



NOTICE TO MEMBERS

No. 2010 – 040

May 14, 2010

SELF-CERTIFICATION

Addition of the New Rule C-21 Futures Contracts on Canadian Crude Oil with Cash Settlement

The Board of Directors of Canadian Derivatives Clearing Corporation (CDCC) has approved the addition of the new Rule C-21 Futures Contracts on Canadian Crude Oil with Cash Settlement (the Rule C-21). CDCC wishes to advise Clearing Members that the Rule C-21 has been self-certified in accordance with the self-certification process as established in the *Derivatives Act* (R.S.Q., chapter I-14.01).

The goal of Rule C-21 is to allow the clearing of futures contracts on Canadian crude oil with cash settlement. The futures contract on Canadian crude oil with cash settlement is a new derivative product on Canadian crude oil launched by the Bourse de Montréal Inc.

Rule C-21 will be in effect and will be incorporated in the version of the Rules which will be available on CDCC's web site (www.cdcc.ca) in the morning of June 18, 2010.

For any question or clarification, CDCC Clearing Members may contact the CDCC Operations Department.

Glenn Goucher
Senior Vice-President and Chief Clearing Officer

Canadian Derivatives Clearing Corporation

The Exchange Tower
130 King Street West, 5th Floor
Toronto, Ontario
M5X 1J2
Tel. : 416-367-2463
Fax :: 416-367-2473

800 Victoria Square
3rd Floor
Montréal, Québec
H4Z 1A9
Tel. : 514-871-3545
Fax: : 514-871-3530
www.cdcc.ca



NEW PRODUCT FUTURES CONTRACTS ON CANADIAN CRUDE OIL WITH CASH SETTLEMENT

ADDITION OF NEW RULE C-21

Introduction

Bourse de Montréal Inc. (the Bourse) intends to launch a new derivative product on Canadian crude oil: "Futures Contracts on Canadian Crude Oil". Canadian Derivatives Clearing Corporation (CDCC) requires a new Rule to accommodate the launch of this new contract.

The Bourse's analysis document, "New Product - Futures Contracts on Canadian Crude Oil", is attached to the present to provide the background information necessary to understand the new contract.

I. Proposed Regulatory Amendments

The current Rules of CDCC do not allow the clearing of futures contracts on Canadian crude oil with cash settlement. CDCC proposes to add a new Rule C-21 Futures Contracts on Canadian Crude Oil with Cash Settlement to accommodate the clearing of these new futures contracts.

1 – Sections

A new Rule is required to allow clearing of futures contracts on Canadian Crude Oil with cash settlement. Sections C-2101 to C-2107 have been created to allow the clearing provisions applicable to Futures Contracts on Canadian Crude Oil with cash settlement:

- Section C-2101 defines certain expressions which are specific to futures contracts on Canadian crude oil with cash settlement.
- Section C-2102 establishes the settlement mechanism as well as the calculation formula for the pertinent amounts.
- Since there is no physical settlement, section C-2103 excludes the application of Rule C-5 for this product.
- Section C-2104 establishes the actions that CDCC may undertake in situations where the current value is unavailable or inaccurate.
- Section C-2105 establishes the method of payment and receipt of payment of the trade price.
- Section C-2106 establishes the measures CDCC may take if settlement or acceptance or any precondition or requirement is prevented by a "force majeure".
- Section C-2107 establishes the appropriate currency for settlement, the clearing fees and margin deposits.

2 – Applicable Terms & Conditions:

The following describes the main terms and conditions applicable to the clearing of this contract:

Terms and conditions for margin requirements:

The margin requirements by contract are revised monthly by CDCC based on historical volatility. The determination of the margin interval will follow our actual risk methodology procedure. In order to do so, we will apply proper risk parameters to be covered 99% of the time at the inception of the contract and we will review the parameters from time to time. Since there is no trading history for futures contracts on Canadian crude oil, initially this margin requirement will be calculated based on the historical data of the Western Canadian Select and West Texas Intermediate crude oil contracts price differential - a proxy for the Canadian crude oil futures contract.

Going forward, any Canadian crude oil futures contracts with cash settlement will be subject to the same updates on margin parameters as the one applicable to all futures contracts.

Terms and conditions for cash settlement

Futures contracts on Canadian crude oil will be cash-settled at the price differential between the Western Canadian Select and West Texas Intermediate contracts as determined by the Bourse. The Bourse shall publish and report to the CDCC the final settlement price on the first business day following the last day of trading of the contract month.

Other types of Canadian crude oil (light sweet or synthetic crude oil produced in Canada) that may be the subject of a futures contract launched by the Bourse, should be cash settled as well.

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

The objectives of the proposed addition of Sections C-2101 to 2107, Rule C-21 Futures Contract on Canadian Crude Oil with Cash Settlement, are to:

- i) Allow the clearing of futures contracts on Canadian crude oil with cash settlement; and
- ii) Establish the terms for clearing of futures contracts on Canadian crude oil with cash settlement.

III. Public Interest

The additions to the Rules of CDCC are proposed in order to make possible the clearing of futures contracts on Canadian crude oil with cash settlement.

IV. Process

The proposed regulatory amendments have been approved by the CDCC Board. The amendments, including this analysis, are transmitted to the Autorité des marchés financiers (l'Autorité) in accordance with the self-certification process and to the Ontario Securities Commission for information.

V. Documents Attached

- Rule C-21 of CDCC: Futures contracts on Canadian Crude Oil with cash settlement.
- The Bourse's analysis document: "New Product - Futures Contracts on Canadian Crude Oil".

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RULE C-21 Futures Contracts on Canadian Crude Oil with Cash Settlement

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The sections of this Rule C-21 are applicable only to Futures Contracts on Canadian Crude Oil with Cash Settlement.

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Section C-2101 Definitions

Notwithstanding Section A-102, for the purposes of Futures Contracts on Canadian Crude Oil with Cash Settlement, the following terms are as defined:

“Exchange” - Bourse de Montréal Inc.

“Final Settlement Price” - the price of the Underlying Interest, expressed in U.S. dollars, as determined by the product specifications of the Exchange.

“Futures” - a contract to make settlement in cash on a future date of the difference between the Final Settlement Price and the Trade Price multiplied by the appropriate Multiplier pursuant to standardized terms and conditions set forth in these Rules and the by-laws, rules or policies of the Exchange.

“Multiplier” - the factor used to calculate the size of the contract, as specified by the Exchange, of the Futures Contracts on Canadian Crude Oil with Cash Settlement. The factor is set at 1,000 U.S. barrels.

“Underlying Interest” – means the price of one (1) U.S. Barrel of Canadian crude oil, expressed on a differential price basis, as determined by the Exchange.

“U.S. Barrel” - means 42 U.S. gallons of 231 cubic inches per gallon measured at 60°F.

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Section C-2102 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

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- (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.

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Section C-2103 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 Canadian Crude Oil with Cash Settlement.

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Section C-2104 Unavailability or Inaccuracy of Current Value

- (1) If the Corporation shall determine that the Final Settlement Price for a Futures Contract on Canadian Crude Oil 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.

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Section C-2105 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.

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Section C-2106 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. If the Exchange and the Corporation decide that a Force Majeure is in progress, by their own means or following the

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reception of a notice to this effect from a Clearing Member, they shall take all necessary actions in the circumstances and their decision shall be binding upon all parties to Futures Contracts on Canadian Crude Oil with Cash Settlement affected by the Force Majeure. Without limiting the generality of the foregoing, the Corporation may take one or many of the following measures:

- a) modify the Settlement Time;
- b) modify the settlement date;
- c) 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;
- d) fix a Settlement Price.

Neither the Exchange nor the Corporation shall be liable for any failure or delay in the performance of the Corporation's obligations to any Clearing Member if such failure or delay arises out of a Force Majeure.

