

March 4, 2002

By courier

The Manitoba Securities Commission
Suite 1130 Woodsworth Building
405 Broadway
Winnipeg, Manitoba
R3C 3L6

Attention: Mr. D. Brown, Counsel & Director, Legal and Enforcement

Dear Sirs:

Re: Application under sections 14(1) and 15(1) of *The Commodity Futures Act*, S.M. 1996, c.73

On January 5, 2000 a detailed application was submitted on behalf of Winnipeg Commodity Exchange for recognition under sections 14(1) and 15(1) of *The Commodity Futures Act*. That recognition was granted pursuant to Order No. 3162 dated November 29, 2000, and issued by The Manitoba Securities Commission (the "Commission"). Pursuant to correspondence, later an interim recognition order, Order No. 3561 dated October 31, 2001 was issued by the Commission.

Please accept this letter as the application of WCE Holdings Inc. and its wholly owned subsidiary, Winnipeg Commodity Exchange Inc. for recognition of Winnipeg Commodity Exchange Inc. under section 14(1) and 15(1) of *The Commodity Futures Act*.

This application will incorporate by reference all information in the application dated January 5, 2000, except where same is expressly stated to be otherwise.

WCE Holdings Inc., the parent company of Winnipeg Commodity Exchange Inc. (the "Exchange" or "WCE") is pleased to submit this application under sections 14(1) and 15(1) of *The Commodity Futures Act* (the "Act"). We request that the Commission ("MSC") recognize the Exchange as a commodity futures exchange and as a self-regulatory organization for all of its participants. The Exchange submits that such an application must be based on the criteria set out in the Act and the three objectives of regulation¹ as articulated by the International Organization of Securities Commissions

¹ From Objectives and Principles of Securities Regulation September 1998, International Organization of Securities Commissions

("IOSCO") which objectives are 1) the protection of investors, 2) ensuring that markets are fair, efficient and transparent and 3) the reduction of systemic risk.

Section 14(1) of the Act reads:

14(1) The commission may recognize in writing an organization, whether incorporated or unincorporated, representing registrants as a self regulatory organization if the commission considers that it is in the public interest to do so and that the organization is in compliance with this Act, the regulations and the rules and is able to continue to be in compliance.

Section 15(1) of the Act reads:

15(1) No person or company shall carry on business as a commodity futures exchange in Manitoba unless it is registered as a commodity futures exchange under this Part.

15(2) Upon application by or on behalf of a person or company wishing to carry on business in Manitoba as a commodity futures exchange, the commission shall grant registration to the person or company where it is satisfied that to do so would not be prejudicial to the public interest, taking into account whether

- (a) the clearing arrangements and the financial condition of the exchange, its clearing house and members provide reasonable assurance that all obligations arising out of contracts entered into on the exchange will be met;*
- (b) the internal regulations of the exchange that govern its members and members of its clearing house are in the public interest and are actively enforced;*
- (c) floor trading practices are fair and effectively supervised;*
- (d) adequate measures are taken to prevent manipulation and excessive speculation;*
- (e) adequate provision is made to record and publish details of trading, including volume and open interest; and*
- (f) the exchange is in compliance with this Act, the regulations and the rules and is able to continue to be in compliance.*

Introduction

On February 20, 2001, the membership of the Exchange voted by 83.5% to demutualize the Exchange. As you are aware, demutualization refers to the processes and series of transactions by which a not-for-profit membership organization transforms into a for-profit, share capital corporation. Many exchanges in North America have undertaken and completed demutualization, including the three other exchanges in Canada, The Bourse de Montréal Inc., (Bourse de Montreal), the Toronto Stock Exchange and the Canadian Venture Exchange.

Process of Demutualization

The process and determination to demutualize was extensively discussed and reviewed by the membership of the WCE. In May, 2000 the Board of Governors set up a committee, the Demutualization Committee, made up of members from all constituent groups of the Exchange. That committee reported its recommendations to the Board of Governors. It was their recommendation that the WCE demutualize. The Board accepted this recommendation at a meeting in July, 2000. In an Information Memorandum sent out to all members of WCE, the Board stated:

The Demutualization Proposal (the "Proposal") is for Winnipeg Commodity Exchange to restructure from a membership organization into a for-profit share corporation.

"The Board acknowledges and accepts that several industry trends and changes are dictating the necessity for this reorganization. These trends include increased use of technology, the proliferation of strategic alliances and mergers, consolidation and centralization, the advent of new participants (who bring to the table a streamlined business model with significant financial and technological resources) and customer demand for direct access, increased services and transparency. The result of these trends has been increased competition and a reduction of the former financial success that traditional exchanges used to enjoy.

In a response to the changes, exchanges, both long-standing and new start-ups, have been moving to a demutualized, for-profit model. This model has the benefits of improved governance and managerial structure, improved financial decision-making abilities, the flexibility to pursue new business opportunities such as technology sharing and equity participation, utilizing the profit making currency that is recognized by all businesses, and the ability to attract and retain professional management.

Once approved by the membership, the Proposal will see the current WCE become a federal for-profit share corporation with all equity owned by WCE Holding, a for profit corporation. The current members of WCE would initially own all of the shares of WCE Holding. Trading privileges will be based on contractual dealings between WCE and those entities that wish to trade. There would be no requirement to own shares in WCE Holding in order to participate in trading. The designated clearinghouse will become a wholly owned subsidiary of WCE Holdings.

The Proposal sets out a membership-based share entitlement allocation where every membership seat will receive an equal number of shares of WCE Holdco regardless of membership category or other attributes.

The Board notes that, if approved, Winnipeg Commodity Exchange will be the third exchange in Canada to undertake a reorganization plan of this type, following both The Toronto Stock Exchange and the Montreal Exchange. It would also follow the route taken by the other major international exchanges, including EUREX, LIFFE, ParisBourse, the CME, CBOT, NYMEX and the Sydney Futures Exchange. It is clear that demutualization is the way in which exchange business is being done, both in Canada and the United States for both securities and futures industries. Winnipeg Commodity Exchange must position itself to take advantage of the opportunities available to a demutualized entity.”

The Board set forth many reasons why demutualization is in the best interests of the WCE, including the following;

- **Technology:** has enabled non-traditional competitors to challenge the product monopolies of traditional exchanges. Technology has also enabled traditional exchanges to list competitive products and offer lower cost transactions to a greater number of market participants. The majority of the recognized commodity exchanges have demutualized in response to competition and to take advantage of opportunities to grow their business in new and innovative ways. By demutualizing, or adopting a for-profit-structure, the traditional exchanges are making the transition from membership-based organizations to competitive, consumer driven operations.

The advances in communications technology has allowed new competitors to emerge and encouraged the rapid adoption of electronic trading systems that replace the traditional centralized marketplace. Many leading exchanges are already fully electronic and many other leading exchanges are aggressively pursuing an electronic model. Since the mid-1990's, the electronic trading volume of derivatives has grown by more than 24% while open outcry volume has declined by 8%. Outside of North America today, almost all derivatives trading is being conducted electronically.

Technology has created virtual markets that allow for continuous, 24 hour per day trading without the costs and restrictions placed on traditional exchanges. Market participants are able to access these markets from anywhere in the world in real time without the supporting infrastructure associated with floor trading. As a result of this, market users are demanding electronic access and many exchanges have adopted electronic trading platforms. For example, the Matif witnessed the speedy demise of its open outcry floors with the introduction of side-by-side electronic trading without a loss in trading volume.

Technology has allowed exchanges global access to potential market participants that in the past would not have been economic. Through the low cost communication infrastructure of the Internet, exchanges have been able to successfully launch products that are smaller, more affordable, and of interest to greater numbers of participants. In fact, the most successful futures contract launched in the last decade in North America has been the CME's E-Mini S&P 500 futures contract. This model has been so successful the CME has announced numerous new "E-Mini" versions of its existing contracts.

