sub>2</sub>e)” <del>means</del> a unit of measure used to allow <del>the addition of or</del> the comparison between <a href="#">greenhouse</a> gases that have different global warming potentials.</p> <p>“Carbon Dioxide Equivalent <a href="#">(CO<sub>2</sub>e)</a> Unit” <del>means</del> any right, benefit, title or interest recognized by a governmental or legislative authority in Canada, associated partly or in its entirety to a reduction of the emissions of <a href="#">greenhouse gases</a><del>GHG</del> expressed in carbon dioxide equivalent <a href="#">(CO<sub>2</sub>e)</a>.</p>	<p>Since the Alternative Delivery Procedure (ADP) is mentioned in several sections of Rule C-19, a definition of this procedure has been added to section C-1901.</p>

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	<p>“Exchange” means Bourse de Montréal Inc.</p> <p>“Final Settlement Price” means the price of the Underlying Interest as determined by the product specifications of Bourse de Montréal Inc.</p> <p>“Registry” means any designated registry established in order to ensure the accurate accounting of holding, transfer, acquisition, surrender, cancellation, and replacement of the Carbon Dioxide Equivalent Units.</p> <p>“Underlying Interest” means the asset which underlies and determines the value of a futures contract. In the case of Carbon Dioxide Equivalent Futures Contracts with Physical Settlement, the Underlying Interest is 100 Carbon Dioxide Equivalent Units.</p>	<p>“Exchange” <del>means</del> Bourse de Montréal Inc.</p> <p>“Final Settlement Price” <del>means</del> the price of the Underlying Interest as determined by the product specifications of <del>Bourse de Montréal Inc.</del> <u>the Exchange</u>.</p> <p><del>“Registry” means any designated registry established in order to ensure the accurate accounting of holding, transfer, acquisition, surrender, cancellation, and replacement of the Carbon Dioxide Equivalent Units.</del></p> <p>“Underlying Interest” <del>means</del> the asset which underlies and determines the value of a futures contract. In the case of <u>Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units</u> <del>Futures Contracts</del> with Physical Settlement, the Underlying Interest is 100 Carbon Dioxide Equivalent <u>(CO<sub>2</sub>e) Units</u>.</p>	<p>Since the term “Registry” occurs in several Rules of CDCC, including C-19, C-20 and A-1A, this definition has been transferred to the general definitions in Rule A-1.</p> <p>Only modifications of form.</p>

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<b>Section C-1902 Delivery Standards</b>	<p>For Carbon Dioxide Equivalent Futures Contracts with Physical Settlement, the only Carbon Dioxide Equivalent Units acceptable for delivery shall be those specified by the Exchange from time to time.</p> <p>Before a Carbon Dioxide Equivalent Futures Contract with Physical Settlement is listed for trading, the Exchange shall have the right to exclude from the deliverable of such futures contract any Carbon Dioxide Equivalent Unit it deems appropriate to exclude, even if such unit meets all the standards specified by the Exchange.</p>	<p>For <a href="#">Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units</a><del>Futures—Contracts</del> with Physical Settlement, the only Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units acceptable for delivery shall be those specified by the Exchange from time to time.</p> <p>Before a <a href="#">Futures Contract on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units</a><del>Futures—Contract</del> with Physical Settlement is listed for trading, the Exchange shall have the right to exclude from the deliverable of such futures contract any Carbon Dioxide Equivalent (CO<sub>2</sub>e) Unit it deems appropriate to exclude, even if such unit meets all the standards specified by the Exchange.</p>	Only modifications of form.

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<b>Section C-1903 Submission of Tender Notices</b>	<p>A Clearing Member who holds a Short Position in the currently deliverable futures contract and who wishes to make delivery must submit a Tender Notice to the Corporation on the last trading Day of the Delivery Month.</p> <p>A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable futures contract shall submit a Tender Notice to the Corporation no later than the time established by the Corporation on such last day of trading.</p> <p>The Clearing Member to whom a delivery has been assigned must confirm to the Corporation that delivery has been completed.</p> <p>This Section C-1903 supplements Section C-503.</p>	<p>A Clearing Member who holds a Short Position in the currently deliverable futures contract and who wishes to make delivery must submit a Tender Notice to the Corporation on the last trading <del>Day</del> of the <del>Delivery Month</del><u>futures contract</u>.</p> <p>A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable futures contract shall submit a Tender Notice to the Corporation no later than the time established by the Corporation on such last <u>trading day</u> <del>of trading</del>.</p> <p>The Clearing Member to whom a delivery has been assigned must confirm to the Corporation that delivery has been completed <u>unless the Clearing Member has chosen to enter into an Alternative Delivery Procedure as described in Section C-1907</u>.</p> <p>This Section C-1903 supplements Section C-503.</p>	<p>This paragraph has been modified to clarify that a confirmation of delivery to the Corporation is not necessary if the Clearing Member has chosen to enter into an ADP since CDCC is released from any responsibility for the futures contracts on CO<sub>2</sub>e with physical settlement once an ADP agreement has been confirmed by the Clearing Members and CDCC.</p>
<b>Section C-1904 Delivery Through the Clearing Corporation</b>	<p>(1) Day of Delivery - Delivery of Carbon Dioxide Equivalent Units as required by this Rule shall be made by the Clearing Member on the third Business Day following submission of a Tender Notice, or</p>	<p>(1) Day of Delivery - Delivery of Carbon Dioxide Equivalent (<u>CO<sub>2</sub>e</u>) Units as required by this Rule shall be made by the Clearing Member on the third Business Day following submission of a Tender Notice, or on</p>	

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	<p>on a day as otherwise determined by the Corporation.</p> <p>(2) Time of Delivery - Each Clearing Member who is to make or take delivery of Carbon Dioxide Equivalent Units shall do so against or by payment of certified funds by no later than 2:45 p.m. on the Day of Delivery.</p> <p>(3) Membership at Registry - A Clearing Member that intends to clear physically settled Carbon Dioxide Equivalent Futures Contracts with Physical Settlement through the facilities of the Corporation, must ensure that at all times it and/or its client is and remains in good standing with the Registry.</p> <p>(4) If delivery of the Underlying Interest by the delivering Clearing Member, or payment thereof by the assigned Clearing Member, is not effected by the time provided in Section C-1904(2), such Non-Conforming Clearing Member must inform the Corporation of such failure of the Non-Conforming Member no later than</p>	<p>a day as otherwise determined by the Corporation.</p> <p>(2) Time of Delivery - Each Clearing Member who is to make or take delivery of Carbon Dioxide Equivalent <u>(CO<sub>2</sub>e)</u> Units shall do so against or, <u>as the case may be</u>, by payment of certified funds by no later than 2:45 p.m. on the Day of Delivery.</p> <p>(3) Membership at Registry - A Clearing Member that intends to clear <u>physically settled Futures Contracts on</u> Carbon Dioxide Equivalent <u>(CO<sub>2</sub>e) Units</u><del>Futures Contracts</del> with Physical Settlement through the facilities of the Corporation, must ensure that at all times it and/or its client is and remains in good standing with the Registry.</p> <p>(4) If delivery of the Underlying Interest by the delivering Clearing Member, or payment thereof by the assigned Clearing Member, is not effected by the time provided in Section C-1904(2), such Non-Conforming Clearing Member must inform the Corporation of such failure of the Non-Conforming Member no later than 3:00 p.m. on the Day of</p>	<p>Only modifications of form.</p>

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	3:00 p.m. on the Day of Delivery. The Non-Conforming Clearing Member shall notify the Corporation of the default of the Non-Conforming Member by telephone, together with written notification, sent by facsimile transmission, to be provided as soon as possible.	<p>Delivery. The Non-Conforming Clearing Member shall notify the Corporation of the default of the Non-Conforming Member by telephone, together with written notification, sent by facsimile transmission, to be provided as soon as possible.</p> <p><u>(5) Final Settlement Price – Each Clearing Member who is to make or take delivery of Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units shall use the Final Settlement Price as determined by the Exchange.</u></p>	<p>A reference to the final settlement price has been added in order to specify what price will be used for the futures contract on CO<sub>2</sub>e with physical settlement.</p>



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<a href="#">Section C-1905 Assignment of Tender Notice</a>		<p>(1) <u>Tender Notices accepted by the Corporation shall be assigned at the end of the last trading day of the futures contract to Clearing Members with open Long Positions as of the close of the last trading day. Such assignation shall be made in accordance with the Corporation random selection procedures.</u></p> <p>(2) <u>No Tender Notice shall be assigned to any Non-Conforming Member which has been suspended for default or insolvency. A Tender Notice assigned to a Clearing Member which is subsequently so suspended shall be withdrawn and thereupon assigned to another Clearing Member in accordance with this Section.</u></p>	<p>Section C-1905 has been added in order to specify that the tender notices for physically settled futures contracts on CO<sub>2</sub>e shall be assigned according to random selection procedures. Thus, the assignment procedure for futures contracts on CO<sub>2</sub>e differs from the first-in-first-out (FIFO) assignment procedure used for other physically settled futures contracts at Bourse de Montréal Inc. Given that a tender notice for futures contracts on CO<sub>2</sub>e is to be submitted only on the last trading day, whereas the period for submitting tender notices is longer in a FIFO assignment procedure, it is more appropriate to use a random assignment procedure for these contracts.</p>

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<b>Section C-1906 Shortage of Deliverable Carbon Dioxide Equivalent Units</b>	<p>In the eventuality where the Board of Directors of the Corporation decides that a shortage of deliverable Carbon Dioxide Equivalent Units exists or might exist, it shall take all necessary action to correct, prevent or alleviate the situation. The Board of Directors of the Corporation could, for instance:</p> <p>i) Designate as being acceptable for delivery any other type of Carbon Dioxide Equivalent Units that had not been previously identified as being acceptable for delivery;</p> <p>ii) Instead of the normal delivery procedures, decide on cash settlement in accordance with the following procedure:</p> <p>On the last day of trading, open positions in Carbon Dioxide Equivalent Futures Contracts with Physical Settlement will be marked to market based on the daily settlement price. A Final Settlement Price will be determined on the final settlement date.</p>	<p>In the eventuality where the Board of Directors of the Corporation decides that a shortage of deliverable Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units exists or might exist, it shall take all necessary action to correct, prevent or alleviate the situation. The Board of Directors of the Corporation could, for instance:</p> <p>i) Designate as being acceptable for delivery any other type of Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units that had not been previously identified as being acceptable for delivery;</p> <p>ii) Instead of the normal delivery procedures, decide on <u>a</u> cash settlement in accordance with the following procedure:</p> <p><u>On the last day of trading, open positions in Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units Futures Contracts with Physical Settlement will be marked to market based on the daily settlement price. A Final Settlement Price will be determined by the Exchange on the last day of trading. The final settlement in cash shall be made</u></p>	<p>The paragraph concerning cash settlement has been modified in order to clarify and correct the cash settlement procedure. A sentence has been added to specify that the final settlement date in the event of cash settlement will remain the same as for the original contract with physical settlement that is the third business day following the last day of trading or on a day as otherwise determined by CDCC.</p>

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	<p>The Final Settlement Price as reported by the Exchange shall be conclusively deemed to be accurate except that where the Corporation determines in its 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.</p> <p>In the event that the Registry referred to in Section C-1901 is not in place at the expiration of a Carbon Dioxide Equivalent Futures Contract with Physical Settlement whose specifications provide, upon contract expiry, for the delivery of the units</p>	<p><u>in accordance with the procedure specified in Section C-2002 on the final settlement date, which shall be the same date as the Day of Delivery described in paragraph (1) of Section C-1904, that is the third Business Day following the last day of trading, or on a day as otherwise determined by the Corporation.</u></p> <p>The Final Settlement Price as reported by the Exchange shall be conclusively deemed to be accurate except that where the Corporation determines in its 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.</p> <p>In the event that the Registry referred to in Section <del>A-102C-1901</del> is not in place at the <del>expiry</del><u>ation</u> of a <u>Futures Contract on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units</u><del>Futures Contract</del> with Physical Settlement whose specifications provide, <del>upon contract expiry</del>, for the</p>	