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Section C-2107 Currency

All trading and settlement of Futures Contracts on Canadian Crude Oil with Cash Settlement takes place in United States funds. All margin requirements will be calculated in United States funds and converted to Canadian funds at a rate of exchange determined from time to time by the Corporation. All clearing fees and margin deposits in relation to Futures Contracts on Canadian Crude Oil with Cash Settlement will be payable in Canadian Funds.

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NEW PRODUCT FUTURES CONTRACTS ON CANADIAN CRUDE OIL

**ADDITION OF NEW ARTICLES TO RULE FIFTEEN (SECTIONS 15996.1 – 15997.5
FUTURES CONTRACTS ON CANADIAN CRUDE OIL)**

**AMENDMENTS TO ARTICLES 6801, 6802, 6803, 6804, 6807, 6808 AND 6812 OF
RULE SIX AND ARTICLE 15001 OF RULE FIFTEEN**

**MODIFICATIONS TO THE PROCEDURES APPLICABLE TO THE EXECUTION OF
CROSS TRANSACTIONS AND THE EXECUTION OF PREARRANGED
TRANSACTIONS, THE PROCEDURES APPLICABLE TO THE EXECUTION OF BLOCK
TRADES, THE PROCEDURES APPLICABLE TO THE EXECUTION AND REPORTING
OF EXCHANGE FOR PHYSICAL (EFP), EXCHANGE FOR RISK (EFR) AND
SUBSTITUTION OF OTC DERIVATIVE INSTRUMENTS FOR FUTURES CONTRACTS
TRANSACTIONS, THE DAILY SETTLEMENT PRICE PROCEDURES FOR FUTURES
CONTRACTS AND OPTIONS ON FUTURES CONTRACTS, AND THE PROCEDURES
FOR THE CANCELLATION OF TRADES**

Introduction

Bourse de Montréal Inc. (the Bourse) intends to launch a new derivative product on Canadian Crude Oil which will be entitled the "Futures Contracts on Canadian Crude Oil".

I. Proposed Regulatory Amendments

The Bourse proposes to add new articles 15996.1 – 15997.5 to Rule Fifteen and to amend article 15001 of Rule Fifteen as well as to amend articles 6801, 6802, 6803, 6804, 6807, 6808 and 6812 of Rule Six. In addition, the Bourse proposes amending the following procedures:

- Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions
- Procedures Applicable to the Execution of Block Trades
- Procedures Applicable to the Execution and Reporting of Exchange for Physical (EFP), Exchange for Risk (EFR) and Substitution of OTC Derivative Instruments for Futures Contracts Transactions
- Daily Settlement Price Procedures for Futures Contracts and Options on Futures Contracts
- Procedures for the Cancellation of Trades

All these additions and amendments to the Rules and Procedures will facilitate the listing and trading of Futures contracts on Canadian Crude Oil on the Bourse's electronic trading platform.

II. Rationale

In light of interest by market participants for a risk management instrument on a Canadian crude oil benchmark, the Bourse plans to introduce a futures contract based on the current benchmark for heavy crude oil – Western Canadian Select (WCS).

Several factors support the rationale to list a futures contract on WCS by the Bourse:

- **There is a “benchmark vacuum” in the market for a heavy crude oil futures contract:** West Texas Intermediate (WTI) and Brent are recognized as the global benchmarks among light crude oil grades. However, in light of declining production for WTI and Brent as well as the growing importance of heavy crude oil on the world market, there is an opportunity to list an exchange-traded heavy crude oil futures contract in North America. In fact, Canadian producers have stated that a heavy crude oil futures contract is a natural progression for their attempts to position the WCS Heavy Crude Oil brand as a North American benchmark for heavy crude.
- **Market interest:** Positive feedback from oil producers, refiners and financial players confirms market interest to list on the Bourse a futures contract on Canadian Heavy Crude Oil. Producers and end users have a price risk to manage due to the low degree of correlation between heavy crude oil and light crude oil. Moreover, those using the WTI light crude oil futures contract listed on CME/NYMEX to hedge their heavy crude oil exposure must deal with fluctuations and volatility in the price differential between heavy and light crude oil.
- **Economic Rationale for a Heavy Crude Oil Futures Contract:**

Volatility	Correlation - Tracking Error	Homogeneity of Heavy Crude Oil Grades	Market Concentration	Vertical Integration	Product Substitute
<ul style="list-style-type: none"> ▪ Canadian heavy crude oil exhibits high volatility (60%). ▪ Differential price between heavy and light crude oil grades is very volatile as well (73%). 	<ul style="list-style-type: none"> ▪ Low degree of correlation between heavy and lighter crude oil grades means that there is a price risk to manage (70% vs WTI). ▪ Very high tracking error between heavy and light crude oil grades (35% vs WTI). 	<ul style="list-style-type: none"> ▪ There are 26 heavy crude oil streams produced in Canada and WCS is the benchmark. 	<ul style="list-style-type: none"> ▪ There are more than 50 producers of heavy crude oil in the market. ▪ The top 5 producers represent 68% of total production. 	<ul style="list-style-type: none"> ▪ Vertical integration is modest and therefore unlikely to impede the successful trading of a futures contract. 	<ul style="list-style-type: none"> ▪ No good proxy to WCS for the heavy crude oil market. ▪ Limited liquidity in the market for OTC financial instruments.

III. Detailed Analysis

Crude oils are generally differentiated by the size of the hydrogen-rich hydrocarbon molecules they contain. For example, **light oil** flows easily through wells and pipelines and, when refined, produces a large quantity of transportation fuels such as gasoline, diesel and jet fuel. **Heavy oil**, by comparison, requires additional pumping or dilution to flow through wells and pipelines; when refined, it produces proportionally more heating oil and a smaller amount of transportation fuels.

Oil production in Canada is characterized by two types:

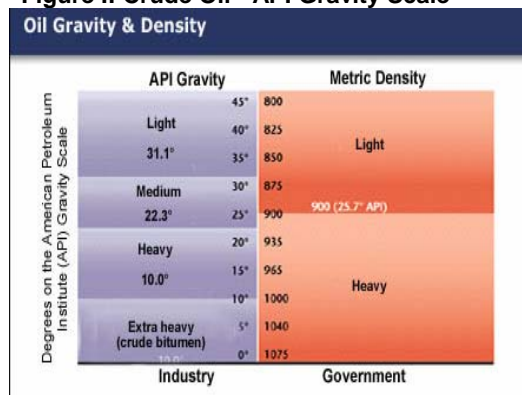
1. Conventional crude oil - usually referred to crude oil produced by drilling wells. It is differentiated from non-conventional crude oil by the method used for extraction, and
2. Non-conventional crude oil - known as oil sands deposits - is too thick to flow in its natural state and requires special recovery methods to bring it to the surface.

A. The Canadian Heavy Crude Oil Market

What is Heavy Crude Oil

Heavy crude is a type of oil that is very viscous and does not flow easily. It has a API (American Petroleum Institute) gravity below 26 degrees with a high sulphur content. Heavy crude oil is produced as a result of extracting the bitumen that is contained in oil sands. Bitumen extracted from oil sands is a heavy, tar-like substance (less than 14 degrees API) that must be mixed with a diluent in order to be transported by pipeline. Heavy crude oil is produced from Canada's oil sands which are spread across 77 000 square kilometres of relatively remote northern Alberta landscape in the Western Canada Sedimentary Basin (WCSB).