- **Strategic alliances and mergers:** the rate at which strategic alliances and mergers are occurring is increasing. Through the use of technology exchanges are now able to form effective alliances that protect the products they offer. For example, the GLOBEX alliance will bring together the product offerings of the CME, Montreal Exchange, MATIF, MONEP, Singapore Exchange, BMF, and the MEFF exchanges. As a member of the alliance, an exchange is not allowed to create new products that compete with another member. Other exchanges have formed alliances to market their products to similar customer bases. There are also alliances being created between established futures contract markets and their underlying cash markets.
- **Consolidation and Centralization:** regional exchanges are consolidating to reduce duplication, lower transaction costs, increase product liquidity, and survive as one larger entity in a global marketplace. Through consolidation, the new larger entity can capitalize on the efficiencies of scale and size in the delivery of both existing and new integrated products and services. One of the first contemporary examples of this has been the creation of EUREX in 1996, which brought together the DTB and SOFFEX as a for-profit corporation. Eurex operates a single electronic trading platform and provides an automated and integrated joint clearinghouse for equity, index, money market, and fixed income products. In terms of volume, Eurex is now the world's largest futures exchange.
- **New Participants:** technology has lowered the barrier to entry into the futures market. Originally futures markets enjoyed near monopolies for their products and services due to the costs of establishing a centralized marketplace and administering a large volume of transactions. Technology has completely changed the economics of the derivatives market. As communications technology became more robust and lower in cost, new non-traditional competitors to the established exchanges were created. These new competitors structured as for-profit corporations have access to capital, order flow, innovative management, and the technology to access the traditional exchanges market participants. New participants with no direct ties to the futures industry have also entered the industry as recognized futures exchanges.
- **Cost Reduction and Reduced Financial Viability:** traditional exchanges were able to maintain a reasonable level of financial success as market participants were prepared to pay the costs of brick and mortar exchanges. However, technology has provided proven cost effective solutions that streamline and reduce the overhead of processing transactions. Today brokers, dealers, traders, and exchanges are under tremendous pressure to improve efficiency and reduce costs. This, in combination with increasing competition, has left the traditional open outcry exchange vulnerable to failure. The traditional exchange no longer has the ability to maintain transaction fees that support inefficient processes and order execution. The cost reductions and efficiency gains created by the adoption of technology and electronic trading for exchanges and its participants have been well demonstrated. For the exchange,

there is the reduction of overhead associated with a trading floor and automated processes that reduce errors and streamline trade processing and clearing. For market participants, access and execution costs are being reduced, trade reporting and clearing functions are being automated, and the infrastructure required to support an exchange is reduced dramatically.

- **Access to Investment Capital:** to bring about the needed efficiencies in operating an exchange, capital is needed to invest in technology. However, the members of an exchange may not be prepared to provide the needed capital. Therefore, many of the demutualized exchanges have stated the need to attract investment capital as part of the rationale for becoming for-profit corporations.

Benefits of Demutualization

The perceived benefits of demutualization include the following:

- **Improved Governance and Managerial Structure:** under a mutual structure the decision making of the organization can be compromised by members' vested interests. In particular, members have control in the management or direction of the organization through involvement in the board, committees, or in membership votes. Individual agendas may take priority over the best interests of the organization. The divergent interests of various members can slow and in some cases stop timely decisions from being made. Under a demutualized structure the decision making criteria is timely, simple, and straightforward with the overriding objective for management to maximize shareholder value.
- **Improved Financial Decision-Making Model:** a demutualized structure separates ownership from access to the exchange's marketplace. The board is elected by the shareholders to represent their interests and primarily make decisions that increase the value of the corporation. Management must ensure that the customers' requirements and needs and all regulatory requirements are satisfied. Ultimately it is management and the board that decides on those projects that provide the greatest potential for profit to shareholders.
- **Flexibility to Pursue New Business Opportunities:** to position the WCE to aggressively pursue new business relationships and alliances in the face of competition, a demutualized structure offers the greatest flexibility. The ability of a not-for-profit organization to attract potential partners in an environment where many of these strategic partners are "for-profit" organizations is very limited. Several potential strategic partners for the WCE have indicated that they were interested in exploring potential business opportunities with the WCE but not if it remains a mutual organization. Often the decision-making ability and motivation of a mutual organization is inconsistent with for-profit organizations, which makes joint management of a new business opportunity impossible or impractical.

- **Access to Capital:** a for-profit shareholder company structure is designed to attract additional equity capital through the issuance of shares and rights. The ability of a mutual organization to raise capital is limited to member assessments and debt accumulation. Funding expansion into new markets, the acquisition of new technology, and survival under adverse conditions may not appeal to members, while a corporate structure supports these capital-intensive situations. It allows the returns from ownership of an exchange business to be redistributed to those who are prepared to accept risk exposure, including new investors.
- **Retain and attract Professional Management:** the structure of a for-profit corporation permits the flexibility to provide management incentives that are aligned with the objectives of the organization. In an industry becoming dominated by for-profit companies, a mutual organization will find it increasingly difficult to attract the needed management to survive in a competitive environment.
- **More flexible access policy:** demutualization enables ownership to be separated from trading rights. Access may be granted to parties without a requirement that the party own shares in WCE Holdings Inc. WCE Holdings Inc. would have greater flexibility to further develop international access for new trading participants, depending upon platform choice. Significant numbers of new trading participants assist with cost efficient trading, clearing and settlement services.

Second Information Memorandum

On July 6, 2001 *The Winnipeg Commodity Exchange Restructuring Act* ("Restructuring Act") was granted royal assent. The Restructuring Act repealed the prior legislation under which the Exchange was constituted, (*The Winnipeg Commodity Exchange Act*), upon certain conditions being met. One of those conditions is that the membership of the Exchange affirmatively approve, by a vote of no less than 66 ^{2/3}ds percent of the votes cast, the Articles of Continuance of the new corporation. The Board had mandated an Implementation Committee to set out its recommendations on the necessary steps and processes required to implement the demutualization process. This committee was chaired by Mr. Gordon Cummings, President and CEO of Agricore Co-operative Ltd., (as he then was) and included representation from all constituent groups of the WCE membership. The committee met several times throughout April, 2001 to July, 2001. On July 26, 2001 the committee presented its "Report and Recommendations on the Implementation of Demutualization at Winnipeg Commodity Exchange" to the Board of Governors. The recommendations included a detailed plan of corporate reorganization, By-laws and Board policies, Rules, participant agreements, securities law matters and Canadian tax considerations.

The Board considered the recommendations and put the matter to a vote of the membership by way of a detailed Information Memorandum and Resolution dated September 10, 2001 (the "Documentation"). The resolution was voted on by the

members at a special meeting held Tuesday, October 9, 2001 and received an affirmative vote of 90.3%. The actual vote count was 168 for and 18 against. Members were able to attend either in person or by advance ballot, in accordance with the by-laws. Copies of the Documentation have already been forwarded to the commission. Additional copies can be provided if required.

Corporate Details

Continuance of Winnipeg Commodity Exchange as WCE Holdings Inc.

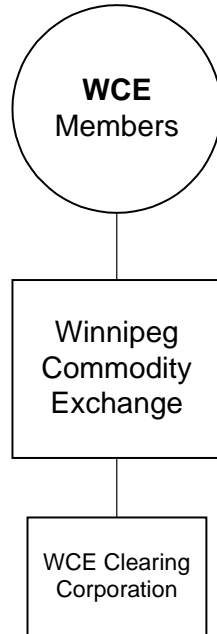
On November 1, 2001 (the "Effective Date"), Winnipeg Commodity Exchange was continued from a special act company to a for-profit share corporation governed by the provisions of *The Corporations Act (Manitoba)* (the "MCA").

Its legal name WCE Holdings Inc. ("Holdings"), was continued on the Effective Date, and each holder of Winnipeg Commodity Exchange membership certificates exchanged each membership certificate held for 100 Class A Common shares of Holdings. "Seats" or "memberships" of the Exchange ceased to exist and ownership of the Exchange resides with Holdings shareholders. All "rights" to use the facilities of the Exchange including trading rights, reduced transaction fees, registration of elevators for delivery against the futures contracts and the issuing of warrants, are the result of relationships between "Participants" and Winnipeg Commodity Exchange Inc.