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	underlying such futures contract, the contract shall be settled in cash in the manner described in subparagraph ii) above.	<p>delivery of the units underlying such futures contract, the contract shall be settled in cash in the manner described in subparagraph ii) above.</p> <p><u>Notwithstanding the provisions regarding cash settlement in this Section, the Clearing Member who holds a Short Position in the currently deliverable futures contract and who wishes to make delivery must submit a Tender Notice in accordance with the provisions described in the first and second paragraphs of Section C-1903.</u></p>	<p>This last paragraph has been added to clarify that in the event of a shortage of deliverable CO<sub>2</sub>e units, a tender notice is required, even if the futures contract on CO<sub>2</sub>e is cash settled.</p>

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<b>Section C-1907 Alternative Delivery Procedure</b>	<p>Where the delivering Clearing Member and the assigned Clearing Member agree to make and take delivery under terms or conditions which differ from the terms and conditions prescribed in Section C-1904, the relevant Clearing Members may enter into an Alternative Delivery Procedure (“ADP”) agreement with the Corporation in the form prescribed by the Corporation.</p> <p>Clearing Members who enter into an Alternative Delivery Procedure agreement agree to indemnify the Corporation in respect of any costs, charges and expenses incurred by the Corporation in connection with such agreement, including without limitation any costs, charges and expenses incurred as a result of a failure on the part of the Clearing Member to meet its obligations under an Alternative</p>	<p>Where the delivering Clearing Member and the assigned Clearing Member agree, <u>for a Futures Contract on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units with Physical Settlement</u>, to make and take delivery <u>of the Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units</u> under terms or conditions which differ from the terms and conditions prescribed in <del>Section C-1904</del><u>this Rule</u>, the relevant Clearing Members may <del>enter into</del> <u>agree on</u> an Alternative Delivery Procedure (“ADP”) <del>agreement with the Corporation</del> in the form prescribed by the Corporation.</p> <p><u>The Corporation is released of from any responsibility towards these Clearing Members and for the Futures Contract on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units with Physical Settlement once an Alternative Delivery Procedure agreement and its terms have been confirmed by the two Clearing Members and the Corporation.</u> Clearing Members who <del>enter into</del> <u>agree on</u> an Alternative Delivery Procedure <del>agreement</del> <u>agree</u> <u>undertake</u> to indemnify the Corporation in respect of any costs, charges and expenses incurred by the Corporation in connection with <u>this contract and</u> such agreement, including, without limitation, any costs, charges and expenses incurred as a result of a failure on the part of <u>the</u></p>	<p>The first paragraph has been modified to clarify that an ADP can include terms and conditions that are different from those in Rule C-19. Thus, the possible terms and conditions for an ADP are not limited only to the ones described in section C-1904 as the initial Rule indicated.</p> <p>A sentence has been added to the second paragraph to state that CDCC is released from any responsibility concerning the futures contract on CO<sub>2</sub>e, once an ADP agreement has been confirmed by the two clearing members and CDCC.</p>

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	<p>Delivery Procedure agreement. The purpose of the Alternative Delivery Procedure agreement is to afford flexibility to Clearing Members where delivery is likely, but not within the time prescribed in Subsection (2) of Section C-1904.</p> <p>Clearing Members should note, however, that notwithstanding a subsequent delivery in accordance with an Alternative Delivery Procedure agreement, failure to deliver under the Exchange Regulations may carry the imposition of a penalty, as determined from time to time by the Exchange</p>	<p>Clearing Member to meet its obligations under an Alternative Delivery Procedure agreement. <del>The purpose of the Alternative Delivery Procedure agreement is to afford flexibility to Clearing Members where delivery is likely, but not</del> must be confirmed by the two Clearing Members and the Corporation within the time prescribed in Subsection (2) of Section C-1904 no later than 2:45 p.m. on the third Business Day that follows the last day of trading, <del>otherwise or else the relevant Clearing Members will be considered to have failed to</del> <u>in their</u> delivery related obligations under the Rules of the Corporation.</p> <p><u>When the Alternative Delivery Procedure agreement has been confirmed by the Corporation, Rule C-5, Delivery of Underlying Interest of Futures, no longer applies to the Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units Futures Contracts with Physical Settlement.</u> Clearing Members should note, however, that notwithstanding a subsequent delivery made in accordance with an Alternative Delivery Procedure agreement, failure to deliver under the Exchange Regulations may carry the imposition of disciplinary sanctionsa penalties, as determined from time to time by the Exchange.</p>	<p>The time limit for the confirmation of an ADP has been specified in the second paragraph in the modified Rule.</p> <p>A provision has been added to specify that <i>Rule C-5 Delivery of Underlying Interest of Futures</i> is no longer applicable in an ADP since CDCC is released from any responsibility for the futures contracts on CO<sub>2</sub>e with physical settlement once an ADP agreement has been confirmed by the Clearing Members and CDCC.</p> <p>The possibility to impose penalties in the event of a failed delivery in an alternative delivery procedure has been removed from Section C-1907 in order to avoid confusion. Section C-1907 clearly states that CDCC is completely released from all responsibility regarding the contract and the delivery.</p>

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			As a result, once the members and CDCC have confirmed an ADP, neither the Bourse nor CDCC have the possibility to intervene whether there is a default or not since the member has accepted the counterparty risk.
<b>Section C-1908 Force Majeure</b>	Notwithstanding the provisions of Section C-521, <i>Force Majeure</i> , in the specific situation where the emission trading system related to the Carbon Dioxide Equivalent Unit is no longer scheduled to proceed, is not implemented by any governmental or legislative authority in Canada or is to be discontinued by any governmental or legislative authority in Canada, the Board of Directors of the Corporation shall decide on the cash settlement of the contract at a price that reflects a minimum quality standard established by standards organizations to be determined from time to time by the Exchange.	Notwithstanding the provisions of Section C-521, <i>Force Majeure</i> , in the specific situation where the <del>emission</del> trading system related to the Carbon Dioxide Equivalent ( <u>CO<sub>2</sub>e</u> ) Units is no longer scheduled to proceed, is not implemented by any governmental or legislative authority in Canada or is to be discontinued by any governmental or legislative authority in Canada, the Board of Directors of the Corporation shall decide on the cash settlement of the contract at a price that reflects a minimum quality standard established by <u>recognized</u> standards organizations to be determined from time to time by the Exchange.	Only modifications of form.
<b>Section C-2001 Definitions</b>	Notwithstanding Section A-102 for the purposes of Carbon Dioxide Equivalent Futures Contracts with Cash Settlement, the following terms are as defined:  “Carbon Dioxide Equivalent (CO <sub>2</sub> e)” means a unit of measure used to allow	Notwithstanding Section A-102, for the purposes of <u>Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units</u> <del>Futures—Contracts</del> with Cash Settlement, the following terms are as defined:  “Carbon Dioxide Equivalent (CO <sub>2</sub> e)” <del>means</del> <u>means</u> a unit of measure used to allow the	Only modifications of form.

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	<p>the addition of or the comparison between gases that have different global warming potentials.</p> <p>“Carbon Dioxide Equivalent Unit” means any right, benefit, title or interest recognized by a governmental or legislative authority in Canada, associated partly or in its entirety to a reduction of the emissions of GHG expressed in carbon dioxide equivalent.</p> <p>“Exchange” means Bourse de Montréal Inc.</p> <p>“Final Settlement Price” means the price of the Underlying Interest as determined by the product specifications of Bourse de Montréal Inc.</p> <p>“Multiplier” means the value of the tick used to calculate the size of the contract as specified by the Exchange on which the Carbon Dioxide Equivalent Futures Contract with Cash Settlement trade.</p> <p>“Underlying Interest” means the asset which underlies and determines the value of a futures contract. In the case of Carbon Dioxide Equivalent Futures</p>	<p><del>addition of or the</del> comparison between <u>greenhouse</u> gases that have different global warming potentials.</p> <p>“Carbon Dioxide Equivalent (CO<sub>2</sub>e) Unit” <del>means</del> any right, benefit, title or interest recognized by a governmental or legislative authority in Canada, associated partly or in its entirety to a reduction of the emissions of <u>greenhouse gases</u>GHG expressed in <u>eCarbon dioxide e</u>Equivalent (CO<sub>2</sub>e).</p> <p>“Exchange” <del>means</del> Bourse de Montréal Inc.</p> <p>“Final Settlement Price” <del>means</del> the price of the Underlying Interest as determined by the product specifications of <u>Bourse de Montréal Inc</u><del>the Exchange</del>.</p> <p>“Multiplier” <del>means</del> the value of the tick used to calculate the size of the contract as specified by the Exchange on which the <u>Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units</u><del>Futures Contract</del> with Cash Settlement trade.</p> <p>“Underlying Interest” <del>means</del> the asset which underlies and determines the value of a futures contract. In the case of <u>Futures Contracts on</u> Carbon Dioxide</p>	<p>Only modifications of form.</p>



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Section	Initial Rules (October 2007)	Final Rules (March 2008)	Explanations / Comments
	Contracts with Cash Settlement, the Underlying Interest is 100 Carbon Dioxide Equivalent Units.	Equivalent <del>(CO<sub>2</sub>e) Units</del> <del>Futures Contracts</del> with Cash Settlement, the Underlying Interest is 100 Carbon Dioxide Equivalent <del>(CO<sub>2</sub>e) Units.</del>	
<b>Section C-2002 Final Settlement in Cash Through the Corporation</b>	<p>Unless otherwise specified by the Corporation, settlement of positions held following the close of trading on the last day of trading in a Carbon Dioxide Equivalent Futures Contract with Cash Settlement 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:</p> <p>(a) each position opened prior to the last trading day is the difference between</p> <p>(i) the Final Settlement Price, and</p> <p>(ii) the Settlement price of the contract on the business day before the last trading day,</p> <p>multiplied by the appropriate Multiplier;</p>	<p>Unless otherwise specified by the Corporation, settlement of positions held following the close of trading on the last day of trading in a <del>Carbon Dioxide Equivalent Series of Futures Contracts</del> <del>Contract with Cash Settlement</del> 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 <del>short and long</del> Clearing Members <del>holding Long and Short positions</del>. The amount to be paid or received in final settlement of:</p> <p>(a) each position opened prior to the last <del>trading day</del> <u>of trading</u> is the difference between</p> <p>(i) the Final Settlement Price, and</p> <p>(ii) the Settlement <del>P</del>price of the <u>futures</u> contract on the <del>Business Day</del> <u>day of trading</u> before the last <u>day of trading</u> <del>day</del>,</p> <p>multiplied by the</p>	<p>Only modifications of form.</p> <p>Only modifications of form.</p>

**Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units –  
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Section	Initial Rules (October 2007)	Final Rules (March 2008)	Explanations / Comments
	<p>and</p> <p>(b) each position opened on the last trading day is the difference between</p> <p>(i) the Final Settlement Price, and</p> <p>(ii) the Trade price of the open contract</p> <p>multiplied by the appropriate Multiplier.</p>	<p><del>appropriate</del> Multiplier <u>of the futures contract</u>; and</p> <p>(b) each position opened on the last <del>trading</del> day <u>of trading</u> is the difference between</p> <p>(i) the Final Settlement Price, and</p> <p>(ii) the Trade <del>p</del>Price of the open <u>futures</u> contract</p> <p>multiplied by the <del>appropriate</del> Multiplier <u>of the futures contract</u>.</p>	
<b>Section C-2003 Tender Notices</b>	As there is no provision for physical delivery of cash settlement Futures, Rule C-5 shall not apply to Carbon Dioxide Equivalent Futures Contracts with Cash Settlement.	As there is no provision for physical delivery of cash settlement Futures <u>Contracts</u> , Rule C-5 shall not apply to <u>Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units</u> <del>Futures Contracts</del> with Cash Settlement.	Only modifications of form.
<b>Section C-2004 Unavailability or Inaccuracy of Current Value</b>	(1) If the Corporation shall determine that the Final Settlement Price for a Carbon Dioxide Equivalent Futures Contract with Cash Settlement 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 its	(1) If the Corporation shall determine that the Final Settlement Price for a <u>Futures Contract on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units</u> <del>Futures Contract</del> with Cash Settlement 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 its	Only modifications of form.

**Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units –  
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Section	Initial Rules (October 2007)	Final Rules (March 2008)	Explanations / Comments
	<p>By-laws and Rules, the Corporation may do any or all of the following:</p> <p>(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.</p> <p>(b) Fix the Final Settlement Price in accordance with the best information available as to the correct Final Settlement Price.</p> <p>The Final Settlement Price as reported by the Exchange shall be conclusively deemed to be accurate except that where the Corporation determines in its 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.</p>	<p>By-laws and Rules, the Corporation may do any or all of the following:</p> <p>(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 <u>the</u> Settlement of <del>the</del> Gains and Losses.</p> <p>(b) Fix the Final Settlement Price in accordance with the best information available as to the correct Final Settlement Price.</p> <p>The Final Settlement Price as reported by the Exchange shall be conclusively deemed to be accurate except that where the Corporation determines in its 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.</p>	

**Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units –  
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Section	Initial Rules (October 2007)	Final Rules (March 2008)	Explanations / Comments
<b>Section C-2005 Payment and Receipt of Payment of the Trade Price</b>	The settlement value of maturing contracts will be included with other settlements on the daily Futures Consolidated Activity Report.	The settlement value of maturing contracts will be included with other settlements on the daily Futures Consolidated Activity Report.	
<b>Section C-2006 Force Majeure</b>	<p>If settlement or acceptance or any precondition or requirement is prevented by “Force Majeure” such as but not limited to strike, fire, accident, act of government, act of God or other emergency the affected Clearing Member shall immediately notify the Exchange and the Corporation. The Exchange and the Corporation shall take such action as they deem necessary under the circumstances and their decision shall be binding upon all parties to the contract. Without limiting the generality of the foregoing, they may modify the Settlement Time and/or the settlement date; designate alternate or new settlement points or alternate or new procedures in the event of conditions interfering with the normal operations of approved facilities or settlement process; and/or fix a Settlement Price.</p> <p>In the specific situation where the emission trading system related to the Carbon Dioxide Equivalent Units is no longer</p>	<p>If settlement or acceptance or any precondition or requirement is prevented by “Force Majeure” such as but not limited to strike, fire, accident, act of government, act of God or other emergency the affected Clearing Member shall immediately notify the Exchange and the Corporation. The Exchange and the Corporation shall take such action as they deem necessary under the circumstances and their decision shall be binding upon all parties to the contract. Without limiting the generality of the foregoing, they may modify the Settlement Time and/or the settlement date; designate alternate or new settlement points or alternate or new procedures in the event of conditions interfering with the normal operations of approved facilities or settlement process; and/or fix a Settlement Price.</p> <p>In the specific situation where the <del>emission</del> trading system related to the Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units is no longer scheduled to proceed, is not</p>	Only modifications of form.

**Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units –  
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Section	Initial Rules (October 2007)	Final Rules (March 2008)	Explanations / Comments
	scheduled to proceed, is not implemented by any governmental or legislative authority in Canada or is to be discontinued by any governmental or legislative authority in Canada, the Board of Directors of the Corporation shall decide on the cash settlement of the contract at a price that reflects a minimum quality standard established by standards organizations to be determined from time to time by the Exchange.	implemented by any governmental or legislative authority in Canada or is to be discontinued by any governmental or legislative authority in Canada, the Board of Directors of the Corporation shall decide on the cash settlement of the contract at a price that reflects a minimum quality standard established by <u>recognized</u> standards organizations to be determined from time to time by the Exchange.	
<b>Section A-102 Definitions</b>		<u>“Registry” - any registry designated by the Corporation which, for the purpose of clearing Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units, has been established in order to ensure the accurate accounting of holding, transfer, acquisition, surrender, cancellation and replacement of the Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units.</u>	Since the term “Registry” occurs in several Rules of CDCC, including C-19, C-20 and A-1A, this definition has been added to the general definitions in Rule A-1.
<b>Section A-1A01 Eligibility for Membership</b>	(...)  (e) A Clearing Member that intends to clear physically settled Futures on Carbon Dioxide Equivalent (CO <sub>2</sub> e) Units must ensure that at all times it and/or its client is and remains in good standing with the Registry as this term is defined in Section C-1901 of the Rules.	(...)  (e) A Clearing Member that intends to clear <del>physically settled</del> Futures <u>Contracts</u> on Carbon Dioxide Equivalent (CO <sub>2</sub> e) Units <u>with physical settlement</u> must ensure that at all times it and/or its client is and remains in good standing with the Registry as this term is defined in	Only modifications of form.

**Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units –  
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Section	Initial Rules (October 2007)	Final Rules (March 2008)	Explanations / Comments
	<p>The Corporation may in its sole discretion waive the requirements set forth in clauses (b), (c), (d) or (e) if the Clearing Member enters into an agency agreement with another Clearing Member, which agency agreement shall be in form and substance satisfactory to the Corporation, pursuant to which such other Clearing Member agrees to act as the first Clearing Member’s agent for the purpose of fulfilling such Clearing Member’s obligations to the Corporation under the Corporation’s Rules and the Application for Membership.</p>	<p>Section <del>A-102C-1901</del> of the Rules.</p> <p>The Corporation may in its sole discretion waive the requirements set forth in clauses (b), (c), (d) or (e) if the Clearing Member enters into an agency agreement with another Clearing Member, which agency agreement shall be in form and substance satisfactory to the Corporation, pursuant to which such other Clearing Member agrees to act as the first Clearing Member’s agent for the purpose of fulfilling such Clearing Member’s obligations to the Corporation under the Corporation’s Rules and the Application for Membership.</p>	
<b>Section A-1A04 Non-Conforming Member</b>	<p>(...)</p> <p>(3) Without limiting the application of this Rule, any one of the following events, whether actual or anticipated by the Corporation, constitutes a reasonable ground for the Corporation to determine in its judgement that a Clearing Member is a Non-Conforming Member:</p> <p>(...)</p> <p>(c) refusal of an application for</p>	<p>(...)</p> <p>(3) Without limiting the application of this Rule, any one of the following events, whether actual or anticipated by the Corporation, constitutes a reasonable ground for the Corporation to determine in its judgement that a Clearing Member is a Non-Conforming Member:</p> <p>(...)</p> <p>(c) refusal of an application for</p>	

**Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units –  
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Section	Initial Rules (October 2007)	Final Rules (March 2008)	Explanations / Comments
	membership, breach of the terms of membership or contractual agreement, or suspension, termination or expulsion from membership of an Exchange, The Canadian Depository for Securities Limited, Market Centres and/or Delivery Agents, transportation systems or any other recognized, designated or foreign investment exchange or clearing agency of which the Clearing Member is a member;	membership, breach of the terms of membership or contractual agreement, or suspension, termination or expulsion from membership of an Exchange, <a href="#">CDS Clearing and Depository Services Inc.</a> <del>The Canadian Depository for Securities Limited</del> , Market Centres and/or Delivery Agents, <a href="#">the Registry</a> , transportation systems or any other recognized, designated or foreign investment exchange or clearing agency of which the Clearing Member is a member;	The refusal of an application for membership of the Registry as well as termination or expulsion from membership of the Registry have been added to the non-conformity criteria.
<b>Section C-501 Definitions</b>	Notwithstanding Section A-102 for the purposes of Delivery of Underlying Interest of Futures the following terms shall have the following meanings respectively:  (...)  "Time of Delivery" means the time specified in Sections C-1004, C-1104, C-1304, and C-1404 by which a Clearing Member must make delivery of, or accept delivery and make payment in respect of, an Underlying Interest without being considered to have failed in its obligations under these Rules.	Notwithstanding Section A-102 for the purposes of Delivery of Underlying Interest of Futures the following terms shall have the following meanings respectively:  (...)  "Time of Delivery" means the time specified in Sections C-1004, C-1104, C-1304, <a href="#">C-1404</a> , <a href="#">C-1604</a> , <a href="#">C-1804</a> and <a href="#">C-1904</a> by which a Clearing Member must make delivery of, or accept delivery and make payment in respect of, an Underlying Interest without being considered to have failed in its obligations under these Rules.	References to Sections C-1604, C-1804 and C-1904 have been added since these had been overlooked previously.

**RULE C-19 Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units with Physical Settlement**  
**(SYMBOL – MCX)**  
2008.05.30

This Rule C-19 is applicable only to Futures Contracts with Physical Settlement where the deliverable Underlying Interest is a specified number of Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units as defined in Section C-1901, herein referred to as “Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units with Physical Settlement”.

May 2008

**Section C-1901 Definitions**

Notwithstanding Section A-102, for the purposes of Futures Contract on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units with Physical Settlement, the following terms are as defined:

“Alternative Delivery Procedure (ADP)” - an agreement between the delivering Clearing Member and the assigned Clearing Member to make and take delivery under terms or conditions which differ from the usual delivery terms and conditions prescribed by the futures contract specifications and by the present Rule.

“Carbon Dioxide Equivalent (CO<sub>2</sub>e)” - a unit of measure used to allow the comparison between greenhouse gases that have different global warming potentials.

“Carbon Dioxide Equivalent (CO<sub>2</sub>e) Unit” - any right, benefit, title or interest recognized by a governmental or legislative authority in Canada, associated partly or in its entirety to a reduction of the emissions of greenhouse gases expressed in carbon dioxide equivalent (CO<sub>2</sub>e).

“Exchange” - Bourse de Montréal Inc.

“Final Settlement Price” - the price of the Underlying Interest as determined by the product specifications of the Exchange.

“Underlying Interest” - the asset which underlies and determines the value of a futures contract. In the case of Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units with Physical Settlement, the Underlying Interest is 100 Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units.

May 2008

**Section C-1902 Delivery Standards**

For Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units with Physical Settlement, the only Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units acceptable for delivery shall be those specified by the Exchange from time to time.

Before a Futures Contract on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units with Physical Settlement is listed for trading, the Exchange shall have the right to exclude from the deliverable of such futures contract any Carbon Dioxide Equivalent (CO<sub>2</sub>e) Unit it deems appropriate to exclude, even if such unit meets all the standards specified by the Exchange.

May 2008



### **Section C-1903 Submission of Tender Notices**

A Clearing Member who holds a Short Position in the currently deliverable futures contract and who wishes to make delivery must submit a Tender Notice to the Corporation on the last trading day of the futures contract.

A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable futures contract shall submit a Tender Notice to the Corporation no later than the time established by the Corporation on such last trading day.

The Clearing Member to whom a delivery has been assigned must confirm to the Corporation that delivery has been completed unless the Clearing Member has chosen to enter into an Alternative Delivery Procedure as described in Section C-1907.

This Section C-1903 supplements Section C-503.

May 2008

### **Section C-1904 Delivery Through the Clearing Corporation**

- (1) Day of Delivery - Delivery of Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units as required by this Rule shall be made by the Clearing Member on the third Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation.
- (2) Time of Delivery - Each Clearing Member who is to make or take delivery of Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units shall do so against or, as the case may be, by payment of certified funds by no later than 2:45 p.m. on the Day of Delivery.
- (3) Membership at Registry - A Clearing Member that intends to clear Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units with Physical Settlement through the facilities of the Corporation, must ensure that at all times it and/or its client is and remains in good standing with the Registry.
- (4) If delivery of the Underlying Interest by the delivering Clearing Member, or payment thereof by the assigned Clearing Member, is not effected by the time provided in Section C-1904(2), such Non-Conforming Clearing Member must inform the Corporation of such failure of the Non-Conforming Member no later than 3:00 p.m. on the Day of Delivery. The Non-Conforming Clearing Member shall notify the Corporation of the default of the Non-Conforming Member by telephone, together with written notification, sent by facsimile transmission, to be provided as soon as possible.
- (5) Final Settlement Price – Each Clearing Member who is to make or take delivery of Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units shall use the Final Settlement Price as determined by the Exchange.

May 2008

### **Section C-1905 Assignment of Tender Notice**

- (1) Tender Notices accepted by the Corporation shall be assigned at the end of the last trading day of the futures contract to Clearing Members with open Long Positions as of the close of the last trading day. Such assignment shall be made in accordance with the Corporation random selection procedures.