Figure 1: Crude Oil - API Gravity Scale



Western Canadian Select Heavy Crude Oil (WCS) – The Benchmark in Canada for Heavy Crude Oil

A consortium of leading Canadian crude oil producers that includes: EnCana, Canadian Natural Resources, Petro-Canada and Talisman have implemented a heavy crude oil stream named Western Canadian Select (WCS) that has become the benchmark for heavy crude oil in Canada. WCS, produced out of Western Canada, is made up of existing Canadian heavy conventional and bitumen crude oils blended with sweet synthetic and condensate diluents. It is a consistent high quality crude blend introduced in December 2004 with current production output of approximately 350 000 barrels per day (b/d) - compared to the total production of Canadian heavy crude oil of 1.2 million b/d. WCS is a heavy sour crude oil blend made up of 10 different crude oil streams. WCS has an API gravity of 20.5 degrees and a 3.2 weight sulphur content. WCS is produced in Alberta and is available at Hardisty, Alberta for shipment on Enbridge, Express and Bow River South pipeline systems to Canadian and U.S. Mid-Continent markets

Benefits of Western Canadian Select for the Crude Oil Markets

The benchmark status of Western Canadian Select has provided the crude oil market with the following benefits that are important for the launch of a futures contract:

- Delivery quality, consistency and reliability,
- Enhanced price discovery and transparency including improved stream liquidity in the physical market, and
- Development of new export markets for heavy crude oil, such as the Southern U.S. Mid-Continent, the Gulf of Mexico, the West Coast and Asia.

Competing Crude Oil Grades

There are several other medium and heavy crude oil grades that compete against Western Canadian Select for export markets.

Table I: Competing North American Heavy and Medium Sour Crude Oil Grades

	Western Canadian Select	Mexican Maya	U.S. Mars
Crude Type	Heavy Sour	Heavy Sour	Medium Sour
Gravity (API)	19-22°	21.8°	30.4°
Sulphur (Wt %)	2.8-3.2	3.5	1.9
Production (barrels/day)	350 000	1 750 000	366 000

Source: MX Research

Pricing of Western Canadian Select Heavy Crude Oil

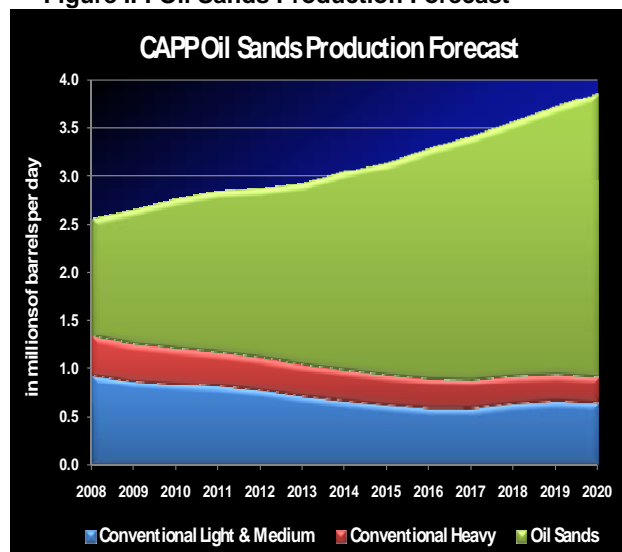
The market practice is to price Canadian heavy crude grades at a differential to WTI light sweet crude oil. In fact, WTI is the benchmark against which all North American crude grades are priced against. Prices are quoted in US\$ per barrel. For example on June 5th, a differential of -9.50 US\$ implies that WCS is selling at a price of 9.50 US\$ per barrel below the price of WTI. The price reflects WCS crude oil traded on June 5th for delivery one month forward in July, as is the practice in the physical market.

B. The Market Size for Crude Oil in Canada – A Growing Market for Heavy Crude Oil

Crude Oil Production – Driven by increased Oil Sands and Heavy Crude Oil Demand

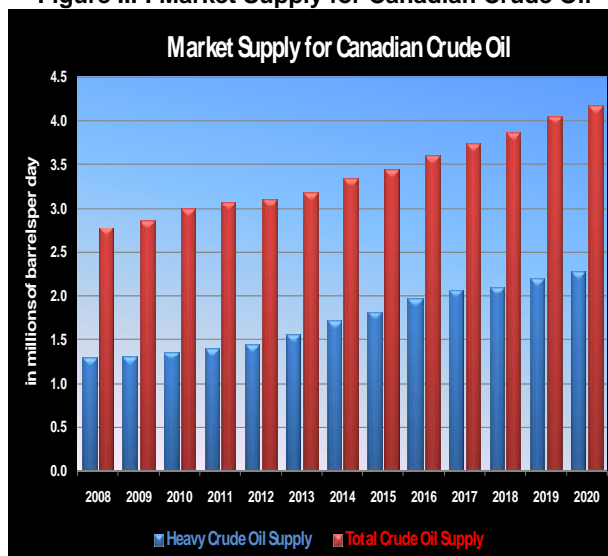
- Total crude oil production in Canada is estimated at 2.7 million b/d for 2008 and is forecasted to rise to 4.2 million b/d in 2020. Production output for 2008 is split between heavy crude oil (1.2 million b/d) and light crude oil (1.5 million b/d).
- Heavy crude oil production, which constitutes 44% of total crude oil production in 2008, is expected to account for 55% of total crude oil production in 2020. Growth is driven by increased volumes of oil sands which will displace conventional heavy and light crude oil production over the period.
- The supply for heavy crude oil in Canada is forecasted to almost double (+80%) by 2020 from the current 1.2 million b/d in 2008 to 2.3 million b/d in 2020. Whereas, the market for light crude oil is forecasted to grow at a slower rate of 27% – from 1.5 million b/d in 2008 to 1.9 million b/d in 2020.

Figure II : Oil Sands Production Forecast



Source: Canadian Association of Petroleum Producers- CAPP

Figure III : Market Supply for Canadian Crude Oil



□ Crude Oil Exports – The U.S. is Canada's largest market

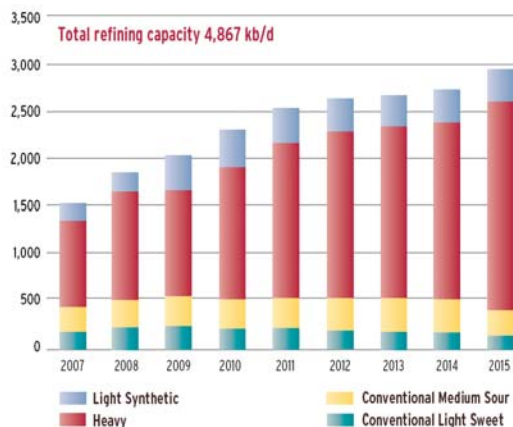
- The U.S. is the largest market for Canadian crude oil exports – representing 99% of total exports. Canada exports 1.8 million b/d of crude oil to the U.S. - representing 67% of total crude oil production of 2.7 million b/d. In fact, Canada ranks first in crude oil exports to the U.S. – accounting for 20% of all U.S. crude oil imports.

Figure IV : Canadian Crude Oil Exports to U.S. PADD Districts for 2008 (in 000s m³ per day)



Source : NEB – Canadian Energy Overview, May 2009

Figure V : Forecast of Canadian Crude Oil Exports – by crude oil grade



Source : CAPP – Crude Oil Forecast, Markets and Pipeline Expansions, June 2008

C. Crude Oil Streams Produced in the Western Canadian Sedimentary Basin (WCSB)

Crude oil produced from the WCSB can be classified as four different types:

1. Conventional Light Sweet (30° to 40° API, less than 0.5% sulfur) including condensates;
2. Heavy (equal to or less than 27° API) and includes synthetic sour, DilBit, SynBit and DilSynBit);
3. Conventional Medium Sour (greater than 27° API and 0.5% sulfur); and
4. Light Sweet Synthetic.

A detailed analysis of the different types of crude oil streams from the WCSB is found in Appendix II.

D. The Pipeline Delivery Network for Crude Oil

□ Central Delivery Hub and Pipeline Network

Central Delivery Hubs

There are two major hubs for crude oil delivery in Western Canada:

- Edmonton, Alberta, and
- Hardisty, Alberta. The predominant practice is to quote prices for heavy crude oil delivery at the Hardisty, Alberta hub where many pipelines converge.