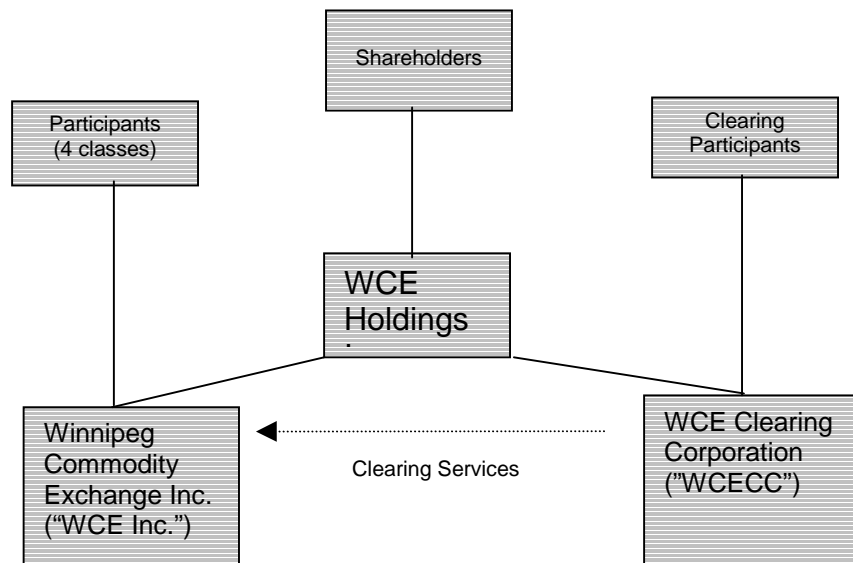
On November 1, 2001, Articles of Incorporation were filed for Winnipeg Commodity Exchange Inc. and Articles of Amendment were filed for WCE Clearing Corporation (WCECC). All the undertakings, operations, assets and liabilities of Winnipeg Commodity Exchange (excluding clearing) were rolled into WCE Inc. from Holdings on November 1, 2001.

The diagrams on the following page show the corporate structure of the Exchange before, and after, demutualization.

Prior to Demutualization



After Demutualization



Note: the Board of Directors for Holdings and WCE Inc. is the same. A different Board of Directors is in place for WCECC.

Articles

A. Article of Continuance for WCE Holdings Inc.

The legislation that was passed by the provincial government, *The Winnipeg Commodity Exchange Restructuring Act*, required that the corporation be incorporated pursuant to the provisions of MCA. Accordingly, WCE Holdings Inc. was continued as, and will remain, a provincial corporation. All three corporate entities are Manitoba corporations.

The Articles of Holdings set out that the Board of Directors will be constituted with a minimum of 9 and maximum of 12 directors. Two members of the Board must be "Outside Directors" (meaning that they cannot be Participants or employees of Participants). The President and CEO of Holdings & WCE Inc. is the only staff member of the Board, and the board shall include the President and CEO of WCE Holdings Inc. The By-laws set the number of directors at 12.

Holdings has been constituted with 2 classes of shares: Class A Common Shares and Class B Preferred Shares (issuable in series). Each membership certificate in the former Winnipeg Commodity Exchange was exchanged for 100 Class A common shares. Class A shares are voting. The Proposal contemplated that there would be minimal constraints on share transfers except those required by securities laws and a restriction that no entity or affiliated group of persons may hold more than 15% of the issued and outstanding shares. On August 31, 2000, the securities commissions of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec issued a Decision document dealing with the trade in securities of Holdings. There have been no secondary trades of shares of Holdings reported to the Board to date.

B. Winnipeg Commodity Exchange Inc.

Winnipeg Commodity Exchange Inc. ("WCE Inc.") is the corporation that has assumed the undertakings, operations, assets and liabilities of the Exchange. All entities that utilize the facilities of the Exchange, including trading privileges on the floor, receiving reduced transaction fee rates, being approved as eligible to register elevators for delivery against the futures contracts and issuing warrants must enter into contractual arrangements with WCE Inc. and become a Participant.

WCE Inc. has only one class of shares: Class A Common Shares, all of which are owned and controlled by Holdings. The Board of Directors of WCE Inc. is the same board as for Holdings.

C. WCE Clearing Corporation (WCECC)

WCECC was the designated clearinghouse for the Exchange and has continued as the designated clearinghouse of WCE Inc. The structure of WCECC is changed from a non-share capital corporation to a share capital corporation. As with WCE Inc., WCECC has only one class of shares, all of which are owned by Holdings.

The Articles require that the size of the board be a minimum of 5 and maximum of 8 directors. This is in keeping with the traditionally smaller size of this board which has worked well. The WCECC board members are appointed by the Board of Directors of Holdings. It is intended that this board will continue to be constituted of persons who are employees of, or related to, Clearing Participants and the President and CEO of WCE Inc.

By-Laws

The By-Laws are standard for corporations incorporated under the provisions of the MCA. They include provisions related to the business of the corporations and provide for borrowing provisions, details on the board of directors, officers of the corporation, proxies and proxy solicitations, notice requirements and so forth. The following sets out those provisions that may be of particular interest.

Holdings By-Laws

There is provision under the By-Laws for there to be 12 directors, including the President and CEO and two directors who are not Participants or affiliated persons of Participants ("outside directors"). Directors are elected by the shareholders of WCE Holdings Inc. and serve three-year terms. Initially terms will be staggered to allow for three members of the Board to be elected every year to a three-year term. As you are aware, the first meeting of shareholders of Holdings was held on Monday, January 29, 2001. The first board includes:

1. Robert Dzisiak, President CFG Futures Canada Inc.
2. Lorne DeJaeger, Canadian Imperial Bank of Commerce
3. Charles E. Curtis, Outside Director
4. Brian Hayward, President, Agricore United
5. Curtis R. Vossen, President, James Richardson International Limited
6. Kerry L. Hawkins, President, Cargill Limited
7. Jean-Pierre Gallardo, Director, FIMAT Derivatives Canada Inc.
8. Raymond Bradbury, President, Bradbury Grain
9. William S. Parrish, President, Parrish & Heimbecker Limited
10. Brant H. Randles, President, Louis Dreyfus Canada Ltd.
11. Mike J. Gagné, President & CEO, WCE
12. Outside Director, Vacant

Please note that while the Articles Of Incorporation require two Outside Directors and two were elected, Mr. Charles E. Curtis and Ms. Sandy Mielitz, only one currently serves.

Ms. Mielitz tendered her resignation on January 29, 2002 due to the fact that she had accepted a position on the board of directors of James Richardson International Limited. The Articles of Holdings set out that in her position as a director of a Participant she is an affiliated person and therefore ineligible to be an Outside Director.

The issue of appointing a new outside director was dealt with at the first meeting of the new board on February 4, 2002, and suitable candidates are now being sought.

The By-Laws provided for a first Interim Board and required that an election be called for the first elected Board of Directors within 90 days of the filing of the Articles of Continuance. That election was called within the required time and held on January 29, 2002. The purpose of the Interim Board was to name a nominating committee. The nominating committee's task was to come up with a slate of candidates for the first elected Board of Directors of WCE Holdings Inc. and WCE Inc. The Interim Board was made up of a sub-set of the current, elected Board of Governors. The names of the Interim Board members are set out in the Articles of Continuance of WCE Holdings Inc.

Shareholders are entitled to one vote per share held. All meetings of Shareholders will be held in conformity with *The Corporations Act (Manitoba)*.

Winnipeg Commodity Exchange Inc. By-Laws

The By-Laws of WCE Inc. mirror those of Holdings in most respects. However, there are some additional sections relating to the ability of the corporation to enter into agreements and set rules for Participants. There is a separate provision relating to the Compliance and Disciplinary functions of the corporation and the requirement to enact rules and procedures to ensure that the regulatory requirements of its self-regulatory status under *The Commodity Futures Act (Manitoba)* are met.