- (2) No Tender Notice shall be assigned to any Non-Conforming Member which has been suspended for default or insolvency. A Tender Notice assigned to a Clearing Member which is subsequently so suspended shall be withdrawn and thereupon assigned to another Clearing Member in accordance with this Section.

May 2008

#### **Section C-1906 Shortage of Deliverable Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units**

In the eventuality where the Board of Directors of the Corporation decides that a shortage of deliverable Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units exists or might exist, it shall take all necessary action to correct, prevent or alleviate the situation. The Board of Directors of the Corporation could, for instance:

- i) Designate as being acceptable for delivery any other type of Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units that had not been previously identified as being acceptable for delivery;
- ii) Instead of the normal delivery procedures, decide on a cash settlement in accordance with the following procedure:

A Final Settlement Price will be determined by the Exchange on the last day of trading. The final settlement in cash shall be made in accordance with the procedure specified in Section C-2002 on the final settlement date, which shall be the same date as the Day of Delivery described in paragraph (1) of Section C-1904, that is the third Business Day following the last day of trading, or on a day as otherwise determined by the Corporation.

The Final Settlement Price as reported by the Exchange shall be conclusively deemed to be accurate except that where the Corporation determines in its 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.

In the event that the Registry referred to in Section A-102 is not in place at the expiry of a Futures Contract on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units with Physical Settlement whose specifications provide for the delivery of the units underlying such futures contract, the contract shall be settled in cash in the manner described in subparagraph ii) above.

Notwithstanding the provisions regarding cash settlement in this Section, the Clearing Member who holds a Short Position in the currently deliverable futures contract and who wishes to make delivery must submit a Tender Notice in accordance with the provisions described in the first and second paragraphs of Section C-1903.

May 2008

#### **Section C-1907 Alternative Delivery Procedure**

Where the delivering Clearing Member and the assigned Clearing Member agree, for a Futures Contract on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units with Physical Settlement, to make and take delivery of the Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units under terms or conditions which differ from the terms and conditions prescribed in this Rule, the relevant Clearing Members may agree on an Alternative Delivery Procedure ("ADP") in the form prescribed by the Corporation.

The Corporation is released from any responsibility towards these Clearing Members and for the Futures Contract on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units with Physical Settlement once an Alternative Delivery Procedure agreement and its terms have been confirmed by the two Clearing Members and the Corporation. Clearing Members who agree on an Alternative Delivery Procedure undertake to indemnify the Corporation in respect of any costs, charges and expenses incurred by the Corporation in connection with this contract and such agreement, including, without limitation, any costs, charges and expenses incurred as a result of a failure on the part of a Clearing Member to meet its obligations under an Alternative Delivery Procedure agreement. The Alternative Delivery Procedure agreement must be confirmed by the two Clearing Members and the Corporation no later than 2:45 p.m. on the third Business Day that follows the last day of trading, otherwise the relevant Clearing Members will be considered to have failed to their delivery related obligations under the Rules of the Corporation.

When the Alternative Delivery Procedure agreement has been confirmed by the Corporation, Rule C-5, *Delivery of Underlying Interest of Futures*, no longer applies to Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units with Physical Settlement.

May 2008

#### **Section C-1908 Force Majeure**

Notwithstanding the provisions of Section C-521, *Force Majeure*, in the specific situation where the trading system related to the Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units is no longer scheduled to proceed, is not implemented by any governmental or legislative authority in Canada or is to be discontinued by any governmental or legislative authority in Canada, the Board of Directors of the Corporation shall decide on the cash settlement of the contract at a price that reflects a minimum quality standard established by recognized standards organizations to be determined from time to time by the Exchange.

May 2008

**RULE C-20 Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units with Cash Settlement**  
**(SYMBOL – XXX)**  
2008.05.30

This Rule C-20 is applicable only to Futures Contracts with Cash Settlement where the Underlying Interest is a specified number of Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units as defined in Section C-2001, herein referred to as “Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units with Cash Settlement”.

May 2008

**Section C-2001 Definitions**

Notwithstanding Section A-102, for the purposes of Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units with Cash Settlement, the following terms are as defined:

“Carbon Dioxide Equivalent (CO<sub>2</sub>e)” - a unit of measure used to allow the comparison between greenhouse gases that have different global warming potentials.

“Carbon Dioxide Equivalent (CO<sub>2</sub>e) Unit” - any right, benefit, title or interest recognized by a governmental or legislative authority in Canada, associated partly or in its entirety to a reduction of the emissions of greenhouse gases expressed in Carbon Dioxide Equivalent (CO<sub>2</sub>e).

“Exchange” - Bourse de Montréal Inc.

“Final Settlement Price” - the price of the Underlying Interest as determined by the product specifications of the Exchange.

“Multiplier” - the value of the tick used to calculate the size of the contract as specified by the Exchange on which the Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units with Cash Settlement trade.

“Underlying Interest” - the asset which underlies and determines the value of a futures contract. In the case of Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units with Cash Settlement, the Underlying Interest is 100 Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units.

May 2008

**Section C-2002 Final 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 Contracts 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 Clearing Members holding Long and Short positions. The amount to be paid or received in final settlement of:

- (a) each position opened prior to the last day of trading is the difference between
    - (i) the Final Settlement Price, and
    - (ii) the Settlement Price of the futures contract on the Business Day before the last day of trading,
- multiplied by the Multiplier of the futures contract; and

- (b) each position opened on the last day of trading is the difference between
    - (i) the Final Settlement Price, and
    - (ii) the Trade Price of the open futures contract
- multiplied by the Multiplier of the futures contract.

May 2008

#### **Section C-2003 Tender Notices**

As there is no provision for physical delivery of cash settlement Futures Contracts, Rule C-5 shall not apply to Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units with Cash Settlement.

May 2008

#### **Section C-2004 Unavailability or Inaccuracy of Current Value**

- (1) If the Corporation shall determine that the Final Settlement Price for a Futures Contract on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units with Cash Settlement 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 its By-laws and 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 the Settlement of 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 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.

May 2008

#### **Section C-2005 Payment and Receipt of Payment of the Trade Price**

The settlement value of maturing contracts will be included with other settlements on the daily Futures Consolidated Activity Report.

May 2008

#### **Section C-2006 Force Majeure**

If settlement or acceptance or any precondition or requirement is prevented by “Force Majeure” such as but not limited to strike, fire, accident, act of government, act of God or other emergency the affected Clearing Member shall immediately notify the Exchange and the Corporation. The Exchange and the Corporation shall take such action as they deem necessary under the circumstances and their decision

shall be binding upon all parties to the contract. Without limiting the generality of the foregoing, they may modify the Settlement Time and/or the settlement date; designate alternate or new settlement points or alternate or new procedures in the event of conditions interfering with the normal operations of approved facilities or settlement process; and/or fix a Settlement Price.

In the specific situation where the trading system related to the Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units is no longer scheduled to proceed, is not implemented by any governmental or legislative authority in Canada or is to be discontinued by any governmental or legislative authority in Canada, the Board of Directors of the Corporation shall decide on the cash settlement of the contract at a price that reflects a minimum quality standard established by recognized standards organizations to be determined from time to time by the Exchange.

May 2008

## **RULE A-1A MEMBERSHIP IN THE CORPORATION**

### **Section A-1A01 – Eligibility for Membership**

- (a) In order to apply for membership, an applicant must be:
  - i) a member or approved participant in good standing with an exchange recognized in a Canadian province; or
  - ii) a bank or an authorized foreign bank to which the *Bank Act* (Canada), as amended from time to time, applies.
- (b) A Clearing member that intends to clear Stock Options or Share Futures through the facilities of the Corporation, must be a full member participant in good standing with The Canadian Depository for Securities Limited.
- (c) A Clearing Member that intends to clear bond Options and/or bond Futures through the facilities of the Corporation, must be a full member participant in good standing with The Canadian Depository for Securities Limited.
- (d) A Clearing Member that intends to clear physically settled OTC DI transactions, must ensure that it and/or its client is in good standing and remains as such at all times with the appropriate Market Centres and/or Delivery Agents. Furthermore, and where appropriate, the Clearing Member and/or its client need to ensure access to a transportation system for the physical transport of the Underlying Interest to the appropriate Market Centres and/or Delivery Agents.
- (e) A Clearing Member that intends to clear Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units with physical settlement must ensure that at all times it and/or its client is and remains in good standing with the Registry as this term is defined in Section A-102 of the Rules.

The Corporation may in its sole discretion waive the requirements set forth in clauses (b), (c), (d) or (e) if the Clearing Member enters into an agency agreement with another Clearing Member, which agency agreement shall be in form and substance satisfactory to the Corporation, pursuant to which such other Clearing Member agrees to act as the first Clearing Member's agent for the purpose of fulfilling such Clearing Member's obligations to the Corporation under the Corporation's Rules and the Application for Membership.

Amended 04/03, 02/06, 05/08

### **Section A-1A02 Standards of Membership**

Every applicant to become an Ordinary Clearing Member or an Associated Clearing Member must meet such standards as may be adopted from time to time by the Board, including the following:

- (a) the applicant must meet the respective initial Ordinary Clearing Member or Associate Clearing Member capital requirements then in effect;
- (b) the applicant must be engaged, or propose to engage, in the clearance of Options or Futures which are the subject of Exchange Transactions or in the clearance of OTC DI transactions through the facilities of the Corporation;
- (c) the applicant shall demonstrate to the Corporation that it maintains adequate operations facilities and staff and has sufficient and competent personnel for the expeditious and orderly transactions of business with the Corporation and other Clearing Members, and to meet the requirements of the Corporation's Rules; and

- (d) the applicant has deposited with the Corporation its initial deposit with the Clearing Fund in the amount and at the time required by the Rules and has signed and delivered to the Corporation an agreement in such form as the Board shall require.

Amended 02/06

### **Section A-1A03 Admission Procedure**

Applications for membership shall be in such form and contain such information as the Board shall from time to time prescribe. Officers of the Corporation shall review applications for membership and shall recommend approval or disapproval thereof to the Board. The Corporation may but is not obligated to examine the books and records of any applicant, and take such evidence as it may deem necessary or employ such other means as it may deem desirable or appropriate to ascertain relevant facts bearing upon the applicant's qualifications. If the officers of the Corporation propose to recommend to the Board that an application for membership be disapproved, it shall first notify the applicant of its proposed recommendation and the grounds therefore, and shall afford the applicant an opportunity to be heard and to present evidence on its own behalf.

If the applicant fails to request a hearing or if, after a hearing, officers of the Corporation still propose to recommend disapproval, officers of the Corporation shall make their recommendation to the Board in writing, accompanied by a statement of the grounds therefore, and a copy thereof shall be furnished to the applicant on request.

The Board shall independently review any recommendation by officers of the Corporation, and if the applicant so requests, afford the applicant further opportunity to be heard and to present evidence. If the Board disapproves the application, written notice of its decision, accompanied by a statement of the grounds thereof, shall be provided to the applicant.

An applicant shall have the right to present such evidence as it may deem relevant to its application.

Nothing contained herein shall be construed as derogating or attempting to derogate from the right of any applicant whose application has been disapproved to avail itself of any right of appeal which is provided to such applicant by applicable law.