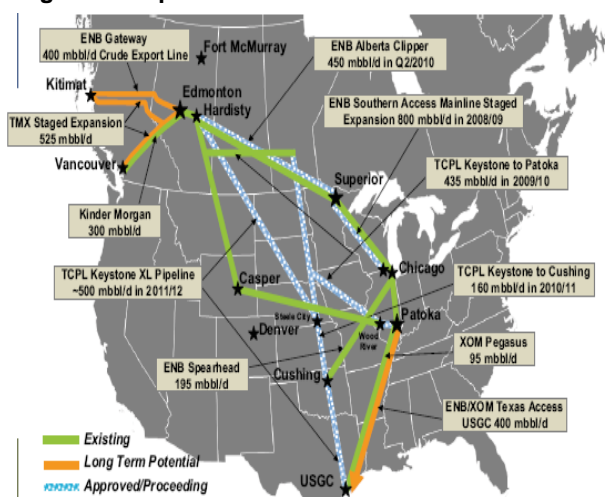
The WCS crude oil stream is available through Husky's terminal at Hardisty, Alberta for shipment on the Enbridge's Main pipeline or Bow River South pipelines.

Pipeline Network

Canada delivers crude oil to the export market through three major Canadian trunklines:

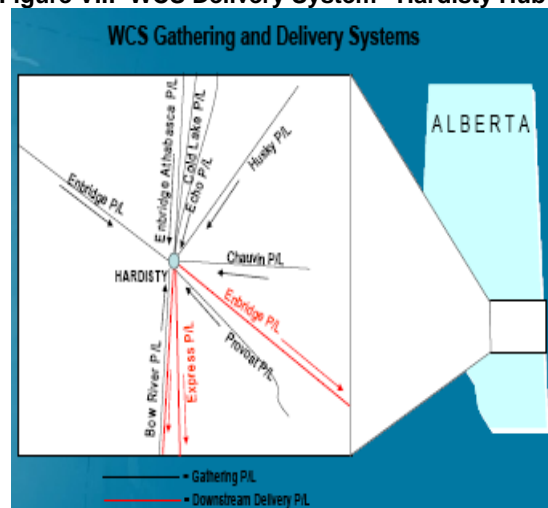
- Enbridge's Main Pipeline: Enbridge's mainline originates at Edmonton, Alberta and extends east across the Canadian prairies to the U.S. border near Gretna, Manitoba. At the U.S. border, it connects with the Lakehead system to deliver crude to the U.S. Midwest and north to Sarnia, Ontario (PADD II markets). Pipeline capacity is 1 900 000 b/d.
- Trans Mountain (TMX): Kinder Morgan's Trans Mountain pipeline originates at Edmonton, Alberta and extends west across British Columbia for delivery to marketing terminals and refineries in the greater Vancouver and Puget Sound in Washington State. Pipeline capacity is 300 000 b/d.
- Express: Kinder Morgan's Express pipeline originates at Hardisty, Alberta and delivers crude south to Casper, Wyoming - locations in PADD IV markets – where it connects to the Platte pipeline, which extends to Wood River for delivery to southern PADD II markets. Pipeline capacity is 280 000 b/d.

Figure VI: Pipeline Network



Source : Canadian Natural Resources

Figure VII: WCS Delivery System– Hardisty Hub



Source : EnCana

A significant amount of Canadian heavy crude oil (60% of total crude oil exports) is delivered by pipeline to PADD II (U.S. Midwest) delivery points.

IV. Proposed product

A. Futures Contract on WCS

The proposed Canadian heavy crude oil futures contract is designed following extensive consultation with market participants that include Canadian producers, refiners, dealers active in the physical crude oil market and financial participants. The details of the functional and operational characteristics of the proposed Canadian heavy crude oil futures contract are included in Appendix I.

▪ Salient features:

- ⇒ The price of the Canadian heavy crude oil futures contract is quoted as the differential price between heavy crude oil and light crude oil – expressed in US\$ per barrel. Specifically, it is the price of Western Canadian Select Heavy Crude Oil (WCS) minus the price of West Texas Intermediate Light Sweet Crude Oil (WTI). This conforms to the current market practice to quote and price Canadian crude oil grades at a differential to WTI.

- ⇒ The Canadian heavy crude oil futures contract is cash settled against the WCS reference price set by NGX. The WCS price is calculated and reported by the Natural Gas Exchange (NGX) – an energy exchange based in Calgary that is wholly owned by the TMX Group. The WCS price set by NGX – as determined by NGX on the last trading day of the futures contract – is the Final Settlement Price of the WCS contract.
- ⇒ The trading unit (contract multiplier) is 1,000, representing 1,000 barrels of heavy crude oil.

B. Contract Design Considerations

The NGX WCS Price Reference

The NGX WCS price reference is calculated using the volume weighted average price (differential price) of transactions in the month preceding the delivery month (futures contract month).

The NGX WCS Reference Price calculation period means the period commencing on the first trading day of the month preceding the delivery month and ending on the trading day preceding the “Initial Notice of Shipment” day (NOS). Typically, the NOS is a date that varies between the 17th calendar day of the month and the 21st calendar day of the month. <http://www.ngx.com/pdf/NGXPIMG.pdf>

Specifically, the NOS day is the deadline for participants to communicate their intent to deliver crude oil by pipeline for the following month. The NOS day is analogous to the “rollover date” in the futures markets – where participants roll their positions from the prompt futures contract month to the next futures contract month.

The NOS day is determined by the Crude Oil Logistics Committee as reported in the Forecast Reporting Calendar. <http://www.colcomm.com/calendars/ForecastingCalendars/index.phtml>

C. Potential Users of the WCS Contract

- ⇒ Producers who need to hedge production of crude oil. Typically, producers sell forward their production of crude oil in the physical market to lock in a fixed price.
- ⇒ Refiners who need to secure supply to produce petroleum products (gasoline, heating oil, asphalt). Refiners represent the buy side of the market.
- ⇒ Financial intermediaries who are not present in the physical forward market – however, that are active using futures contracts and over-the-counter financial instruments (swaps and options).
- ⇒ Speculators, proprietary traders, hedge funds and CTA's to manage directional trading.

D. Key Success Factors of the WCS Contract

□ Market Demand – Users of a Heavy Crude Oil Futures Contract

Presence of Long Hedgers (Refiners)	Presence of Short Hedgers (Producers)	Liquidity Providers
<ul style="list-style-type: none"> ▪ Natural population of refiners in both Canada and key U.S. export areas. 	<ul style="list-style-type: none"> ▪ WCS consortium - are favorable to the establishment of a crude oil futures contract as there are a limited number of hedging tools available to manage WCS price risk. 	<ul style="list-style-type: none"> ▪ Growing list of financial intermediaries in Alberta. ▪ Canadian bank dealers are not present in the physical forward market – however, they can trade crude oil futures. ▪ Foreign and domestic Hedge Funds and CTAs.

❑ The Need to Hedge – Price Risk to Manage

- **Low correlation:** Producers and end users are faced with a low degree of price correlation between Canadian heavy crude oil and light crude oil (Edmonton Par Light or West Texas Intermediate Light), signifying there is a price risk to hedge. Moreover, the tracking error of weekly returns between Canadian heavy crude oil and WTI is very high as well.