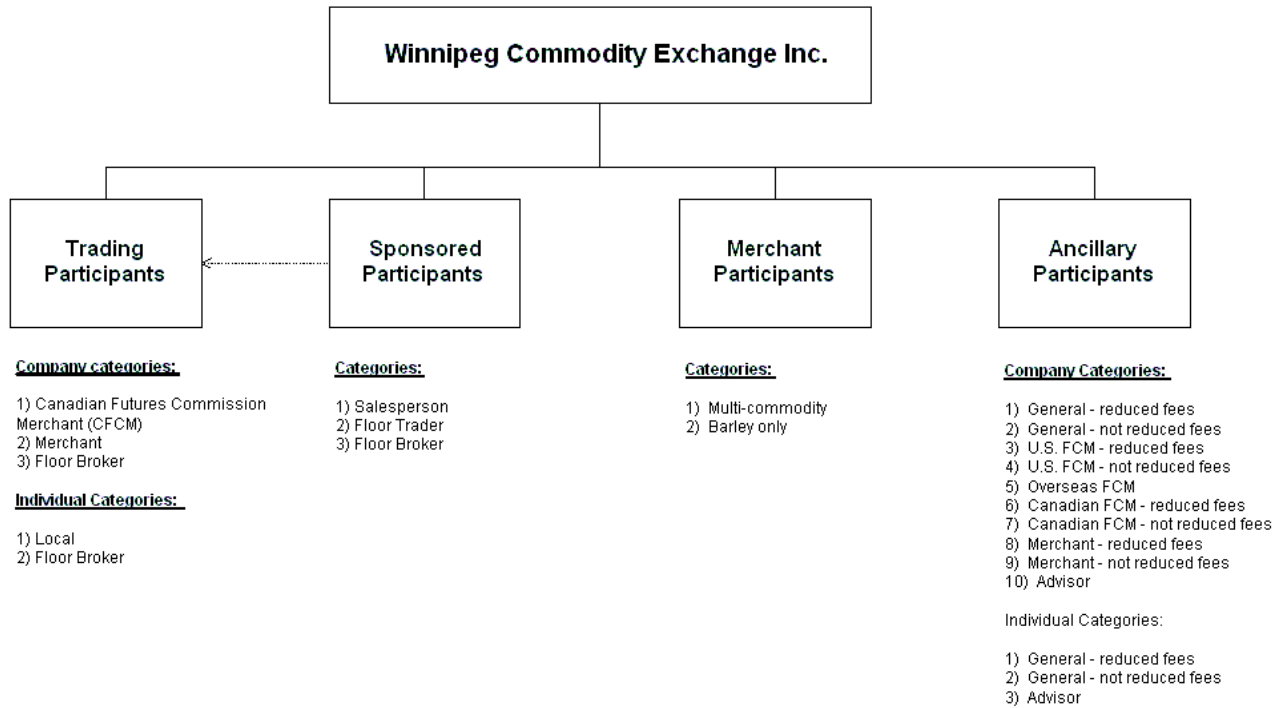
All of the current provisions relating to the emergency powers of the Board, necessary for the smooth operation of a futures exchange, are incorporated in this By-Law.

Rules

Winnipeg Commodity Exchange Inc. - Rules

The Rules of WCE Inc. have been extensively rewritten to accommodate the many structural changes. The following provides an explanation of the changes, and highlights the significant changes.

Participants



Please note that the Participants Chart above sets out the structure of Participants as outlined in the Rules.

General Explanation of Participant Structure

Under the demutualized structure, shareholding interests are separated from Participant status. Participant status is conferred by way of contractual agreement(s) between WCE Inc. and individual or company Participant(s). The Rules set out that it is possible to be a Participant in more than one class of Participant, but within each class an entity may be registered in only one category.

This proposed structure provides the following advantages:

- 1) it ensures compliance with the regulatory requirements of *The Commodity Futures Act* (the "CFA"); and
- 2) it encourages the maximum number of current members to register as Participants and continue to utilize the facilities of the Exchange.

Participant Classes (classes in bold) and Categories

1. **Trading Participant** An individual or company that wishes to trade on the facilities of the Exchange in accordance with the rules and is entitled to sponsor properly qualified employees as "Sponsored Participants" to trade on the facilities of the Exchange. Every person in the class has regulatory requirements under the provisions of the CFA.

Categories

Company

- a) Merchant
- b) Canadian Futures Commission Merchant (CFCM)
- c) Floor Broker

Individual

- a) Local
- b) Floor Broker

2. **Sponsored Participant** An individual who wishes to trade on the facilities of the Exchange and is an employee of a Trading Participant company. They must be properly registered under the provisions of the CFA. This individual must be registered in a category which corresponds to that of his employer Trading Participant. This category has regulatory requirements under the provisions of the CFA.

Categories

Individuals Only

- a) Salesperson (employer a CFCM)
- b) Floor Broker (employer a Floor Broker company)

c) Floor Trader (employer a Merchant company)

3. **Merchant Participant** Companies which are entitled to list facilities for delivery against the futures contracts and/or to issue warrants. This class does not have to register as a Trading Participant.

Categories

Company only

- a) Multi-commodity (can apply to register elevators and issue warrants against all contracts traded on WCE Inc.)
 - b) Barley-only (can issue warrants against the barley contract only)
4. **Ancillary Participant:** These are persons (either company or individual) with an interest in the Exchange. These participants are entitled, depending upon the category and the fee paid, to receive reduced transaction fees.

Categories

Company

- a) Canadian Futures Commission Merchants (those that do not wish to trade on the floor but meet all other qualifications)
 - sub-category of those with reduced transaction fees (for proprietary trades)
 - sub-category of those without reduced transaction fees
- b) U.S. Futures Commission Merchants (those that meet US regulatory requirements but are not required to be registered under the provisions of the CFA)
 - sub-category of those with reduced transaction fees (for proprietary trades)
 - sub-category of those without reduced transaction fees
- c) Overseas Futures Commission Merchants (at this time, our Hong Kong FCMs) – no reduced transaction fee option
- d) Merchants (non-Trading and non-Merchant Classes)
 - sub-category of those with reduced transaction fees
 - sub-category of those without reduced transaction fees
- e) General Company
- f) Advisors (pursuant to the CFA)

Individual

- a) General Individual – with reduced transaction fees
- b) General Individual – without reduced transaction fees
- c) Advisors

Note that the revisions to the rules have been made primarily to effect the participant structure. Although there have been extensive changes made throughout the Rules, there have not been substantive changes made to the contract rules, elevator registration requirements, shipping and delivery rules or the trading rules (Rules 7 and 8).

Rule 2 sets out that the committee structure remains in place, with the following committees mandated: (note that the Board has the right to mandate other ad hoc committees)

- Arbitration
- Business Conduct Committee
- Risk Management (formerly Financial Review)
- Floor Committee
- Floor Traders Qualification Course
- Grains and Pulses
- Margins
- Oilseeds
- Participant, Rules and Trading Committee (combination of prior Membership Committee and Compliance/Floor Trading Practices Committee.)
- Pit Chairmen
- Review

Rule 9 deals with the Regulatory Division, which is dealt with in this application. All governance committees have been removed from the Rules (audit, executive, compensation and nominating). These committees are set out in board policies. A copy of the mandates for those committees is attached hereto as (Appendix "A")

Participant Application Agreements

The Participant Application Agreements combine an application form with a contractual agreement with WCE Inc. Section A of the agreement is a general application details and question section. Much of this comes directly from the current application forms all new members are required to complete. The balance of the questions relate to regulatory requirements.

Section B sets out the contractual obligations of the Participant; which include agreeing to be bound by the WCE rules, pay all fees and charges levied by the Exchange, and have a qualified Clearing Participant Guarantor (if the Participant is not itself a Clearing Participant). It also contains an acknowledgement of the regulated environment that the Exchange operates within, the effect of any termination or withdrawal from Participant status, and an acknowledgement of the corporate authority to enter into the agreement. Each company is required to complete a Corporate Resolution providing proof that its

Board has approved of executing the application and agreement. The WCE Inc. By-law and Rules are incorporated by reference into the agreement.

This form of agreement is currently utilized by WCECC, and is similar to that utilized by the TSE with its trading participants. It provides an efficient way to contractually effect the Participant agreement between companies and/or individuals and the Exchange. A copy of a company and an Individual Trading Participant application/agreement is attached hereto.

New participants will be required to submit their applications/agreements prior to any review being initiated. The approval process includes an initial review by staff who will provide recommendation to the Board to accept, accept subject to conditions, or deny an applicant. Applicants who are denied, or who are accepted conditionally, are entitled to a hearing before the Board.

WCE Inc. will continue to provide open access to its marketplace and will welcome all eligible persons to participate, subject to the necessary qualifications relating to past conduct, educational standards and capital standards.

