RULE C-19 Futures Contracts on Carbon Dioxide Equivalent (CO₂e) 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 (CO₂e) Units as defined in Section C-1901, herein referred to as “Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units with Physical Settlement”.

May 2008

Section C-1901 Definitions

Notwithstanding Section A-102, for the purposes of Futures Contract on Carbon Dioxide Equivalent (CO₂e) 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 (CO₂e)” - a unit of measure used to allow the comparison between greenhouse gases that have different global warming potentials.

“Carbon Dioxide Equivalent (CO₂e) 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 (CO₂e).

“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 (CO₂e) Units with Physical Settlement, the Underlying Interest is 100 Carbon Dioxide Equivalent (CO₂e) Units.

May 2008

Section C-1902 Delivery Standards

For Futures Contracts on Carbon Dioxide Equivalent (CO₂e) Units with Physical Settlement, the only Carbon Dioxide Equivalent (CO₂e) Units acceptable for delivery shall be those specified by the Exchange from time to time.

Before a Futures Contract on Carbon Dioxide Equivalent (CO₂e) 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 (CO₂e) 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 (CO₂e) 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 (CO₂e) 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 (CO₂e) 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 (CO₂e) 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 assignation 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 (CO₂e) Units

In the eventuality where the Board of Directors of the Corporation decides that a shortage of deliverable Carbon Dioxide Equivalent (CO₂e) 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 (CO₂e) 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 (CO₂e) 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 (CO₂e) Units with Physical Settlement, to make and take delivery of the Carbon Dioxide Equivalent (CO₂e) 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 (CO₂e) 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 (CO2e) 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 (CO2e) 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