Figure VIII: Correlation Matrix
Correlation of Weekly Returns for the period of January 2007 to May 2009

	WTI-LIGHT	CAD-LIGHT	CAD-HEAVY
WTI-LIGHT		0.318	0.311
CAD-LIGHT	0.318		0.693
CAD-HEAVY	0.311	0.693	

Source: MX Research and EIA

Figure IX: Tracking Error
Tracking Error for the period of January 2007 to May 2009

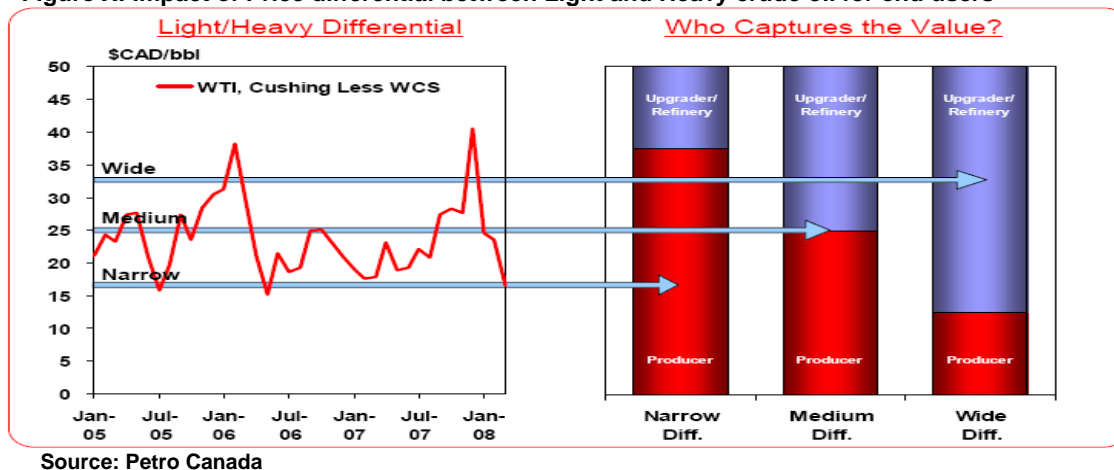
	WTI-LIGHT	CAD-LIGHT	CAD-HEAVY
WTI-LIGHT		0.434	0.514
CAD-LIGHT	0.434		0.336
CAD-HEAVY	0.514	0.336	

- **Differential Price:** Large fluctuations in the price differential between light crude oil and heavy crude oil impacts the profitability of producers and end users.

All crude oil is not valued equally. Light crude oil that is low in sulphur (sweet) is more valuable to refiners than heavy oil with higher sulphur content (sour). The difference in value between light and heavy crude oil (the differential) is primarily determined in the market for each type.

In general, a widening of the differential leads to poorer profitability for Canadian heavy oil producers and a narrowing of the differential leads to poorer profitability for oil refiners. Therefore, both producers and end users have a price risk to manage that would be met with the proposed heavy crude oil futures contract.

Figure X: Impact of Price differential between Light and Heavy crude oil for end users



❑ Volatility of the Differential Price

- The differential price between Canadian Heavy Crude Oil (WCS) and Light Crude Oil (WTI) is very volatile. The Volatility - as measured by the standard deviation of prices over a 30-day period - of the differential price has ranged from a high of 516% to a low of 27%, with the current volatility at 73%.
- Furthermore, the differential price has ranged from a high of US\$45 per barrel to a low of US\$3 per barrel.

Figure XI: Differential Price between Light Crude and Heavy Crude Oil Grades (WTI minus WCS)



Source: Bloomberg L.P.

E. International Benchmarking of Crude Oil Futures Contracts

TABLE II: INTERNATIONAL BENCHMARKING - CRUDE OIL FUTURES CONTRACTS

	CME Group/ NYMEX WTI	ICE Europe Brent	DUBAI Merc Oman	Russian Trading System Urals
Underlying	West Texas Intermediate Light Sweet Crude Oil	Brent Blend Crude Oil	Oman Crude Oil	Urals Crude Oil
Trading Unit	1 000 barrels	1 000 barrels	1 000 barrels	10 barrels
Price Quotation	U.S. dollars and cents per barrel	U.S. dollars and cents per barrel	U.S. dollars and cents per barrel	U.S. dollars and cents per barrel
Price Fluctuation	US\$0.01 per barrel	US\$0.01 per barrel	US\$0.01 per barrel	US\$0.01 per barrel
Settlement Type	Physical settlement	Physical settlement with option to cash settle against the ICE Brent Index	Physical settlement	Cash Settlement A value calculated by the formula: ICE Brent Index + average value of Platt's Urals spot price differential, is taken as a settlement price. Average value of Platt's Urals spot price differential is calculated as the average weighted daily values of Platt's Urals spot price differential 14 days before the settlement day of the contract month.
Deliverable Grades	Specific domestic crudes with 0.42% sulfur by weight or less, not less than 37° API gravity nor more than 42° API gravity. The following domestic crude streams are deliverable at Cushing, Oklahoma: West Texas Intermediate, Low Sweet Mix, New Mexican Sweet, North Texas Sweet, Oklahoma Sweet, South Texas Sweet. Specific foreign crudes	Crude oil of current pipeline export quality Brent blend for delivery at storage and terminal installations at Sullom Voe. Crude oil deliverable grades include Brent Blend, Forties, Oseberg and Ekofisk.	Crude Oil of pipeline export quality for delivery at the Mina Al Fahal Terminal, Oman.	N/A

	of not less than 34° API nor more than 42° API. The following foreign streams are deliverable at Cushing, Oklahoma: U.K. Brent, Norwegian Oseberg Blend, Nigerian Bonny Light, Qua Iboe, and Colombian Cusiana.			
Exchange for Physicals (EFP) and Exchange of Futures for Swap (EFS)	<p>(Exchange Rule 200.20) EFP: An exchange of futures for or in connection with the product (EFP) consists of two discrete, but related, transactions; a cash transaction and a futures transaction. At the time such transaction is effected, the buyer and seller of the futures must be the seller and buyer of a quantity of the physical product covered by this Section (or any derivative, by-product or related product). The quantity of physical product must be approximately equivalent to the quantity covered by the futures contracts.</p> <p>(Exchange Rule 200.20A) EFS: An exchange of futures for, or in connection with, a swap (EFS) consists of two discrete, but related, transactions; a swap transaction and a futures transaction. At the time such transaction is effected, the buyer and seller of the futures must be the seller and buyer of a quantity of the swap. The swap component shall involve the commodity underlying the futures contract (or any derivative, by-product or related product). The swap component of an EFS transaction must comply with the applicable CFTC swap regulatory requirements.</p>	<p>(Exchange Rule F5 and Guidance ICE Futures Europe EFP/EFS Policy - May 2009)</p> <p>No specific details as to what constitutes the cash leg of an EFP or the over-the-counter leg of an EFS.</p>	<p>(Exchange Rule 6.28)</p> <p>An EFP is a transaction whereby a Futures Contract is exchanged for or in connection with a cash transaction executed off the exchange in (or in a derivative or by-product of or related product to) the same commodity (a physical product).</p> <p>An EFS is a transaction whereby a Futures Contract is exchanged for or in connection with a swap transaction executed off the exchange in relation to the same physical product.</p>	N/A
Position Limits	10 000 net futures in any one month – 20 000 net futures in all months combined; but not to exceed 3 000 contracts in the last three days of trading in the spot month.	None	None	N/A
Reporting Level	350 contracts	None	25 contracts	N/A

Block Trade Threshold Level	Block trades are not permitted	300 contracts	100 contracts	N/A
Daily Price Limit	None	None	None	N/A
Average Daily Volume - 2009	334 518 contracts	224 787 contracts	1 323 contracts	423 contracts

Source: CME Group, ICE Europe and Dubai Mercantile Exchange Web sites / MX Research & Development

V. Summary of the Proposed Amendments to the Rules of the Bourse

The current Rules of the Bourse do not allow for the listing of futures contracts on Canadian Crude Oil. As a result, amendments and additions to Rules Six and Fifteen of the Bourse are necessary to allow for the listing of the contract. In addition, the Bourse proposes to amend the following procedures: the Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions, the Procedures Applicable to the Execution of Block Trades, the Procedures Applicable to the Execution and Reporting of Exchange for Physical (EFP), Exchange for Risk (EFR) and Substitution of OTC Derivative Instruments for Futures Contracts Transactions as well as the Daily Settlement Price Procedures for futures contracts and Options on Futures Contracts and the Procedures for the cancellation of trades.

A – Articles 6801, 6802, 6803, 6804, 6807, 6808 and 6812 of Rule Six

It is proposed to amend articles 6801, 6802, 6803, 6804, 6807, 6808 and 6812 of Rule Six of the Bourse in order to add the trading specifications of the WCS contract.

B – Article 15001 of Rule Fifteen

It is proposed to amend article 15001 of Rule Fifteen of the Bourse in order to add the WCS contract to the instruments that can be traded on the Bourse's electronic trading platform.