Regulation at the Exchange – The Proposed Regulatory Division

The Exchange acknowledges the inherent conflict that arises in a for-profit environment when the corporation is an SRO and required to monitor and maintain regulatory and compliance functions.

In particular, the Exchange has reviewed carefully the June, 2001 report of the Technical Committee of the International organization of Securities Commissions (IOSCO) entitled "Issues Paper on Exchange Demutualization".

The Paper identified the primary issue relating to demutualization facing regulators as follows:

"At its heart, the issue is whether the commercial pressures (or governance structure) of a for-profit entity will undermine the commitment of resources and capabilities of the Exchange to effectively fulfill its regulatory and public interest responsibilities to an appropriate standard."

The Technical Committee noted that conflicts of interest are inherent in an organization with a mandate to make a profit and adhere to regulatory requirements simultaneously. They noted the concern that a for-profit exchange may not allocate sufficient resources to compliance and that fair and efficient capital markets are in the public good with well-run exchanges being a key part of the capital markets.

In addressing how exchanges can best fulfill their dual roles, the Committee approved two regulatory models for demutualized exchanges:

1. a separate corporate entity to deal solely with regulatory and compliance matters; and
2. A division within the corporate structure of the Exchange.

Neither model was determined to be preferable. The Paper noted that the decision as to which model to employ should be that of the exchange. In Canada, there are examples of both models. The Toronto Stock Exchange has incorporated a separate company to deal with its regulatory and compliance issues (TSE Regulation Services) and The Bourse de Montréal Inc. (Bourse de Montréal) has an internal division within the same corporate structure. As discussed, the Exchange has carefully reviewed the model of the Bourse and has attempted, as closely as is possible, to mirror that model. However, the type of work the Bourse does and its size (5 to 6 times the volume of WCE) require certain changes to be made.

Attached as Appendix "B" is a copy of proposed Draft Rule #9 – Regulatory Division. Attached as Appendix "C" is an outline of the reporting structure set out in Rule 9. Attached as Appendix "D" is a copy of all other rule changes required to reflect the new regulatory regime.

The structure we are proposing is as follows:

1. The Regulatory Division will be responsible for all regulatory and compliance matters. It will be headed by the Special Regulatory Committee (SRC).
2. The SRC will be made up of 5 individuals, three of whom cannot be shareholders, participants or employees of a shareholder or participant. One member will be the President of WCE Inc. and the final member will be a Participant and/or shareholder. Appointments to the committee will be made by the Board. Candidates will be chosen on the basis of recognized expertise and excellence in their own fields and an understanding of the requirements of operating in a regulated environment.
3. The SRC will have the powers set out in part 4, and will report directly to the Commission on an annual basis (an annual report) as well as reporting directly to the Commission on all matters of regulatory importance.
4. The Regulatory Division will be staffed by the staff of the current Compliance department. The Vice-President, Market Regulation is directly responsible to the SRC on all matters covering regulations, compliance and market surveillance. On day-to-day administrative matters reporting will be to the President.
5. The SRC will also be a disciplinary committee. At first instance hearings will be brought before the "Discipline Committee" a committee made up of participants and others. Each hearing of the Discipline Committee will contain one member of the SRC. This committee member would not sit on any hearing that may proceed to an appeal.

In significant cases where expulsion of a participant was sought, the hearing would proceed directly to the SRC.

6. All fines and fees assessed by any disciplinary committee, must be used for educational and other compliance-related matters, and may not be deposited into the general revenues of the Exchange.

WCE Inc. submits that the proposed Regulatory Division satisfies the public interest requirements of a division with the corporation.

The duties of the SRC will include the overall supervision of the Regulatory Division, ensuring that the Regulatory Division has the resources it needs to carry out its duties, ensuring that the duties of the Regulatory Division are carried out fairly, objectively and without conflicts of interest, evaluating the performance of the Regulatory Division and reporting thereon to the MSC and recommending rule changes to the Board and reporting directly to the MSC on all matters of regulatory importance.

Representations

WCE Holdings Inc. and Winnipeg Commodity Exchange Inc. hereby jointly represent to the Commission that:

1. The Exchange has the capacity to carry out the purposes of all governing laws and rules and its own rules and is able to and does enforce compliance by its members and their employees with those laws, rules and regulations;
2. The Exchange treats all participants and applicants for participant status in its markets in a fair and consistent manner;
3. The Exchange consistently and on an ongoing basis develops and amends rules that are designed to set standards of behaviour for all participants and to promote the protection of the marketplace, including all participants in the marketplace;
4. The Exchange will submit to the Commission its rules for review and approval as the Commission deems appropriate and will continue to ensure that all of its rules are consistent with the public policy directives established by the Commission;
5. The Exchange will co-operate in all ways with the Commission and with any other SROs designated under the Act by the Commission in investigating and enforcing applicable laws and regulations;
6. The Exchange will enforce all of its rules and impose appropriate disciplinary sanctions for non-compliance;
7. The Exchange assures a fair representation of market participants in the selection of its directors and in the administration of its affairs;
8. The Exchange avoids rules that will create uncompetitive situations; and
9. The Exchange will avoid using its SRO status to allow any market participant to unfairly gain advantage in the market.

WCE Holdings Inc. and Winnipeg Commodity Exchange Inc. are cognizant that there may be instances in which the Commission perceives that their powers are inadequate for inquiring into or addressing particular misconduct and/or where a conflict of interest may exist. WCE Holdings Inc. and Winnipeg Commodity Exchange Inc. further represent that they will be open to the Commission's oversight and review of such situations and will co-operate in all ways with the Commission. It is understood and accepted that SRO status does not imply that the Commission is abdicating responsibility in any way whatsoever.

WCE Holdings Inc. and Winnipeg Commodity Exchange Inc. accept and agree that:

1. there should be ongoing regulatory supervision of the Exchange and its trading systems which should aim to ensure that the integrity of trading is maintained through fair and equitable rules that strike an appropriate balance between the demands of different market participants;
2. Rules and regulations should promote transparency of trading;
3. Rules and regulations should be designed to detect and deter manipulation and other unfair trading practices; and
4. Regulation should aim to ensure the proper management of large exposures, default risk and market disruption.

In conclusion, WCE Holdings Inc. and Winnipeg Commodity Exchange Inc. accept and support the position that the goal of an effective market oversight system is fair, honest and orderly markets. Such a marketplace protects the public interest and provides a level playing field for all participants. The Exchange has the rules and procedures and the necessary expertise and resources to competently and effectively oversee its marketplace and the participants in the marketplace. We hereby request approval of this application under sections 14(1) and 15(1) of the Act.

We would be pleased to attend before the Commission to explain or expand upon any area of this application if required. We look forward to hearing from you.

Yours truly,

M.J. Gagné
President and CEO (Interim)

Enclosures

Constitution of Audit Committee

Composition

The Board of Directors shall appoint the Audit Committee, its Chairman and Vice-Chairman. The Committee shall consist of such number of Board members as the Board of Directors may determine from time to time, but shall not be less than three (3) and shall not include the President.

Each member of the Audit Committee shall hold office until the appointment of his successor unless he shall resign or his office become vacant by death, removal by the Board of Directors or other cause.

Delegated Responsibilities

The Audit Committee shall:

- review and recommend to the Board for approval the Annual Report and audited financial statements and the management discussion and analysis. The Audit Committee shall also review management's analysis of major variances and accounting estimates used, and any other information it deems necessary in the circumstances;
- review and approve the quarterly reports and financial statements of WCE Holdings Inc. and its subsidiaries intended for publication and circulation to shareholders and others. The Audit Committee shall also review management's analysis of major variances, and accounting estimates used, and any other information it deems necessary in the circumstances;
- review the audit plans for WCE Holdings Inc. and its subsidiaries in terms of their adequacy in detecting weaknesses in its system of internal controls;
- review the results of the annual audits of WCE Holdings Inc. and its subsidiaries including any comments and internal control recommendations by the auditors as well as management's response; and
- review management's recommendation for the appointment of external auditors and make their recommendation to Board of Directors. The review shall include the appropriateness and reasonableness of the proposed audit fees.

Meetings

The Audit Committee shall keep minutes of its meetings in which shall be recorded all action taken by it, and the minutes, and any appropriate report, shall be submitted to the Board of Directors at their next meeting.