### **Section A-1A04 Non-Conforming Member**

- (1) A Clearing Member who is or may become insolvent or unable to meet its obligations shall immediately notify the Corporation and all Related Clearing Members of its situation by telephone. Such notice shall be confirmed by the Clearing Member by notice in writing to the Corporation and all Related Clearing Members, sent by facsimile transmission within the next business day.
- (2) A Clearing Member who, in the judgement of the Corporation or pursuant to notification to the Corporation under subsection (1), is or may be insolvent or unable to meet its obligations, becomes a Non-Conforming Member.
- (3) Without limiting the application of this Rule, any one of the following events, whether actual or anticipated by the Corporation, constitutes a reasonable ground for the Corporation to determine in its judgement that a Clearing Member is a Non-Conforming Member:
  - (a) breach of any term, eligibility, qualification, standard or condition of the Application for Membership;
  - (b) breach of a rule of an Exchange, The Canadian Depository for Securities Limited, or of any other recognized, designated or foreign investment exchange or clearing agency;



- (c) refusal of an application for membership, breach of the terms of membership or contractual agreement, or suspension, termination or expulsion from membership of an Exchange, CDS Clearing and Depository Services Inc., Market Centres and/or Delivery Agents, the Registry, transportation systems or any other recognized, designated or foreign investment exchange or clearing agency of which the Clearing Member is a member;
  - (d) refusal of a licence, breach of the terms of its licence or withdrawal or suspension of such licence by a regulatory agency;
  - (e) contemplated, threatened or actual action by a regulatory agency, a court of justice or administrative authority against or in respect of the Clearing Member under any provision or process of law or regulation;
  - (f) default in a payment, deposit or delivery required or payable under the Application for Membership or these Rules;
  - (g) an order, arrangement, proposal, distress or execution is presented, made or approved in any jurisdiction to or by a court of competent jurisdiction relating to the bankruptcy, insolvency, winding up of the Clearing Member or the appointment of an administrator, receiver manager, trustee, or person with similar power in connection with the Clearing Member;
  - (h) the determination on reasonable grounds by the Corporation that the Clearing Member is in such financial or operating condition that its continuation as a Clearing Member would jeopardize the interests of the Corporation or other Clearing Members; or
  - (i) such other event as the Board or, if time does not permit action by the Board, the Corporation in its discretion reasonably determines to constitute reasonable grounds for such determination.
- (4) If a Clearing Member is late in making all payments at Settlement Time, the Corporation may, in its sole discretion, elect to deem that Clearing Member a Non-Conforming Member. If that Clearing Member has not yet made all payments one hour after Settlement Time, the Corporation shall deem that Clearing Member a Non-Conforming Member, if it has not yet been deemed to be such, and the Board may suspend that Non-Conforming Member. The Board may impose such fines, penalties or other sanctions as it deems fit in respect of a Non-Conforming Member who is late in making payment.
- (5) Except where the Corporation has been notified under subsection (1), the Corporation shall, in writing or by telephone, notify a Clearing Member that it has become a Non-Conforming Member.

Amended 02/06

### **Section A-1A05 Suspension**

- (1) The Board may suspend a Non-Conforming Member and any Related Clearing Member, taking into consideration whether the suspension may protect the integrity of the market.
- (2) Upon such suspension, the Corporation shall cease to act for the suspended Non-Conforming Member or the suspended Related Clearing Member.
- (3) The suspension may be total or may be for any function with respect to a particular security or class of securities, with respect to a particular transaction or class of transactions, or with respect to securities or transactions generally. Any suspension may be limited to a particular location or office of the Non-Conforming Member or Related Clearing Member or a particular branch of the Corporation.

- (4) The Board may lift the suspension of the Non-Conforming Member or Related Clearing Member if the Corporation in its sole discretion determines that the Non-Conforming Member or Related Clearing Member has corrected the situation which caused the Corporation to suspend the Non-Conforming Member and any Related Clearing Members in such a manner that it is unlikely to occur again.
- (5) A suspended Non-Conforming Member and any suspended Related Clearing Member shall remain liable to the Corporation for all obligations, costs and expenses, including all margin, including calls whether occurring before or after suspension, and other requirements, arising out of or in connection with such Non-Conforming Member's or Related Clearing Member's positions, and shall cooperate fully with the Corporation in respect of all matters arising out of or relating to the settling of or dealing with such positions.

#### **Section A-1A06 Notice of Suspension to Clearing Members**

Upon the suspension of a Non-Conforming Member and the suspension of any Related Clearing Members, the Corporation shall notify the Board, all Clearing Members, the Exchanges, and the suspended Non-Conforming Member's and suspended Related Clearing Member's applicable self-regulatory organization or regulatory agency, the regulatory agency of the Corporation and such other persons and organizations as the Corporation may consider appropriate. Such notice shall state, in general terms, how pending Exchange Transactions, Open Positions, tendered Exercise Notices or Tender Notices, Exercised Positions, Assigned Positions, and other pending matters will be affected, what steps are to be taken in connection therewith, and the right of the suspended Non-Conforming Member and suspended Related Clearing Member to appeal the suspension before the Board.

#### **Section A-1A07 Appeal of Suspension**

A Non-Conforming Member or Related Clearing Member suspended pursuant to Section A-1A05 shall receive from the Corporation a written statement of the grounds for its suspension, and shall have the right to appeal its suspension within ten business days from the effective date of the suspension.

Where a suspended Non-Conforming Member or suspended Related Clearing Member appeals its suspension, the Board shall give the appellant the opportunity to be heard as promptly as possible, and in no event more than 14 days after the filing of the notice of appeal.

The appellant shall be notified of the time, place and date of the hearing not less than three business days in advance of such date. At the hearing, the appellant shall be afforded an opportunity to be heard and to present evidence on its own behalf and may, if it so desires, be represented by counsel. As promptly as possible after the hearing the Board shall, by the vote of a majority of its members, affirm or reverse the suspension, and then instruct the Secretary of the Corporation to notify the appellant in writing of the decision. If the decision shall have been to affirm the suspension, the appellant shall be given a written statement of the grounds thereof.

The filing of an appeal of a suspension shall not impair the validity or stay the effect of the suspension appealed from. The reversal of a suspension shall not invalidate any acts of the Corporation taken prior to such reversal pursuant to such suspension and the rights of any person which may arise out of any such acts shall not be affected by the reversal of such suspension.

Nothing contained herein shall be construed as derogating or attempting to derogate from the right of any Clearing Member the suspension of which has been affirmed by the Board to avail itself of any right of appeal which is provided to such Clearing Member by applicable law.

#### **Section A-1A08 Termination**

- (1) The Board shall, at its next meeting following the calendar month in which the Non-Conforming Member or Related Clearing Member is suspended, or if an appeal is heard pursuant to Section A-1A07, following the calendar month in which the Board has affirmed the decision to suspend, lift the suspension or terminate the membership in the Corporation of a suspended Non-Conforming Member or Related Clearing Member.
- (2) A Non-Conforming Member or Related Clearing Member shall be given the opportunity to be heard by the Board before its membership is terminated.
- (3) Fifteen business days before the meeting of the Board at which the termination of a suspended Non-Conforming Member or suspended Related Clearing Member is to be considered, the Corporation shall give to the suspended Non-Conforming Member or suspended Related Clearing Member notice in writing of the meeting and a summary of the reasons for the proposed termination.
- (4) A committee of the Board shall not exercise the powers of the Board under this Rule, and the Board and the suspended Non-Conforming Member or suspended Related Clearing Member may mutually agree on a variation of such notification and meeting date.
- (5) The suspended Non-Conforming Member or suspended Related Clearing Member shall cease to be a Clearing Member as of the date and hour specified in the written decision of the Board.
- (6) The Corporation shall notify the regulatory bodies which have jurisdiction over the Corporation when a meeting of the Board is called to authorize the termination of the membership of a suspended Non-Conforming Member or a suspended Related Clearing Member.

#### **Section A-1A09 Voluntary Withdrawal**

- (1) A Clearing Member which shall include a Non-Conforming Member (whether or not suspended) may at any time notify the Corporation in writing of its withdrawal as a Clearing Member and shall cease to be a Clearing Member thirty days following said notification.
- (2) The Corporation shall promptly notify other Clearing Members that it has received notice of the Clearing Member's withdrawal from membership in the Corporation and the effective withdrawal date.

#### **Section A-1A10 Survival of Obligations**

- (1) The liabilities and obligations of a Clearing Member to the Corporation and to other Clearing Members, and of the Corporation and other Clearing Members to the Clearing Member, arising from its membership shall survive the suspension, termination or withdrawal of the Clearing Member's membership as though the former Clearing Member were still a Clearing Member.
- (2) Nothing contained herein shall be construed as derogating or attempting to derogate from the right of any suspended or terminated Non-Conforming Member to avail itself of any right of appeal which is provided by applicable law.

### **Section A-1A11 Reinstatement**

- (1) A Clearing Member which has withdrawn as a Clearing Member or had its membership terminated may at any time be considered for reinstatement by the Board provided that the Clearing Member, if it is then eligible for membership, re-applies to become a Clearing Member, pays any entrance or reinstatement fee determined by the Board, meets the standards and qualifications for membership, demonstrates to the satisfaction of the Board that it has discharged all of its liabilities and indebtedness to the Corporation and the other Clearing Members, and the application for membership is accepted by the Board.
- (2) The Board may, in its sole discretion and on terms and conditions determined by the Board, approve or reject the new application for membership from a terminated or withdrawn Clearing Member. A committee of the Board shall not exercise the powers of the Board under this Rule.

New Rule 6/99

# **CANADIAN DERIVATIVES CLEARING CORPORATION**

## **PART A - GENERAL**

### **RULE A-1 DEFINITIONS**

#### **Section A-101 Scope of Application**

Unless the context otherwise requires or unless different meanings are specifically defined, for all purposes of Parts A, B, C and D of these Rules the capitalized terms used herein shall have the meanings given them in Section A-102.

Amended 03/02, 04/03

#### **Section A-102 Definitions**

“Acceptable Instrument Types” or “Acceptable OTC DI” – Over-The-Counter Derivative Instruments which are deemed acceptable for clearing with the Corporation.

“Acceptable Underlying Interests” – is an Underlying Interest deemed acceptable for clearing by the Corporation.

“Acceptable Marketplace” – a marketplace, other than an Exchange, where buyers and sellers conclude transactions in Acceptable Instrument Types and which meets the requirements of the Corporation to be considered for clearing.

“Acceptance Criteria” – the criteria established by the Corporation for acceptance or rejection of an OTC DI in accordance with the provisions of Section D-104.

“Additional Deposit” - the additional amount which may be required to be added to a Clearing Fund deposit pursuant to Section A-606.

“American Option” (or American Style Option) - an Option which can be exercised at any time from issuance until its Expiration Date.

“Application for Membership” – the Application for Membership, and the Rules, By-Laws and Operations Manual.

“Approved Depository” - a financial institution approved under Section A-613.

“Assigned Position” - the position of the Clearing Member in any account for which such Clearing Member is the assigned Clearing Member in such account.

“At-the-Money Option” - a call Option or a put Option with an Exercise Price that is equal to the Market Price of the Underlying Interest.

“Associated Clearing Member” – a corporation recognized as such by the Corporation. An Associated Clearing Member shall not maintain any positions on the Corporation’s books. Upon acceptance of an Associated Clearing Member’s Exchange Transactions by the Corporation, all positions shall be automatically transferred to a Related Ordinary Clearing Member. Positions can only be transferred if a Related Ordinary Clearing Member has entered into an agreement, approved by the Corporation, with the Associated Clearing Member for such purposes.

“Authorized Representative” - a person for whom the Clearing Member has filed evidence of authority pursuant to Section A-203.

“Bank Clearing Member” – an Ordinary or an Associated Clearing Member that is a bank to which the *Bank Act* (Canada), as amended from time to time, applies.

“Base Deposit” - the minimum Clearing Fund deposit required of each Clearing Member pursuant to Section A-603.

“Board” - the Board of Directors of the Corporation.

“Business Day” - any day on which any office of the Corporation is open for business. The term Business Day shall exclude the Expiration Date of any Options which expires on a Saturday.

“By-laws” – the By-laws of the Corporation as the same may be amended from time to time.

“Capital Adequacy Return (CAR)” – the documents specified from time to time by the Office of the Superintendent of Financial Institutions in its guidelines relating to capital adequacy requirements applicable to banks.

“Class Group” – all Options and Futures relating to the same Underlying Interest.

“Class of Futures” – all Futures covering the same Underlying Interest.

“Class of Options” - all Options of the same style within the same maturity category on the same Underlying Interest.

“Clearing Fund” – any one of the funds established pursuant to Rule A-6 Clearing Funds Deposits.

“Clearing Member” - a member who has been admitted to membership in the Corporation as an Ordinary Clearing Member or, where the context so requires, as an Associated Clearing Member.

“Client” – those customers of an Ordinary Clearing Member *or* Associated Clearing Member who are not On-Floor Professional Traders or trading on behalf of a broker.

“Client Account” - the account or accounts required to be established for Transactions of the Clearing Members' Clients pursuant to Sections B-102, B-103, C-102, C-103, D-102 and D103.