C – Articles 15996.1 to 15997.5 of Rule Fifteen

It is proposed to add articles 15996.1 to 15996.10 and 15997.1 to 15997.5 to Rule Fifteen of the Bourse in order to add specific trading and settlement provisions applicable to futures contracts on Canadian Crude Oil.

D- Procedures Applicable to the Execution of Cross Transactions and Prearranged Transactions

The Bourse proposes that the Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions (PCPT) be amended to include futures contracts on Canadian Crude Oil. The PCPT is amended so that the prescribed exposure time delays which must occur at or between the current best bid and the current best offer available in the electronic system of the Bourse and the minimum quantity thresholds for futures contracts on Canadian Crude Oil be established in accordance with the requirements of article 6380 of the Bourse's Rules. The prescribed time delay for futures contracts on Canadian Crude Oil will be set at 5 seconds with no minimum quantity threshold – in accordance with the established exposure time delays and minimum quantity threshold for newly listed commodities futures contracts such as the futures contract on Carbon Dioxide Equivalent Units (CO₂e).

E- Procedures Applicable to the Execution of Block Trades

The Bourse proposes that the Procedures Applicable to the Execution of Block Trades (PAEBT) be amended to include futures contracts on Canadian Crude Oil. It is proposed that the PAEBT be amended such that the prescribed time delay to report a block trade to the Bourse and the minimum quantity threshold for futures contracts on Canadian Crude Oil is established in accordance with article 6380 of the Bourse's Rules.

The prescribed time delay to report block trades to the Bourse for futures contracts on Canadian Crude Oil will be set at 15 minutes, in accordance with the established prescribed time delay for all permissible futures contracts on the list identified in the procedures applicable to the execution of block trades.

In regards to the minimum quantity threshold, it must be set large enough in order that a large trade does not negatively impact the central limit order book, without however discouraging interested participants from using the facility. Since there is no trading history for futures contracts on Canadian Crude Oil, the best estimate is to fix this initial minimum thresholds based on comparable exchange-traded crude oil futures contracts (in terms of expected initial liquidity). Consequently, it is proposed to fix this minimum quantity threshold at 100 contracts – the equivalent of 100,000 barrels of crude oil. This number will be re-evaluated periodically, based on accumulated trading history, and adjusted if necessary if it has a negative impact on the central limit order book.

Hence, the prescribed time delay to report a block trade and the minimum threshold quantity for a block trade for futures contracts on Canadian Crude Oil will be set at:

- 15 minutes for a minimum quantity threshold of 100 contracts.

International benchmarking for block trades:		
	Prescribed Time Delay	Block Trade Minimum Threshold Level
ICE Europe - Brent	5 minutes	300 contracts
ICE Europe (other less actively traded crude oil contracts)	5 minutes	100 contracts
CME Group/ NYMEX - WTI	Not permitted	Not permitted
Dubai Merc - Oman	5 minutes	100 contracts

F- Procedures Applicable to the Execution and Reporting of Exchange for Physical (EFP), Exchange for Risk (EFR) and Substitution of OTC Derivative Instruments for Futures Contracts Transactions

The Bourse also proposes to amend the Procedures Applicable to the Execution and Reporting of Exchange for Physical (EFP), Exchange for Risk (EFR) and Substitution of OTC Derivative Instruments for Futures Contracts Transactions (Procedures for EFP-EFR-SUB) so that the requirements related to EFP's and EFR's in the WCS contract be in accordance with article 6815 of the Bourse's Rules.

Based on the requirements of article 6815 and the Procedures for EFP-EFR-SUB, futures contracts on Canadian Crude Oil have been added to the list of eligible instruments for **EFP's and EFR's**.

Moreover, for the purposes of an EFR transaction, futures contracts on Canadian Crude Oil are included as part of the standardized instrument group "Commodities Futures" in the List of permissible OTC derivative instruments. The List of permissible OTC derivative instruments is found in Appendix I of the Procedures for EFP-EFR-SUB.

G- Daily Settlement Price Procedures of Futures Contracts and Options on Futures Contracts

The Bourse proposes to amend the Daily Settlement Price Procedures for Futures Contracts and Options on Futures Contracts (DSPP) so that the requirements related to the daily settlement prices of futures contracts on Canadian Crude Oil are established in accordance with article 6390 of the Bourse's Rules.

The DSPP for Futures contracts on Canadian Crude Oil is executed by a fully automated pricing algorithm which utilizes the parameters described in sections 4.7.1, 4.7.2 and 4.7.3 of the DSPP to ensure accuracy in the process.

Since there is no trading history for futures contracts on Canadian Crude Oil, the best estimate is to establish the closing range - for the purpose of determining the daily settlement price - based on comparable exchange-traded crude oil futures contracts. Consequently, based on other international futures contracts, it is proposed to establish the closing range at 5 minutes. The closing range will be re-evaluated periodically, based on accumulated trading history, and adjusted if necessary.

Based on the requirements of article 6390 and of the DSPP, futures contracts on Canadian Crude Oil have been integrated in the "Futures contracts on Canadian Crude Oil" section (section 4.7 of the DSPP). Hence, the settlement price shall be the weighted average of all traded prices during the closing range. The closing range is defined as the last five minutes of the trading session for all futures contracts on Canadian Crude Oil.

International benchmarking of the closing range to determine the daily settlement price:	
	Closing Range (VWAP of traded prices during the closing range)
ICE Europe - Brent	3 minutes
CME Group/ NYMEX - WTI	2 minutes
Dubai Merc - Oman	5 minutes

H- Procedures for the Cancellation of Trades

To protect the integrity of the market and to ensure that input errors can be corrected when a transaction outside the no cancel range is identified by the Bourse's market supervisors, the current Bourse error policy shall be adopted for futures contracts on Canadian Crude Oil.

In order to minimize the impact for all market participants, the no cancel range must be set wide enough so that it captures exceptional situations such as when a trade is executed at an unrepresentative price or, when a good faith input error occurs.

The Bourse proposes to amend the Procedures for the Cancellation of Trades (PCT) so that the requirements for trade cancellations for futures contracts on Canadian Crude Oil be established in accordance with articles 6303, 6381, 6382, 6383, 6384 and 6385 of the Bourse's Rules.

Based on the requirements of articles 6303, 6381, 6382, 6383, 6384 and 6385 and of the PCT, futures contracts on Canadian Crude Oil have been added to the list of derivative instruments.

The increment parameter of the PCT has been established at 5% of the fair market value of futures contracts on Canadian Crude Oil - reflecting the increment on a relative basis rather than an absolute basis. A 5% range seems reasonable in light of the fact that futures contracts on Canadian Crude Oil are a new commodities futures product with no trading history. A 5% range is in line with the proposed 5% range of the newly listed commodities futures contract on Carbon Dioxide Equivalent Units (CO₂e).

I- Terms and conditions for margin requirements

The Rules of the Bourse do not specify any amounts regarding margins applicable to futures contracts listed on the Bourse. These margins are revised periodically (at least once a month) by the Bourse based on the margin intervals calculated by CDCC and transmitted to approved participants by means of circular. Futures contracts on Canadian Crude Oil will be subject to the same updates as the one applicable to all futures contracts.

J- Terms and conditions for position limits

The terms and conditions for the position limit for futures contracts on Canadian Crude Oil are found in Article 15996.8 of Rule Fifteen.. The Bourse recommends that the position limit for futures contracts on

Canadian Crude Oil should be established at 10,000 contracts – the equivalent of 10 million barrels of crude oil.

International benchmarking for the position limits:	
	Position Limits (Position Accountability Levels)
ICE Europe - Brent	None
CME Group/ NYMEX - WTI	20,000 contracts for all contract months combined (10,000 contracts in any one month, and not to exceed 3,000 contracts in the last three days of trading in the spot month)
Dubai Merc - Oman	None

K- Terms and conditions for reporting level

The terms and conditions for the reporting level of futures contracts on Canadian Crude Oil are found in Article 15996.9 of Rule Fifteen. The Bourse recommends that approved participants must report, no later than three business days following the last business day of each week, any gross long or gross short position in excess of 25 contracts in the case of futures contracts on Canadian Crude Oil.