Constitution of Compensation Committee

Composition

The Board of Directors shall appoint the Compensation Committee, its Chairman and Vice-Chairman. The Committee shall consist of such number of Board members as the Board of Directors may determine from time to time, but shall not be less than three (3) and shall not include the President.

Each member of the Compensation Committee shall hold office until the appointment of his successor unless he shall resign or his office become vacant by death, removal by the Board of Directors or other cause.

Delegated Responsibilities

The Compensation Committee shall:

- review the performance of the President & CEO and recommend to the Board the President's compensation package;
- on the recommendation of the President, review the performance and approve the compensation package of senior management;
- approve recommended changes to the employee benefit programs;
- review succession plans for senior administration; and
- on the recommendation of the President, approve the appointment or dismissal of senior management.

Meetings

The Compensation Committee shall keep minutes of its meetings in which shall be recorded all action taken by it, and the minutes, and any appropriate report, shall be submitted to the Board of Directors at their next meeting.

Constitution of Executive Committee

Composition

The Board of Directors shall appoint the Executive Committee. The Committee shall consist of such number of Board members as the Board of Directors may determine from time to time, but shall not be less than three (3) and shall include the Chairman and Vice-Chairman of the Board and the President.

Each member of the Executive Committee shall hold office until the appointment of his successor unless he shall resign or his office become vacant by death, removal by the Board of Directors or other cause.

Delegated Responsibilities

The Executive Committee shall:

- approve agendas for Board meetings;
- act for the Board of Directors in situations which, in the opinion of the Executive Committee, require immediate action or consultation prior to the next meeting of the Board;
- appoint individuals to fill vacancies on committees mandated under the rules of WCE Inc.;
- be responsible for corporate governance practices; and
- on an annual basis, assess Directors' performance and make recommendations to the Nomination Committee.

Meetings

The Executive Committee shall keep minutes of its meetings in which shall be recorded all action taken by it, and the minutes, and any appropriate report, shall be submitted to the Board of Directors at their next meeting.

Winnipeg Commodity Exchange Inc.
**Rules Regarding the Special Regulatory Committee
& the Establishment of the Regulatory Division**

DRAFT
Rule 9 – Regulatory Division

9.01 Composition of the Special Regulatory Committee

The Special Regulatory Committee shall consist of five persons, one of whom shall be the President and three of whom shall be "Outside Committee Members". For the purpose of this Rule "Outside Committee Member" means an individual who is not a Shareholder, employee of Shareholder, Participant or an employee of a Participant.

9.02 Appointment

The members of the Special Regulatory Committee shall be appointed by resolution of the Board. Each appointment shall be for a term of two years and may be renewed at the discretion of the Board. A member of the Special Regulatory Committee whose term has expired shall remain in office as long as necessary to permit the completion of any matter on which such member was sitting prior to the expiry of the term.

9.03 Quorum

The quorum at meetings shall be three members of the Special Regulatory Committee attending in person, by telephone or by video conference, two of whom must be Outside Committee Members.

9.04 Powers

The Special Regulatory Committee shall have the following powers:

- a. The overall supervision and control of the activities of the Regulatory Division, subject to the final authority of the Board and the Commission;
- b. More particularly, the Special Regulatory Committee shall:
 - (1) Ensure that the Regulatory Division has the resources it needs to carry out its duties;
 - (2) Ensure that the Regulatory Division carries out its duties fairly, objectively and without conflicts of interest; and
 - (3) Evaluate the performance of the Regulatory Division and report thereon to the Commission on or before December 1 in each year. A copy of the report will be provided to the Board.
 - (4) Report to the Commission, as required, on all matters of regulatory importance;

- (5) Recommend rules and policies to the Board on matters relating to:
 - (i) Applications for Participant status;
 - (ii) The operations and standards of practice and business conduct applicable to Participants; and
 - (iii) Investigations and disciplinary matters; and
 - (iv) Market Surveillance matters.
 - (v) Suspensions for failure to provide information pursuant to Rule 10A.04;
 - (vi) Appeals from matters under Rules 6C.02 and 6C.04;
 - (vii) Appeals from matters under Rule 5B.04;
- c. One member of the Special Regulatory Committee shall sit on all hearings held by the Discipline Committee as a fully participating member of the hearing panel; and
- d. The hearing of appeals from decisions of the Discipline Committee.

9.05 Procedure

The rules of procedure applicable to the Special Regulatory Committee shall be as set out in Rule 10 for hearings, and the rules of procedure of the Board for meetings, subject to such changes as may be necessary to adapt them to the circumstances.

9.06 Decisions

- a. Decisions of the Special Regulatory Committee shall require the vote of the majority of those attending in person, by telephone or by video conference.
- b. In disciplinary matters or summary proceedings, if a member of the committee becomes unable to act before a decision is rendered, the decision may be reached by the remaining members, provided they number no less than three.
- c. Copies of the minutes of each meeting shall be sent to all members of the Special Regulatory Committee the Chairman of the Board, the President, the Vice President, Market Regulation, the General Counsel and the Corporate Secretary.

9.07 Creation of the Regulatory Division

The Regulatory Division is created by the Board with the aim of ensuring that the regulatory functions of WCE Inc. are carried out efficiently and fairly. To this end, the supervision of the regulatory duties and operations of the Exchange are entrusted to the Regulatory Division.

9.08 Duties

The Regulatory Division shall have the following duties:

- a. Investigation Services, which shall include:
 - (1) Investigating complaints against Participants, their directors, officers and registered employees, whether such complaints are initiated by the

Regulatory Division, filed with or reported to the Regulatory Division or forwarded to the Exchange by the Commission;

- (2) Identifying situations of non-compliance with the Rules and Policies of the Exchange applicable to Participants, their directors, officers and employees, and;
- (3) All matters set out in the Rules, including Rule 10, relating to staff of the Regulatory Division; and

b. Market Surveillance Services, which shall include;

- (1) Monitoring compliance with the trading Rules and Policies applicable to the market;
- (2) The identification and investigation of any trading practices in contravention of the Rules and Policies such as price manipulation, artificial price setting and pre-arranged trades; and
- (3) Carrying out all market surveillance.

9.09 Supervision

Staff of the Regulatory Division shall be subject to the supervisory powers of the Special Regulatory Committee.