“Clients Settlement Account” – the account established by Section A-403.

“Close of Business” – the time at which the Business Day ends, as specified in the CDCC Operations Manual. The time may, at the sole discretion of the Corporation, be modified to address shortened trading days on Participating Exchanges.

“Closing Buy Transaction” - an Exchange Transaction the result of which is to reduce or eliminate a Short Position in the Series of Futures involved in such transaction.

“Closing Purchase Transaction” – an Exchange Transaction the result of which is to reduce or eliminate a Short Position in the Series of Options involved in such transaction.

“Closing Sell Transaction” - an Exchange Transaction the result of which is to reduce or eliminate a Long Position in the Series of Futures involved in such transaction.

“Closing Writing Transaction” – an Exchange Transaction the result of which is to reduce or eliminate a Long Position in the Series of Options involved in such transaction.

“Commodity” – any agricultural product, forest product, product of the sea, mineral, metal, hydrocarbon fuel, natural gas, electric power, currency or precious stone or other gem, and any goods, article, service, right or interest, or class thereof, whether in the original or processed state.

“Confirmation Transmission” – the electronic transmission made by a Clearing Member to the Corporation confirming that the Expiry Report detailed in Section B-307 is accepted.

“Consolidated Activity Report” – daily report listing either Options, Futures or OTC DI transactions.

“Contract Specifications” – the specifications provided in these Rules and in the by-laws of the Exchange on which the Option or Future is traded.

“Corporation or CDCC” – Canadian Derivatives Clearing Corporation.

“Delivery Agent” – the party through which the Corporation will effect the transfer of the Underlying Interest between the buyer and seller.

“Delivery Month” - the calendar month in which a Future may be satisfied by making or taking delivery.

“Deposit” – a payment, deposit or transfer, whether of cash, securities, certificates, property, Underlying Interests, Underlying Interest Equivalents or other interests or rights.

“Deposit Multiplier” – the amount of money used to calculate the Variable Deposit.

“Derivative Instrument” – means a financial instrument, the value of which derives from the value of an Underlying Interest. Without limiting the foregoing, this Underlying Interest may be a commodity or a financial instrument such as a stock, a bond, a currency, a stock or economic index or any other asset.

“Electronic Communication” - means, in respect of the Corporation, any one or more of the following: the posting of a notice, report or other information on the Corporation’s website, the transmission of a notice, report or other information to a Clearing Member by means of electronic mail and the making available on the Corporation’s computer, in a form accessible to a Clearing Member, a notice, report or other information.

“Emergency” – i) any circumstance that may materially affect the performance of obligations, which may include riot, war or hostilities between any nations, civil disturbance, acts of God, fire, accidents, strikes, earthquakes, labour disputes, lack of transportation facilities, inability to obtain materials, curtailment of or failure in obtaining sufficient power, gas or fuel, computer malfunction (whether mechanical or through faulty operation), malfunction, unavailability or restriction of the payment, computer or bank wire or transfer system and any other cause of inability that is beyond the reasonable control of the Corporation; ii) any action taken by Canada, a foreign government, a province, state or local government or body, authority, agency or corporation, and any Exchange, Acceptable Marketplaces, Market Center and Delivery Agents that may have a direct impact on the Corporation including impossibility for the Corporation to perform its obligations further to any “force majeure” or emergency affecting any Market Center or Delivery Agent; iii) the bankruptcy or insolvency of any Clearing Member or the imposition of any injunction or other restraint by any government agency, court or arbitrator upon a Clearing Member which may affect the ability of that member to perform its obligations; iv) any circumstance in which it appears that a Clearing Member or any other person has failed to perform contracts, is insolvent, or is in such financial or operational condition or is conducting business in such a manner that such person cannot be permitted to continue in business without jeopardizing the safety of assets, of any Clearing Member or the Corporation; or v) any other unusual, unforeseeable or adverse circumstance with respect to which it is not practicable for the Corporation to submit, in timely fashion, a rule amendment to its regulatory authorities for prior review, approval or non-disapproval under the relevant securities legislation.

“Escrow Receipts” - a receipt, in a form acceptable to the Corporation, issued by an Approved Depository.

“European Option” (or European Style Option) - an Option which can be exercised only on its Expiration Date.

“Exchange” - an exchange whose trades are guaranteed and/or cleared by the Corporation.

“Exchange Transaction” - a transaction through the facilities of an Exchange for:

- a) the purchase or writing of an Option or for the closing out of a Long or Short Position in an Option; or
- b) for the buying or selling of a Future or the reduction or elimination of a Long or Short Position in a Future.

“Exercise Notice” - a notice to the Corporation in the form prescribed by the Corporation, notifying the Corporation of the intent of the Clearing Member executing such notice to exercise an Option.

“Exercised Position” - the position of a Clearing Member in any account in respect of Transactions providing optionality to the holder and which may have been exercised by such Clearing Member in such account.

“Exercise Price” - the specified price per unit at which the Underlying Interest may be purchased (in the case of a call) or sold (in the case of a put) upon the exercise of an Option. (Sometimes referred to as the Strike Price).

“Exercise Settlement Amount” - the amount which must be paid by the Corporation to the Clearing Member exercising a put Option or who has been assigned a call Option, against delivery of the Underlying Interest.

“Exercise Settlement Date” - the date specified in Section B-403.

“Expiration Date” - unless otherwise specified the Saturday immediately following the third Friday of the month and year in which the Option expires.

“Expiration Time” - the time on the Expiration Date, as fixed by the Corporation, at which the Option expires. Unless changed by the Corporation, the Expiration Time shall be 12:30 p.m. on the Expiration Date.

“Expiry Response Screen” - a computer display made available to Clearing Members in connection with Rule B-3.

“Firm” - an Ordinary Clearing Member or, unless the context otherwise requires, an Associated Clearing Member.

“Firm Account” - the account or accounts required to be established for ~~Exchange~~ Transactions of the Clearing Members pursuant to Sections B-102, B-103, C-102, C-103, D-102 and D-103.

“Forward Curve” – the summary representation of the price of a commodity on a forward basis obtained by amalgamating all Reference Prices by tenor as defined in Section D-201.

“Forward Price” – the price extracted from the Forward Curve and used in the daily Mark-to-Market Valuation and margining processes as defined in Section D-202.

“Future” - a contract:

- a) in the case of a Future settled by delivery of the Underlying Interest, to make or take delivery of a specified quantity and quality, grade or size of an Underlying Interest during a designated future month at a price agreed upon when the contract was entered into on an Exchange; or



- b) in the case of a Future settled in cash, to pay to or receive from the Corporation the difference between the final settlement price and the trade price pursuant to standardized terms and conditions set forth by the Exchange where the contract is concluded and which is cleared by the Corporation.

“Futures Consolidated Activity Report” – the report created by the Corporation on a daily basis including the aggregate position held by a Clearing Member, which also contains the Settlement of Gain and Losses for that Clearing Member for that day.

“Futures Margin Receipt” - a receipt, in a form acceptable to the Corporation, issued by an Approved Depository.

“Good Deliverable Form” - Underlying Interests shall be deemed to be in good deliverable form for the purposes hereof only if the delivery of the Underlying Interests in such form would constitute good delivery under the Contract Specifications.

“include”, “includes” and “including” – where used in these Rules, means “include”, “includes” and “including”, in each case, without limitation.

“Guaranteeing Delivery Agent” – a Delivery Agent who bears the responsibility of guaranteeing the acquisition or delivery of the Underlying Interest in the event of a delivery failure.

“In-the-Money-Option” - a call Option with an Exercise Price that is less than the Market Price of the Underlying Interest or a put Option where the Exercise Price exceeds the Market Price of the Underlying Interest.

“Instrument” shall mean:

- (i) a bill, note or cheque within the meaning of the Bills of Exchange Act (Canada) or any other writing that evidences a right to the payment of money and is of a type that in the ordinary course of business is transferred by delivery with any necessary endorsement or assignment; or
- (ii) a letter of credit and an advice of credit if the letter or advice states that it must be surrendered upon claiming payment thereunder;

but does not include a security.

“Joint Regulatory Financial Questionnaire and Report” - the documents required under the Joint Regulatory Audit Instructions of the Exchanges and the Investment Dealers Association.

“Liquidating Settlement Account” - the account created following the default of a Clearing Member to recognize the value of all gains, losses, and expenses due to or from the defaulting clearing member during the liquidation of positions and Margin Deposits.

“Long Position” - a Clearing Member’s interest as:

- a) the holder of one or more Options of a Series of Options; or
- b) the buyer of one or more Futures of a Series of Futures; or
- c) the buyer of an Over-The-Counter Derivative Instrument.

“Margin” – any and all the deposits required or made pursuant to Rule A-7 Margin Requirements.

“Margin Deposit” – means, collectively,

- a) any and all Securities, Money, Instruments, cheques, Underlying Interest, Underlying Interest Equivalent, Long Positions and Short Positions;
- b) any and all of the deposits required or made pursuant to Rule A-6 Clearing Funds Deposits, Rule A-7 Margin Requirements, and Rule B-4 Delivery and Payment with Respect to Options Exercised, Rule C-5 Delivery of Underlying Interest of Futures and Rule D-3 Physical Delivery of Underlying Interest on Over-the-Counter Derivative Instruments, including Margin, Base Deposit, Additional Deposit, Variable Deposit, Safe Custody Receipts, Escrow Receipts, Futures Margin Receipts, letters of credit, puts and any other form of deposit as from time to time are accepted by the Corporation; and Rule D-3 Physical Delivery of Underlying Interest on Over-The-Counter Derivative Instruments; and
- c) any and all securities pledged or assigned to the Corporation through the facilities of The Canadian Depository for Securities Limited;

deposited by or on behalf of the Clearing Member with the Corporation.

“Mark-to-Market Valuation” – the value determined by the Corporation representing the liquidation value of a Transaction or account held by a Clearing Member as defined in Section D-202.

“Market Centre” – the local facility where the exchange of Underlying Interests occurs.

“Market Price” - the aggregate price of the Unit of Trading of the Underlying Interest as determined by the Exchange or Exchanges involved.

“Matured Amounts” – any financial cash flows resulting from the expiration of an OTC DI.

“Maturity Date” – the date on which final obligations related to a Transaction are executed.

“Money” - means the lawful currency of Canada or its equivalent in the lawful currency of any other country of the G-8.

“Monthly Financial Report” - the financial returns, documents and related information required to be filed by each Clearing Member under the relevant rules of any Exchange and/or self-regulatory organization applicable to that Clearing Member.

“Net Daily Premium” - when applied to any account of a Clearing Member for any Settlement Time, means the net amount payable to or by the Corporation at such Settlement Time in respect of all Exchange Transactions of the Clearing Member in Options in such account as a purchasing Clearing Member and a writing Clearing Member.

“Net Daily Settlement” – the amount shown on a report (“Daily Settlement Summary Report”).

“Net Delivery Requirement” – the physical requirement needed to be satisfied for a period of time by a Clearing Member or his client, expressed on a net basis.

“Non-Conforming Member” – the meaning assigned to this term by Rule A-1A04.

“Notional Quantity” - the size of the OTC DI transaction expressed either outright, or in accordance with the Unit of Trading and the number of contracts underlying the OTC DI transaction.

“On-Floor Professional Trader” - an individual who has been approved by the Exchange on which he trades to trade for his own account or for the account of the Exchange member or non-member by which he is employed or for which he acts as agent in Options or Futures, and may include a futures floor trader, an options floor trader, a trader member, a market maker and a specialist.

“On-Floor Professional Trader Account” - the account or accounts required to be established for Exchange Transactions of the Clearing Member's On-Floor Professional Traders pursuant to Sections B-103 and C-103.

“Open Interest” or “Open Position” - the position of a buyer or a seller of an Option, of a Future or of an OTC DI.

“Opening Buy Transaction” - an Exchange Transaction the result of which is to create or increase a Long Position in the Series of Futures involved in such transaction.

“Opening Purchase Transaction” - an Exchange Transaction the result of which is to create or increase a Long Position in the Series of Options involved in such Exchange Transaction.