International benchmarking for the reporting level:	
	Reportable Level
ICE Europe - Brent	None
CME Group/ NYMEX - WTI	350 contracts
Dubai Merc - Oman	25 contracts

VI. Objective of the Proposed Amendments to the Rules of the Bourse

The objectives of the proposed amendments to articles 6801, 6802, 6803, 6804, 6807, 6808 and 6812 of Rule Six and to article 15001 of Rule Fifteen of the Bourse as well as to the relative Procedures (as described above) and of the addition of articles 15996.1 – 15996.10 and 15997.1 – 15997.4 to Rule Fifteen are to:

- i) Allow the introduction of futures contracts on Canadian Crude Oil; and
- ii) Establish the specifications of futures contracts on Canadian Crude Oil.

VII. Public Interest

The amendments and additions to the Rules of the Bourse are proposed in order to make the use of futures contracts on Canadian Crude Oil accessible and efficient for the market participants who have expressed their support for such contracts.

VIII. Process

The proposed amendments and additions to Rules Six and Fifteen and to the procedures have been approved by the Rules and Policies Committee of the Bourse and are transmitted to the Autorité des marchés financiers (AMF) in accordance with the self-certification process. These modifications will also be transmitted to the Ontario Securities Commission (OSC) for information.

IX. Documents Attached

- Rule Six of Bourse de Montréal Inc.: amendments to articles 6801, 6802, 6803, 6804, 6807, 6808, and 6812
- Rule Fifteen of Bourse de Montréal Inc.: addition of new sections 15996.1 – 15996.10 and 15997.1 – 15997.4 and amendment to article 15001
- Specifications for the futures contract on Canadian Heavy Crude Oil Differential
- Procedures Applicable to the Execution of Cross Transactions and the Execution of Prearranged Transactions
- Procedures Applicable to the Execution of Block Trades
- Procedures Applicable to the Execution and Reporting of Exchange for Physical (EFP), Exchange for Risk (EFR) and Substitution of OTC Derivative Instruments for Futures Contracts Transactions
- Daily Settlement Price Procedures for Futures Contracts and Options on Futures Contracts
- Procedures for the Cancellation of Trades

Specifications

Canadian Heavy Crude Oil Differential Price Futures Contract

Underlying	The NGX WCS WTI Crude Oil Index is based on a volume-weighted average of the differential prices between Western Canadian Select Heavy Crude Oil (WCS) and West Texas Intermediate Light Crude Oil (WTI).
Trading Unit	1 000 U.S. barrels
Contract Months	Monthly and quarterly expiries.
Price Quotation	U.S. dollars and cents per barrel. Quotation method: $100 + (\text{differential price of the underlying})$ For example: With the price of the underlying (differential price) of -10.50 US\$, the price quotation will be: $100 + (-10.50 \text{ US\$}) = 89.50 \text{ US\$}$
Minimum Price Fluctuation	US\$0.01 per barrel.
Last Trading Day	Trading terminates on the first business day prior to the “Initial Notice of Shipment” day (NOS) as determined by the Crude Oil Logistics Committee (COLC) in the Forecast Reporting Calendar. Generally, the NOS is a date that varies between the 17th calendar day and the 21st calendar day of the month preceding the delivery month.
Contract Type	Cash settlement. The contract is cash settled against the price of the underlying as determined by NGX on the last trading day of the delivery month.
Final Settlement Price	The final settlement price shall be $(100 + \text{the price of the NGX WCS WTI Index})$, as determined by NGX and published by the Bourse on the first business day following the last day of trading of the delivery month..
Exchange of Futures for Physicals (EFP) and Exchange for Risk (EFR)	Approved Participants may exchange a futures position for a physical position (EFP) or an over-the-counter derivative instrument (EFR) of equal quantity by submitting a notice to the Bourse. EFPs and EFRs may be used to either initiate or liquidate a futures position.
Eligible Crude Oil Grades for EFP	Specific domestic crudes deliverable at Hardisty, Alberta with not less than 2.5% nor more than 3.5% sulfur by weight, not less than 19° API gravity nor more than 22° API gravity. Domestic crude streams include, but are not limited to: Western Canadian Select, Western Canadian Blend, Lloyd Blend, Bow River, Cold Lake Blend and Wabasca.
Reporting Level	25 contracts gross long or gross short in all contract months combined.
Position Limits	10,000 contracts net long or net short in all contract months combined.
Minimum Margin Requirements	Information on Minimum Margin Requirements can be obtained from the Bourse as they are subject to periodic changes.
Daily Price Limit	None
Trading Hours	9:00 a.m. to 4:00 p.m. (ET).
Clearing Corporation	Canadian Derivatives Clearing Corporation (CDCC)
Ticker Symbol	WCH

APPENDIX I

ASPECT	INFORMATION	EXPLANATIONS
Characteristics of the underlying commodity or instrument	<p>Generic: The underlying is based on one barrel of Canadian Crude Oil (as determined by the Exchange).</p> <p>Operational: The underlying is the price of one barrel of Western Canadian Select Heavy Crude Oil minus the price of one barrel of West Texas Intermediate Light Crude Oil as calculated and reported by NGX.</p>	The contract is a futures contract that is based on the differential price between Western Canadian Select Heavy Crude Oil (or any other type of Canadian Crude Oil as determined by the Exchange) and West Texas Intermediate Light Crude Oil.
Cash Settlement / Final Settlement Price	<p>Generic: The contract is cash settled against the price of a designated type of Canadian Crude Oil as determined by NGX for the last trading day of the delivery month.</p> <p>Operational: The Final Settlement Price of the expiring futures contract is the price of WCS as calculated and reported by NGX to the Bourse. The price of WCS will be reported to the Bourse on the first business day following the last trading day.</p>	The Final Settlement Price represents the price of one barrel of Western Canadian Select Crude Oil (or any other type of Canadian Crude Oil as determined by the Exchange) minus the price of one barrel of West Texas Intermediate Crude Oil (expressed in US\$ per barrel).
Contract size / Trading unit	<p>Generic: The trading unit is 1,000 barrels of crude oil.</p> <p>The value of one futures contract (the contract size) is equal to the contract multiplier times the price (absolute value) of the futures contract, expressed in US\$.</p> <p>Operational: The trading unit is the contract multiplier (i.e.: 1,000 barrels).</p> <p>The value of one futures contract (the contract size) is equal to the contract multiplier times the price (absolute value) of the futures contract, expressed in US\$.</p>	
Delivery months (contracts expiries)	<p>Generic: Monthly and quarterly contract months.</p> <p>Operational: A maximum of 36 consecutive months.</p>	<p>Generic: Additional contract months are added only following the termination of trading in the December contract of the current year.</p> <p>Operational: Twelve additional contract</p>

		months will be added following the termination of trading in the December contract of the current year.
Last trading day	<p>Generic: Trading terminates on the first business day prior to the “Notice of Shipment” day of the month preceding the delivery month as determined by the Crude Oil Logistics Committee in the Forecast Reporting Calendar.</p> <p>Operational: The last trading day is different for each contract month. The Bourse will publish the last trading day for each contract month by means of a circular.</p>	<p>Generic: The last trading day is not a fixed date and will vary from one contract month to the next.</p> <p>The last trading day will be published by means of a circular prior to the end of the year – in conformance with industry practice.</p>
Price Quotation	<p>Generic: Price quotation is expressed in US\$ and cents (for example: - 9.50 US\$)</p> <p>Operational: The Bourse is evaluating two possibilities to display the trading price of the contract on the trading screen.</p> <p>1) Quoting the DIFF price as a negative number, reflecting that the price of one barrel of Western Canadian Select Heavy Crude Oil is selling at a lower price compared to one barrel of West Texas Intermediate Light Crude Oil.</p> <p>For example: -9.50 US\$</p> <p>2) As an alternative to quoting the DIFF as a negative number, the DIFF can be quoted as follows:</p> $100 + (\pm \text{Differential Price})$ <ul style="list-style-type: none"> ▪ For example, if the DIFF is quoted at -8.50 \$ then the price on the screen would be $100 + (-8.50) = 91.50$ <ul style="list-style-type: none"> ➤ This infers that the contract is trading at a discount to WTI and that the bid / ask prices for the futures contract would be quoted as follows 91.50 / 91.60 (DIFF of -8.50 / -8.40) ➤ Meaning a trader who expects to buy the spread – with the expectations that the spread will become more positive – will buy at the asking price of 91.60 or DIFF of -8.40. 	<p>Generic: Same as the cash market practice in Canada.</p> <p>Operational: The methodology adopted by the Bourse to display the price quotation on the screen will depend on the result of the evaluation by the Bourse’s IT department - including the ability of vendors to display prices as a negative value.</p>