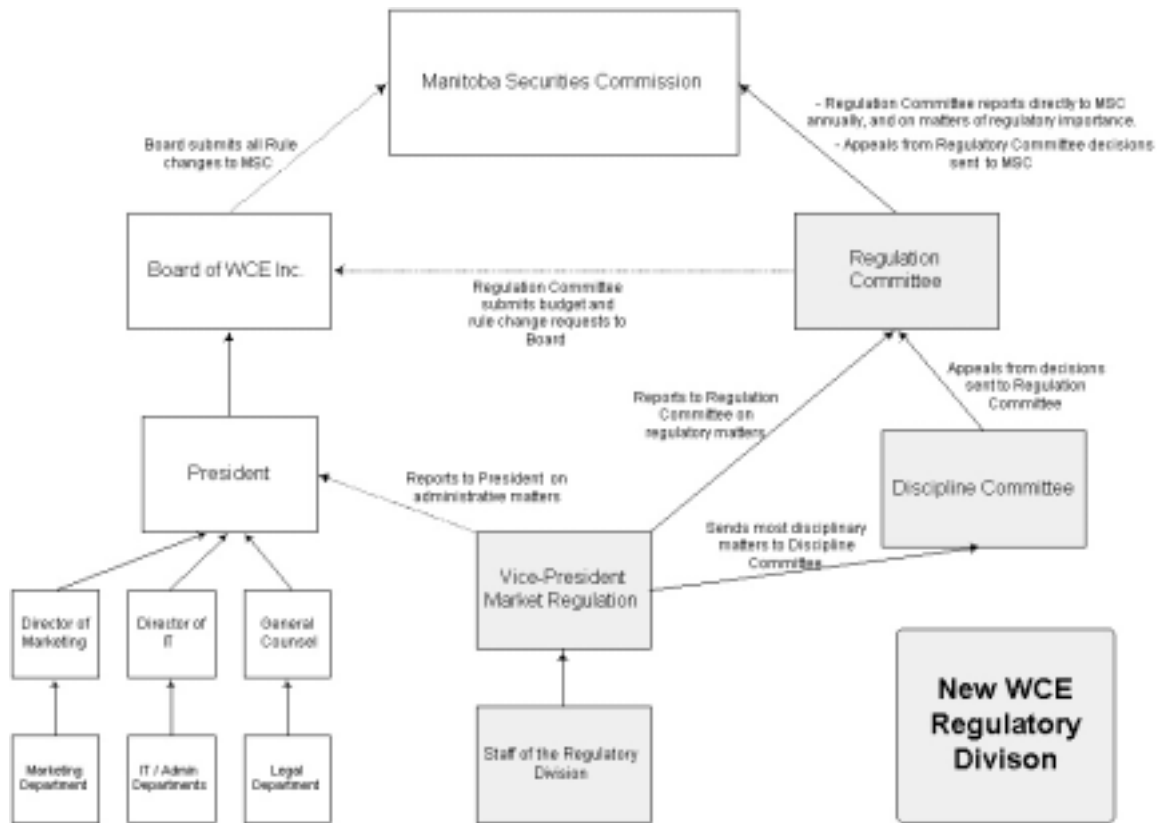
9.10 Administrative Structure

- a. The Regulatory Division shall be managed by the Vice President, Market Regulation.
- b. Except for matters within the purview of the Special Regulatory Committee or the Board, the Vice President, Market Regulation shall have the authority to make all decisions relating to the Regulatory Division.
- c. The Vice President, Market Regulation or the person designated by him or her shall attend the meetings of the Special Regulatory Committee.
- d. The Vice President, Market Regulation shall report to the Special Regulatory Committee in regard to all regulatory and disciplinary matters.
- e. The Vice President, Market Regulation shall report to the President in regard to day-to-day administrative matters.
- f. The fines, fees and other costs imposed by a disciplinary committee or by the Special Regulatory Committee shall be recorded separately in the books of WCE Inc. and used for compliance-related matters, including educational purposes.
- g. The Regulatory Division may provide regulatory services to other exchanges, self-regulatory organizations, trading systems or other persons.
- h. The Regulatory Division may subcontract some of its work to other exchanges, self-regulatory organizations or other persons.

9.11 Transitional

These rules shall take effect immediately upon their adoption but shall not apply to matters in which a hearing has previously commenced.

Appendix "C"



RULE 2 -- EXCHANGE COMMITTEES**2.01 Designation of Committees**

~~The committees set out in this Rules have been appointed by the Board of Directors pursuant to the provisions of Article Five of the By-Laws and have been delegated the powers set out in this Rule. All delegated powers relating to rule changes are based upon an agreement of any rule change by management of the Exchange. In the event that a committee recommends a rule addition, change, or amendment, same must be approved by management of WCE Inc. prior to the said addition, change, or amendment being submitted for regulatory approval. In the event that management does not agree with any rule addition, change or amendment, the matter shall be submitted to the Board whose decision shall be final. The Exchange shall have such committees as are provided for in the By-law or as the Board of Directors shall appoint from time to time.~~

2.02 ~~Definitions~~

~~For the purposes of this Rule, the following terms shall have the following meanings:~~

~~“Executive Director” - is a member of the Board that is an employee of WCE Holdings Inc. and/or Winnipeg Commodity Exchange Inc.~~

~~“Non-Executive Director” - means a member of the Board of Directors who is not employed by WCE Holdings Inc. and/or Winnipeg Commodity Exchange Inc.~~

~~“Independent Non-Executive Director” - means a member of the Board of Directors who is not employed by WCE Holdings Inc. and/or Winnipeg Commodity Exchange Inc. and who is neither a Shareholder nor a Participant of the Exchange or the Clearinghouse.~~

2.023 Committee Information Confidential

No committee member shall disclose details of any information received as a result of his or her service on the committee, nor shall he or she use any information for personal gain or advantage or to the detriment of any other entity. Information obtained in the course of committee meetings and duties is to be held in strictest confidence.

2.034 Powers

Committees shall have the powers set out in their mandating Rule, subject to applicable provisions of law.

2.045 Term, Removal, Resignation, Vacancies

~~a. Term and Removal Unless otherwise specifically provided in the Rules, Members of any committee shall hold office until the appointment of his or her successor. All committee members the first regular meeting of the Board following the annual meeting of Shareholders after such appointment. Members hold office subject to the pleasure of the Board.~~

- b. Resignation. A committee member may resign at any time by giving written notice of his or her resignation to the President and such resignation, unless specifically contingent upon its acceptance, will be effective as of its date or the date specified therein.
- c. Vacancies. Any vacancy shall be filled by the Board.

2.05 Minutes and Reporting

Each committee shall keep minutes of its meetings in which shall be recorded all actions(s) taken by it, and the minutes, and where appropriate, a written report, shall be submitted to the Board at its next meeting for its information.

2.06 Arbitration Committee

a. Composition

At least fifteen (15) people will be named to the Committee. Any three (3) members will constitute a quorum for the purpose of a hearing under the Rules.

b. Purpose

To arbitrate commercial disputes agreed to be brought before it by a Shareholder, Participant, employee of a Participant, customer of a Futures Commission Merchant or any other person related to the Exchange, in matters related generally to the business of the Exchange including the underlying cash markets related to the Exchange and to make awards thereon in accordance with these Rules.

c. Duties

- (1) To arbitrate cases in accordance with the Rules; and
- (2) To conduct hearings and to make findings and/or awards in accordance with the Rules and the common law in respect of arbitrations.

2.07 ~~Audit Committee~~

~~a. Composition~~

~~The Audit Committee will be composed of three (3) or four (4) Non-Executive Board members.~~

~~b. Purpose and Duties~~

~~To review the:~~

- ~~(1) scope of the audits as recommended by the Exchange's Auditors;~~
- ~~(2) system of internal accounting controls; and~~
- ~~(3) Report of the Auditor~~

~~and provide a written report on same to the Board of Directors.~~

2.08 Business Conduct Committee

a. Composition

~~The Business Conduct Committee is composed of a minimum of seven (7) and maximum of twelve (12) members. Five (5) of the members shall be Participants. The Board shall endeavor to include representation from all registration categories of Participants and shall also include:~~

- ~~(1) a lawyer or a retired judge; and/or~~
- ~~(2) additional persons as may be deemed appropriate.~~

~~No member of the Business Conduct Committee may serve on the Review Committee.~~

~~A quorum of the Business Conduct Committee consists of three (3) members.~~

b. Purpose & Duties

~~(1) The Business Conduct Committee is the senior disciplinary committee of the Exchange. The Business Conduct Committee shall hear and dispose of hearings, settlement proposals or appeals referred to it, in accordance with the Rules.~~

~~(2) The Business Conduct Committee may order that any commercial dispute involved in any matter before it be referred to the Arbitration Committee.~~

2.09 Executive Committee

a. Composition

~~The Executive Committee will be composed of the Chairman, the Vice-Chairman, the President and the immediate Past Chairman. In the event that any of these persons are unable or unwilling to serve, the remaining members of the committee shall choose another Director who is a Non-Executive Director.~~

b. Purpose

~~To act on behalf of and as directed by the Board, in managing the affairs of the Exchange.~~

c. Duties and Authority

- ~~(1) prepare an annual statement of budget;~~
- ~~(2) recommend financial policy;~~
- ~~(3) oversee the Exchange employees' compensation matters;~~
- ~~(4) appropriate and expend Exchange funds, without Board approval up to such dollar amount per item as the Board shall from time to time authorize; and~~
- ~~(5) perform such other duties as are specified by the Board or as are provided for in the Rules.~~

2.07 Discipline Committee

a. Composition

The Discipline Committee is composed of up to fifteen (15) members, 7 members shall be Participants or employees of Participants. The Board shall endeavor to include representation from all registration categories of Participants and shall also include:

- (1) a lawyer or retired judge; and/or
- (2) additional persons as may be deemed appropriate.

No member of the Discipline Committee may serve on the Special Regulatory Committee.

b. Purpose & Duties

The Discipline Committee is the initial disciplinary committee of the Exchange. It shall sit on disciplinary hearings and review settlement proposals brought to it, all in accordance with the Rules.