“Opening Sell Transaction” - an Exchange Transaction the result of which is to create or increase a Short Position in the Series of Futures involved in such transaction.

“Opening Writing Transaction” - an Exchange Transaction the result of which is to create or increase a Short Position in the Series of Options involved in such Exchange Transaction.

“Operations Manual” – the manual designated as such by the Corporation, as amended from time to time.

“Option” - a contract which, unless otherwise specified, gives the buying Clearing Member the right to buy (a call) or sell (a put) a specified quantity of an Underlying Interest at a fixed price during a specified time period and which obligates the writing Clearing Member to sell (a call) or buy (a put) the Underlying Interest, pursuant to standardized terms and conditions set forth by the Exchange where the contract is concluded or to the terms deemed acceptable by the Corporation and which is cleared by the Corporation.

“Option Type” – put Option or call Option.

“Options Daily Transaction Report” – a report created by the Corporation providing the net premium payable/receivable.

“Ordinary Clearing Member” - any Clearing Member including, without limitation, an SRO Clearing Member and a Bank Clearing Member, that is not also an Associated Clearing Member.

“Out-of-the-Money Option” - a call Option with an Exercise Price that exceeds the Market Price of the Underlying Interest or a put Option where the Exercise Price is less than the Market Price of the Underlying Interest.

“OTC DI Margin Requirement Report” – the report created by the Corporation on a daily basis and which provides for total Margin requirement stemming from OTC DI transactions for all accounts and sub-accounts.

“Over-The-Counter Derivative Instrument” or “OTC DI” – refers to any bilaterally negotiated transactions as well as any transactions concluded on any Acceptable Marketplaces.

“Person” - shall include an individual, a corporation, a partnership, a trust and an unincorporated organization or association.

“President” - the person appointed by the Board as chief executive officer and chief administration officer of the Corporation.

“Product Type” – the attribute of an OTC DI which describes the rights and obligations of the counterparties involved in the transaction insofar as cash flows are concerned.

“Reference Price” – the price determined by the Corporation in accordance with Section D-201.

“Registry” - any registry designated by the Corporation which, for the purpose of clearing Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units, has been established in order to ensure the accurate accounting of holding, transfer, acquisition, surrender, cancellation and replacement of the Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units.

“Related” - a Clearing Member is deemed to be related to another Clearing Member where either of them, or any of the partners in and directors, officers, shareholders and employees of it, collectively have at least a 20% ownership interest in the other of them, including an interest as a partner or shareholder, directly or indirectly, and whether or not through holding companies.

“Risk Limits” – refers to the set of risk management limits imposed by the Corporation on Clearing Members’ clearing activities as updated from time to time by the Corporation.

“Rules” - the Rules of the Corporation as the same may be amended from time to time.

“SRO Clearing Member” - an Ordinary or an Associated Clearing Member that is within the audit jurisdiction of either the Investment Dealers Association of Canada or one of the Participating Exchanges.

“Safe Custody Receipt” - a receipt, in a form acceptable to the Corporation, issued by an Approved Depository.

“Security” - shall mean a document that is

- (i) issued in bearer, order or registered form;
- (ii) of a type commonly dealt in upon securities exchanges or markets or commonly recognized in any area in which it is issued or dealt in as a medium for investment;
- (iii) one of a class or series or by its terms is divisible into a class or series of documents; and
- (iv) evidence of a share, participation or other interest in property or in an enterprise or is evidence of an obligation of the issuer;

and includes such a document, not evidenced by a certificate, the issue and any transfer of which are registered or recorded in records maintained for that purpose by or on behalf of the issuer.

“Series of Futures” - all Futures of the same class covering the same quantity of an Underlying Interest and having the same delivery month.

“Series of Options” - all Options of the same class, the same type, covering the same quantity of an Underlying Interest and having the same Exercise Price and Expiration Date.

“Settlement Amount” - the amount calculated in accordance with these Rules payable to the delivering Clearing Member upon delivery of or cash settlement for the Underlying Interest in respect of a Transaction.

“Settlement of Gains and Losses” - the settlement with the Corporation of the gains and losses on Open Positions in Futures pursuant to Section C-302.

“Settlement Price” - the official daily closing price of a Future, as determined in accordance with Section C-301.

“Settlement Time” - means, with respect to a Transaction, the time established by the Corporation on the Business Day immediately following a trade day, by which time Settlement of Gains and Losses,

premium payments and all margin requirements in respect of such trade day must be submitted to the Corporation.

“Short Position” - a Clearing Member’s obligation as:

- a) the writer of one or more Options of a Series of Options; or
- b) the seller of one or more Futures in a Series of Futures; or
- c) the seller of an Over-The-Counter Derivative Instrument.

“Spread Position”

- a) the situation in which there is carried in a Clearing Member's Client Account both an Option in the Short Position and an Option of the same Class of Options in the Long Position; or
- b) the situation in which there is carried in a Clearing Member’s Client Account both a Long Position and a Short Position in Futures.

“Straddle Position” - an equal number of call and put Options covering the same Underlying Interest and having the same Exercise Price and Expiration Date.

“Style of Options” - the classification of an Option as either an American Option or a European Option. (Parts A and B of these Rules shall apply to both Styles of Options unless a specific Style of Option is designated).

“Tender Notice” - a notice to the Corporation in the form prescribed by the Corporation, notifying the Corporation of the intent of the Clearing Member executing such notice to deliver the Underlying Interest of the Future.

“Trade Confirmation” – the official document issued to a Clearing Member which details the attributes of the OTC DI transaction and which signals the acceptance of the transaction for clearing by the Corporation.

“Trade Price” - the price agreed upon for the Future when the contract is entered into on an Exchange.

“Transactions” – All Futures, Options and Over-The-Counter Derivative Instruments which are deemed as acceptable for clearing by the Corporation.

“Type of Options” - the classification of an Option as either a “put” or a “call».

“Underlying Interest” - Asset which underlies and determines the value of a Derivative Instrument. The Underlying Interest may be a commodity or a financial instrument such as a stock, a bond, a currency, a stock or economic index or any other asset.

“Uncovered Residual Risk” – The amount of risk deemed by the Corporation to be uncovered by the Margin model, resulting from an estimation of the loss the Corporation would face in an extreme but plausible market stress test scenario. This Uncovered Residual Risk is calculated and attributed to Clearing Members through their Clearing Fund contribution.

“Underlying Interest Equivalent” - the items specified in Section A-708.

“Unit of Trading” – in respect of any series of futures and options 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.

“Variable Deposit” - the Clearing Fund deposit which may be required in addition to a Base Deposit pursuant to Section A-603.

Amended 9/87, 12/89, 5/90, 4/91, 6/91, 1/92, 9/92, 9/93, 6/94, 9/96, 10/97; 5/98; 9/98; 3/99; 03/02, 04/03, 02/06, 10/06, 5/08

## **RULE C-5 DELIVERY OF UNDERLYING INTEREST OF FUTURES**

### **Section C-501 Definitions**

Notwithstanding Section A-102 for the purposes of Delivery of Underlying Interest of Futures the following terms shall have the following meanings respectively:

"Security Funds" means any additional deposit(s) by a Clearing Member required by the Corporation to be placed with the Corporation to ensure performance of a Clearing Member's obligations; and

"Time of Delivery" means the time specified in Sections C-1004, C-1104, C-1304, C-1404, C-1604, C-1804 and C-1904 by which a Clearing Member must make delivery of, or accept delivery and make payment in respect of, an Underlying Interest without being considered to have failed in its obligations under these Rules.

Amended 9/95, 6/96, 5/08

### **Section C-502 Delivery Through the Corporation**

Unless otherwise specified by the Corporation, delivery of the Underlying Interest and payment therefor shall be made through the Corporation pursuant to the forms and procedures prescribed by it, having regard to the Contract Specifications and the by-laws and rules of the Exchange on which it is traded.

Amended 6/96

### **Section C-503 Submission of Tender Notice**

- (1) A Clearing Member acting on behalf of the seller of a Future may, subject to the Contract Specifications and the by-laws and rules of the Exchange on which it is traded, make delivery of the Underlying Interest which is the subject of the Future. A Clearing Member desiring to make delivery shall submit to the Corporation a Tender Notice in such form and containing such information as the Corporation may prescribe. Every submission of a Tender Notice in accordance herewith shall be irrevocable.
- (2) Every Clearing Member holding a Short Position in a series of Futures at the Close of Business on the last day of trading in such series of Futures shall immediately tender a Tender Notice in respect of such Short Position.
- (3) Where the day of submitting a Tender Notice or the day of delivery is a holiday, the Corporation shall determine the day on which a Tender Notice may be submitted.
- (4) If a Clearing Member fails to deliver a Tender Notice as required by these Rules, such Clearing Member shall be a Non-Conforming Member and the Corporation will submit a Tender Notice on behalf of that Non-Conforming Member and, in addition to any other sanction which may be imposed by the Corporation under Rule A-5, a penalty of \$1,000 shall be assessed against and shall be payable by that Non-Conforming Member.

Amended 9/95, 6/96, 9/98, 3/99

### **Section C-504 Acceptance of Tender Notice**

A Tender Notice properly submitted to the Corporation in accordance with Section C-502 shall be accepted by the Corporation for assignment at the end of such Business Day.

Amended 9/95, 6/96

### **Section C-505 Assignment of Tender Notice**

- (1) Tender Notices accepted by the Corporation shall be assigned, at the end of each Business Day on which the Contract Specifications permits Tender Notices to be tendered, in accordance with the Corporation's procedures of random selection, to Clearing Members with open Long Positions as of the close of trading on the day on which the Tender Notice is submitted.
- (2) A Tender Notice shall not be assigned to any Non-Conforming Member which has been suspended for default or insolvency. A Tender Notice assigned to a Clearing Member which is subsequently so suspended shall be withdrawn and thereupon assigned to another Clearing Member in accordance with this Section.

Amended 9/95, 6/96, 9/98

#### **Section C-506 Notification of Tender and Assignment**

The Corporation will issue a Futures Tenders and Assignments Report on the following Business Day to each Clearing Member who submitted, or on whose behalf was submitted, a Tender Notice that was assigned and to each assigned Clearing Member. Such Report shall identify the delivering Clearing Member, the assigned Clearing Member, the quantity and description of the Underlying Interest to be delivered, the delivery date, the Settlement Amount and the account.

Amended 5/90, 1/92, 9/95, 6/96

#### **Section C-507 Assignment of Tender Notices to Customers**

Each Clearing Member shall establish fixed procedures for the allocation of Tender Notices assigned to it in respect of a Long Position in the Clearing Member's Client Account. The allocation shall be on a basis that is fair and equitable to the Clearing Member's clients and consistent with the by-laws and rules of the Exchange on which the Future is traded. Such allocation procedures and any changes thereto shall be reported to the Corporation on request.

Amended 6/96

#### **Section C-508 Restriction on Allocation**

No Clearing Member shall permit, unless there is no alternative, the allocation of a Tender Notice in respect of a Long Position that was opened on the day of such allocation.

#### **Section C-509 Evidence of Intent to Deliver**

Prior to the last day of trading, each Clearing Member shall require evidence for each account on its books that all positions in Futures which will not be offset on the last day of trading will be completed by delivery. If a customer of a Clearing Member is willing or unable to provide such evidence, the Clearing Member must liquidate the position on or before the last day of trading.

Amended 9/95, 6/96

#### **Section C-510 Obligation to Deliver**

The Clearing Member making delivery of an Underlying Interest pursuant to a Future (the "delivering Clearing Member") shall deliver the Underlying Interest which is the subject of the Tender Notice, or such documents as may be necessary to convey title and possession of such Underlying Interest, in Good Deliverable Form and duly endorsed, to the assigned Clearing Member (as defined below) against receipt of payment. The Clearing Member who has been assigned to take delivery shall notify the Corporation of non-delivery of the Underlying Interest, in the form prescribed by the Corporation, within the time prescribed in respect of the



particular Underlying Interest which was to have been delivered. Delivery shall be made at such times as is provided in the by-laws, rules and policies of the Exchanges and these Rules.