Minimum price fluctuation	<p>Generic: Minimum price fluctuation of US\$0.01 per barrel of crude oil.</p> <p>Operational: Actual price fluctuation is US\$0.01 per barrel of crude oil as well.</p>	Generic: Same as the cash market practice in Canada and international market practice for pricing crude oil.
Daily price limit provisions	Generic: NIL	Generic: Same as the cash market practice and other exchange-traded crude oil futures contracts.
Speculative position limits	<p>Generic: The greater of a maximum number of contracts to be determined by the Bourse or of 20% of the average daily open interest for all contract expiries during the preceding three calendar months.</p> <p>An approved participant may file with the Bourse an application to obtain, on behalf of a bona fide hedger, an exemption from the position limits established by the Bourse.</p> <p>Operational: 10,000 contracts net long or net short in all contract months combined.</p>	Generic: Same policy applies to all listed Bourse contracts.
Block Trades	<p>Generic: The Procedures Applicable to the Execution of Block Trades is amended to include futures contracts on Canadian Crude Oil – in accordance with article 6830.</p> <p>Operational: Minimum threshold level for block trades has been established at 100 contracts and the prescribed time delay for reporting is established at 15 minutes.</p>	Generic: Same policy applies to all listed Bourse contracts.
Reporting level for large positions	Generic: Approved participants shall report to the Bourse all positions which, when combining all contract expiries, exceed 25 contracts.	Generic: Same policy applies to all listed Bourse contracts.
Aggregation policy	<p>Block trades: Approved participants may not aggregate separate orders in order to meet the minimum volume thresholds.</p> <p>Reporting level + Positions limits : Positions in options on futures contracts must be aggregated with the underlying futures contract positions. For aggregation purposes, one option contract is equivalent to one futures contract.</p>	Generic: Same policy applies to all listed Bourse contracts.
Procedures for the Cancellation of Trades	Generic: The Procedures for the Cancellation of Trades is amended to include futures contracts on Canadian	Generic: Same range adopted as for the newly listed commodities

	<p>Crude Oil.</p> <p>Operational: Established at 5% of the fair market value of the contract.</p>	<p>futures contracts on Carbon Dioxide Equivalent Units (CO₂e).</p>
<p>Procedures Applicable to the Execution and Reporting of Exchange for Physical (EFP), Exchange for Risk (EFR) and Substitution of OTC Derivative Instruments for Futures Contracts Transactions</p>	<p>Generic: The Procedures Applicable to the Execution and Reporting of Exchange for Physical (EFP), Exchange for Risk and Substitution of OTC Derivative Instruments for Futures Contracts transactions is amended to include futures contracts on Canadian Crude Oil.</p> <p>Operational: The procedure is applicable only for EFP and EFR transactions.</p>	<p>Generic: The procedure is applicable only for EFP and EFR transactions.</p>

APPENDIX II

Western Canadian Sedimentary Basin - Crude Oil Classification

	DENSITY	SULFUR	CHARACTERISTICS
Condensate (CRW)	~725 kg/m ³ , 63° API	~0.2 wt%	Condensate is a general term used to describe a material also known as gas condensate, pentanes plus (C5+), or natural gasoline generated from the WCSB gas field production. The primary disposition of condensate is as a diluent into heavy crude and bitumen production. Condensate is used as a "thinner" to modify the viscosity and density of the heavy crudes and bitumen to meet pipeline specifications for the blended products.
Synthetic Crudes (SYN, SSB, HSB, OSA)	~860–870 kg/m ³ , 31–33° API	<0.2 wt%	The classic definition of synthetic crude is a combination of hydrocarbon streams produced from upgrading a crude bitumen. WCSB synthetic crudes are typically blends of naphtha, distillate, and gas oil streams collected during the upgrading process. Synthetic crudes are unlike other crude streams in that they typically, through the upgrading and blending processes, contain no residuum. The design of the upgrader will be the most influential factor in the composition of synthetic crudes. Upgrading flexibilities can and have been utilized to produce gas oil streams which are blended to form various combinations of ultra-sweet, sweet, and sour streams. Synthetic crudes can and have been used as diluent in the production of bitumen based heavy sour crudes. The combination of synthetic crudes and bitumen are called "synbit".
Light Sweet Crudes (MSW)	~830 kg/m ³ , 39° API	<0.5 wt%	WCSB light sweet crudes are typically benchmarked against, and directly compared with, WTI (West Texas Intermediate). The largest volumes of light sweet crudes are produced in a broad foothills region of the Canadian Rocky Mountains, and are transported through commingled pipelines to Edmonton, Alberta. Light sweet crude streams are available individually for westward delivery from Edmonton, and as a commingled stream (MSW) for eastward and southward delivery from Edmonton.
Light Sour Crudes (LSB)	~850–860 kg/m ³ , ~34° API	~1.0–1.5 wt%	WCSB light sour crudes are typically benchmarked against, and directly compared with, WTS (West Texas Sour). The volumetrically largest light sour stream is Light Sour Blend (LSB), produced by combining predominantly southeastern Saskatchewan production (SES) and other streams from central Alberta including, but not limited to, Central (aka Koch) Alberta (CAL, KAL), Sour Peace River (SPR), Sour Light Edmonton blend (SLE)).
Medium Sweet Crudes	~880–890 kg/m ³ , ~30° API	<0.5 wt%	There are some, though not many, medium sweet streams available from the WCSB. Typically these small volume streams are blended into other commingled streams based on proximity connections and financial considerations.
Medium Sour Crudes (M, MSO)	~885–890 kg/m ³ , ~30° API	~2.0 wt%	Examples of medium sour streams of commercial significance include Midale (M, MSM) and Mixed Sour (MSO or SO) which is a varying combination of Gibson Sour (SOG) plus Sour High Edmonton (SHE) along with, on occasion, other smaller miscellaneous "like" streams.
Heavy Sour Crudes (WCS, Bow River, Lloyd Blends, Bitumen Blends)	~925–940 kg/m ³ , ~20° API	~2.9–3.6 wt%	This is the largest classification, and the most volumetrically significant, group of crude products from the WCSB. To some extent, all of the crude streams in this classification are blended products. Heavy Sour crudes include conventionally produced heavy crude (rod and screw pump production), Cyclic Steam Stimulation bitumen production, SAGD production, and mined oil sands containing bitumen. Within the heavy sour crude classification, there are dilbits (diluent—bitumen combinations where the diluent is nearly always condensate), synbits (synthetic crude—bitumen combinations where the diluent is synthetic crude), and dilsynbits (diluent—synthetic crude—bitumen combinations). Examples of conventional heavy include Lloydminster crudes (LLB, LLK, Bow River, among others). Examples of dilbits include Cold Lake (CL), Wabasca Heavy (WH), Peace Heavy (PH), among others. Examples of synbits include Christina Lake (CSB), Mackay River Heavy (MKH), Borealis Heavy Blend (BHB), among others. Examples of dilsynbits include Western Canadian Select (WCS), DilSynBit (DSB), among others.

Source: CrudeMonitor.ca