Amended 9/95, 6/96

### **Section C-511 Obligation to Take Delivery**

A Clearing Member who has been assigned to take delivery of an Underlying Interest pursuant to a Future (the "assigned Clearing Member") shall accept delivery of the Underlying Interest which is the subject of the Future, or such documents as may be necessary to convey title and possession of such Underlying Interest, in Good Deliverable Form and duly endorsed, from the delivering Clearing Member. The Clearing Member delivering the Underlying Interest shall notify the Corporation of non-acceptance of delivery, in the form prescribed by the Corporation, within the time prescribed in respect of the particular Underlying Interest that was to have been accepted.

Amended 9/95, 6/96

### **Section C-512 Failure to Deliver**

If the Clearing Member required to make delivery under Section C-510 fails to complete such delivery by the time required for delivery in the by-laws, rules and policies of the Exchanges and these Rules, the delivering Clearing Member will become a Non-Conforming Member. The Corporation may take or cause, authorize or require to be taken whatever steps it may deem necessary to effect delivery to or otherwise settle with, the assigned Clearing Member. Without limiting the generality of the foregoing, the Corporation may acquire and deliver the Underlying Interest to the assigned Clearing Member, reimburse or pay to the assigned Clearing Member any additional financial costs incurred as a result of the assigned Clearing Member acquiring the Underlying Interest on the open market, enter into an agreement with the assigned Clearing Member and the delivering Non-Conforming Member relating to the failed delivery, and/or take such other action as the Corporation may, in its absolute discretion, deem appropriate or necessary in order to ensure that a Non-Conforming Member's obligations are fulfilled. In the event the cost of effecting delivery to, or otherwise settling with, the assigned Clearing Member exceeds the settlement price at which the delivery was to be made, the Non-Conforming Member shall be liable for and shall promptly pay to the Corporation or the assigned Clearing Member as the case may be, the amount of such difference.

Amended 9/95, 6/96, 9/98

### **Section C-513 Failure to Accept Delivery and Make Payment**

If the Clearing Member who is assigned a Tender Notice shall fail to accept delivery and make payment of the Settlement Amount to the delivering Clearing Member, or shall refuse to receive the Underlying Interest, or shall fail to pay the Settlement Amount for all the Underlying Interest or the documents of conveyance in respect thereof delivered to it in Good Deliverable Form in fulfillment of a Tender Notice, and such refusal or failure shall continue beyond the time required for delivery in the by-laws, rules and policies of the Exchanges and these Rules, the assigned Clearing Member shall become a Non-Conforming Member. The Corporation may take or cause, authorize or require to be taken whatever steps it deems necessary to effect payment to, or otherwise to settle with, the delivering Clearing Member. Without limiting the generality of the foregoing, the Corporation or the delivering Clearing Member may, upon notice to the assigned Non-Conforming Member and, if such action is taken by the delivering Clearing Member, to the Corporation, sell out in the best available market, for the amount and liability of the assigned Non-Conforming Member, all or any part of the undelivered Underlying Interest. The assigned Non-Conforming Member shall be liable for and shall promptly pay to the delivering Clearing Member or the Corporation as the case may be, the difference, if any, between the Settlement Amount of the undelivered Underlying Interest and the price at which such Underlying Interest was sold-out.

Amended 9/95, 6/96, 9/98

### **Section C-514 Penalties and Restrictions**

- (1) The Board shall set by resolution, from time to time, the penalties payable in the event that a Clearing Member fails to make delivery or fails to accept delivery and make payment when required to do so in accordance with the Rules and By-laws; provided, however, that the penalty for any single failure shall not exceed \$250,000. The amount of these penalties shall be in addition to any other sanctions that may be imposed by the Corporation under the Rules in respect of such a default. If a Clearing Member fails to make delivery or accept delivery and make payment, as required under the Rules and By-laws, such penalty shall be assessed against it commencing as of the Time of Delivery and continuing until the Non-Conforming Member's obligations to the Corporation are fulfilled or the Non-Conforming Member is suspended, whichever is the sooner.
- (2) Where at the Time of Delivery a delivering Clearing Member fails to make delivery or an assigned Clearing Member fails to accept delivery and make payment and becomes a Non-Conforming Member the Non-Conforming Member's clearing activities shall immediately be restricted to closing transactions as defined in these Rules, unless the Corporation determines that it is not necessary to impose such restriction, in whole or in part. This restriction shall continue until the Non-Conforming Member deposits Security Funds with the Corporation in accordance with Sections C-516 and C-517, or, if such funds are not deposited, until otherwise determined by the Chairperson of the Board and any two directors. Nothing in this Section C-514(2) shall prevent the Corporation from immediately suspending a Non-Conforming Member.

New Rule 9/95, amended 9/98

### **Section C-515 Notification of Failure to Make Delivery/Make Payment**

The Corporation shall report a Non-Conforming Member, and all circumstances surrounding the transaction that the Corporation deems relevant or appropriate, to each of the Exchanges, any appropriate self regulatory agency or regulatory agency, and to any other person or organization considered appropriate or necessary by the Corporation. Such notice may include, but is not restricted to, the following information: the identities of the delivering Clearing Member and the assigned Clearing Member, the notional value of the transaction, the issue to be delivered, the settlement amount and any other information considered appropriate or relevant by the Corporation.

New Rule 9/95, amended 9/98

### **Section C-516 Security Funds**

For the purposes of all these Rules, "Security Funds" shall be equivalent to the form of deposits accepted by the Corporation pursuant to Section A-608.

New Rule 9/95, amended 02/06

### **Section C-517 Deposit of Security Funds**

- (1) Where a Non-Conforming Member has defaulted on the delivery of an Underlying Interest, it must deliver to the Corporation, within one hour after the Time of Delivery, Security Funds in an amount equal to not less than 105% of the market value of the Underlying Interest to be delivered. Upon such delivery, the calculation of penalties and implementation of restrictions, as provided for in Section C-514, shall end. The deposit of the Security Funds with the Corporation as herein provided does not discharge any obligation of such Non-Conforming Member to the Corporation including the payment of any penalties or the payment of costs incurred by the Corporation in connection with the Non-Conforming Member's default, and does not preclude the suspension of such Non-Conforming Member, or the assessment of additional sanctions under Rule A-5.
- (2) Where a Non-Conforming Member has failed to accept the delivery of an Underlying Interest and make payment therefor, it must deliver to the Corporation, within one hour after the Time of Delivery, Security Funds equal to the settlement value, or, in the absolute discretion of the Corporation, in an amount equal to the difference between the liquidating value of the Underlying Interest and the settlement value, or such other amount as the Corporation may determine. Upon such delivery, the calculation of penalties and implementation of restrictions, as provided for in Section C-514, shall end. The deposit of the Security Funds with the Corporation, after the required delivery time, does not discharge any obligation of such Non-Conforming Member to the Corporation including the payment of any penalties or payment of costs incurred by the Corporation in connection with the Non-Conforming Member's default, and does not preclude the suspension of such Non-Conforming Member or the assessment of additional sanctions under Rule A-5.
- (3) The Security Funds deposited by a Non-Conforming Member shall be used, together with the Non-Conforming Member's Margin or Clearing Fund deposits, any excess Margin and Clearing Fund deposits placed by that Non-Conforming Member with the Corporation, and any other Non-Conforming Members' funds held by the Corporation for such purposes, by the Corporation to effect delivery of or make payment in respect of the Underlying Interest, or otherwise meet the Corporation's obligations in respect of the transaction.

New Rule 9/95, amended 9/98

### **Section C- 518 Effecting Delivery/Payment**

- (1) Where a delivering Non-Conforming Member has failed to make a delivery or an assigned Non-Conforming Member has failed to accept a delivery and make payment therefor, the Corporation shall use any funds available to it for such purposes, in such manner as it shall, in its sole discretion, consider appropriate, to effect delivery of or make payment in respect of the Underlying Interest, or otherwise settle such failed transaction. The Corporation will endeavour to effect delivery or make payment as soon as practicable, given the nature of the Underlying Interest and all of the circumstances of the particular transaction.
- (2) Where the Corporation has effected delivery of or made payment for the Underlying Interest, or otherwise settled the transaction, and the cost of so doing exceeds the Security Funds (if any) deposited under Section C-517, and the Non-Conforming Member's Margin or Clearing Fund deposits, the Non-Conforming Member shall be liable to and shall promptly pay the Corporation the amount of the excess, in addition to any penalties and other sanctions that may be assessed, and the Corporation's reasonable expenses, including legal fees.

- (3) Where the Corporation has effected delivery of or made payment for the Underlying Interest, or otherwise settled the transaction, and the cost of so doing is less than the Security Funds (if any) deposited under Section C-517, any excess, less all assessed penalties and reasonable expenses, including legal fees, incurred by the Corporation, will be promptly returned to the Non-Conforming Member.

New Rule 9/95, amended 9/98

### **Section C-519 Other Powers of the Corporation**

Notwithstanding the foregoing, the Corporation shall have the power to require a Non-Conforming Member to deposit such other funds or Security as the Corporation may, in its discretion, determine is necessary or advisable given the nature and value of the Underlying Interest and all of the circumstances of the failed transaction. A Non-Conforming Member shall cooperate fully with the Corporation in respect of the failed transaction and shall promptly provide the Corporation with such information relating thereto and to the Non-Conforming Member, as the Corporation may request.

New Rule 9/95, amended 9/98

### **Section C- 520 Suspension and Other Disciplinary Action**

Notwithstanding any penalties or restrictions imposed on the Non-Conforming Member pursuant to Section C-514, the Corporation may suspend or impose the sanctions provided for in Section A-1A04 and Rules A-4 and A-5 on a Non-Conforming Member.

New Rule 5/95, amended 9/98

### **Section C-521 Force Majeure**

If delivery, settlement or acceptance or any precondition or requirement is prevented by “Force Majeure” such as but not limited to strike, fire, accident, act of government, act of God or other emergency the affected Clearing Member shall immediately notify the Exchange involved and the Corporation. The Exchange involved and the Corporation shall take such action as they deem necessary under the circumstances and their decision shall be binding upon all parties to the contract. Without limiting the generality of the foregoing, they may modify the Settlement Time and/or the settlement date; designate alternate or new delivery and settlement points or alternate or new procedures in the event of conditions interfering with the normal operations of approved facilities or delivery and settlement process; and/or fix a Settlement Price.

Amended 9/95, 6/96, 9/96, 9/98, 02/06



## Confirmation of Agreement Alternative Delivery Procedure (ADP)

<b>To:</b>	CDCC - Operations <a href="mailto:cdccops@cdcc.ca">cdccops@cdcc.ca</a>	
<b>Cc:</b> <i>counterparty</i>		<b>Member No:</b>
<b>From:</b>		<b>Member No:</b>

We confirm that an Alternative Delivery Procedure has been agreed on the number of contracts shown below, in accordance with Section C-1907 of Rule C-19 of CDCC's Rules:

Buy/Sell	Counterparty	Number of Contracts	Final Settlement Price	Account	Contract Expiry

Pursuant to Section C-1907 of Rule C-19 of CDCC's Rules, we hereby release CDCC from any responsibility regarding the delivery of Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units underlying the above-mentioned Futures Contracts on Carbon Dioxide Equivalent (CO<sub>2</sub>e) Units with Physical Settlement. Furthermore, we undertake to indemnify CDCC in respect of any costs, charges and expenses incurred by it in connection with these contracts and of this Alternative Delivery Procedure (ADP) agreement, including, without limitation, any costs, charges and expenses incurred as a result of a failure on our part to meet our obligations under this Alternative Delivery Procedure (ADP) agreement.

### CLEARING MEMBER AUTHORIZED STAMP

Name of Contact Person <i>(sender of form)</i>	
Title	
Signature	
Phone Number	

Date .....

**Please note:** This form must be completed, the CDCC Stamp is to be applied and initialed, then **scanned** and e-mailed to the interested parties. The sender is to contact CDCC Operations to inform them that the e-mail has been sent. A copy of this form must also be sent by e-mail to the Regulatory Division of Bourse de Montréal Inc at [bdmsurveillance@m-x.ca](mailto:bdmsurveillance@m-x.ca).