A quorum of the Discipline Committee consists of 3 members. For the purposes of all hearings and settlement proposal reviews, a member of the Special Regulatory Committee shall sit as a fully participating member of the committee.

2.0810 Floor Committee

a. Composition

The Floor Committee is composed of seven (7) members, all of whom shall be Participants or employees of Participants who trade on the floor of the Exchange.

b. Purpose

The Floor Committee is not a disciplinary committee.

The Floor Committee is responsible for:

- (1) assisting with the governing of floor trading practices, in conjunction with the Pit Chairmen, in particular with respect to public outcry, the posting of quotations, and proper execution of trades;
- (2) assisting with the governing of the conduct and decorum of Participants, employees of Participants, messengers and visitors in the rooms of the Exchange;
- (3) reviewing and making recommendations ~~to the Board~~ on facilities, equipment, conduct, and decorum rules pertaining to the trading floor and trading floor lounge; and
- (4) determining settlement prices upon appeal in accordance with the Rules.

c. Duties

- (1) In the event of an appeal of the calculated futures settlement price or an options settlement price as adjusted by the options Pit Chairman, the Floor Committee shall meet and make the final determination of the settlement price.
- (2) In the course of their deliberations of an appeal of the calculated futures settlement price, the Floor Committee may examine all factors they deem relevant, including but not limited to:
 - (i) weighted average of prices traded in the closing period;
 - (ii) spread values with other contract months; and
 - (iii) activity during the edge period.
- (3) In the course of their deliberations of an appeal of an options settlement price as adjusted by the options Pit Chairman, the Floor Committee may examine all factors they deem relevant, including but not limited to the factors considered by the Pit Chairman in accordance with the Rules.

2.0911 Floor Traders Qualification Course Committee

a. Composition

The Floor Traders Qualification Course Committee is composed of no less than three (3) Trading Participants or Sponsored Participants.

b. Purpose & Duties

The Committee shall assist staff of the Exchange in presenting the on-floor training component of “The Floor Broker’s Course”, and will provide assistance and support for recently approved Traders, ~~during their probationary periods.~~

2.102 Grains ~~and Pulses~~ Committee

a. Composition

The Grains ~~and Pulses~~ Committee shall be composed of up to eight (8) members including ~~Participants and non-Participants. The committee shall include at least one Non-Executive Director and~~ the President.

b. Purpose and Duties

To review and make rule changes, subject to regulatory approval, ~~provide advice and recommendations to the Board~~ on all matters involving the grain contracts. This shall include:

- (1) A review of all grain and pulse contracts at least annually;

- (2) To observe, review and examine all things which affect the delivery processes of grains and pulses; ~~and, where appropriate, to present recommendations to the Board;~~ and
- (3) To provide advice to the Board on any significant matters connected with grains and pulses including issues that may require liaison, consultation or negotiation between the Exchange and government agencies or departments and trade organizations.

2.113 Margins Committee

a. Composition

The Margins Committee shall be composed of up to ~~six (6)~~ ~~eight (8)~~ ~~nine (9)~~ members including ~~one Non-Executive Director,~~ and the President.

b. Purpose and Duties

To consider and ~~set recommend~~ appropriate levels of minimum rates of customers' margins applicable to Exchange contracts required by Participants carrying accounts in accordance with the margin policy of the Exchange and the Clearinghouse. The duties of the Margin Committee shall include the following:

- (1) To review and establish, on a regular basis, the minimum rates of customers' margins in accordance with the Exchange's margin policy.
- (2) To re-adjust the Futures Commission Merchant (FCM) client initial margin rates based on the following guidelines:
 - (i) The FCM initial margin level is re-adjusted when its represents less than a 10% premium to the current clearinghouse margin;
 - (ii) The FCM initial margin level is re-adjusted when it represents more than a 45% premium to the current clearinghouse margin;
 - (iii) The re-adjusted FCM initial margin levels can not represent less than a 35% premium to the current clearinghouse margin;
 - (iv) The FCM initial margins will be based on the nearby futures contract clearinghouse margin. The initial margins for deferred contract months may be adjusted as required by market conditions; and
 - (v) The Margins Committee will also consider other relevant information including but not limited to current price volatility, anticipated price volatility, and the price volatility in related markets.

2.124 Oilseeds Committee

a. Composition

The Oilseeds Committee shall be composed of up to eight (8) members, including ~~Participants and non-Participants. The committee shall include at least one Non-Executive Director and~~ the President, ~~of the Exchange.~~

b. Purpose and Duties

To ~~review and make rule changes, subject to regulatory approval, provide advice and recommendations to the Board~~ on all matters involving the oilseeds contracts. This shall include the following:

- (1) A review, at least annually, of all oilseeds contracts;
- (2) To observe, review and examine all things which affect the delivery processes of oilseeds; ~~and, where appropriate, to present recommendations to the Board;~~ and
- (3) To provide advice to the Board on any significant matters connected with oilseeds, including issues that may require liaison, consultation or negotiations between the Exchange and government agencies or departments and trade organizations.

2.135 Rules and Trading Committee

a. Composition

The Rules and Trading Committee is composed of ~~up to seven (7) a minimum of eight (8) nine (9)~~ members including ~~one Non-Executive Director, and~~ the President.

b. Purpose and Duties

- (1) When matters are brought forward to it, to review and assist in evaluating Rules and proposed amendments relating to Participant issues, excluding rules relating to financial requirements; and
- (2) To make recommendations on issues concerning rule amendments or procedural changes relating to compliance issues to the Regulation and Compliance Special Committee.

The Rules and Trading Committee is not a disciplinary committee and shall not initiate any review of rules or procedures.

2.146 Pit Chairmen

a. Composition

There shall be one (1) Pit Chairman and one (1) alternate for each pit on the Trading Floor and for the options market. The Pit Chairmen and their alternates shall be Participants, excluding Merchant Participants and/or Ancillary Participants.

b. Purpose & Duties

- (1) Each Pit Chairman, in conjunction with the Floor Committee, is responsible for assisting in the governance of the following trading practices in their designated pit/market:
 - (i) public outcry;
 - (ii) the posting of quotations;
 - (iii) proper execution of trades; and
 - (iv) general pit conduct directly related to trading.
- (2) Each Pit Chairman or, in their case of their absence or conflict of interest, their alternate, may, in their designated pit/market:
 - (i) cancel a trade improperly executed;
 - (ii) modify, delete, or add a quotation improperly made or recorded;
 - (iii) require a trader to properly re-bid or re-offer a quotation improperly made; and
 - (iv) refer, with recommendations, any potential infraction to the Compliance Department.
- (3) The Pit Chairman or alternate for the options market may, in accordance with the Rules, adjust the settlement price(s) for options if he/she deems necessary it due to market conditions.
- (4) If any action is taken by a Pit Chairman or an alternate, that individual shall make an oral report to the Compliance Office no later than the end of that day.

2.17 Review Committee

~~a. Composition~~

~~The Review Committee is composed of no less than nine (9) members which shall include:~~

- ~~(1) 3 Participants in the categories of Floor Brokers, Floor Traders or Locals;~~
- ~~(2) 3 Participants in the category of FCM; and~~
- ~~(3) 3 Participants in the category of Merchant (either Merchant Participant, Ancillary Participant or Trading Participant) in the category of Merchant).~~

~~b. Purpose & Duties~~

~~The Review Committee shall sit on disciplinary hearings and review settlement proposals, all in accordance with the Rules.~~

~~A quorum of the Review Committee consists of three (3) members.~~

2.18 Regulation and Compliance Special Committee

~~a. Composition~~

~~The Regulation and Compliance Committee will be composed of four (4) or five (5) members, one of whom shall be the President and none of whom shall be a Shareholder, employee of a Shareholder, a Participant or an employee of a Participant.~~

b. Purpose & Duties

~~This is a special committee appointed by the Board which does not directly report to the Board and which is charged with the responsibility of ensuring overall compliance with the provisions and requirements of *The Commodity Futures Act* relating to all self-regulatory functions including compliance and market surveillance matters. Specifically, the Regulation and Compliance Special Committee shall:~~

- ~~(1) ensure that the Compliance Department has sufficient resources to carry out its responsibility in a thorough and professional manner;~~
- ~~(2) oversee the policies and procedures of the Exchange to ensure its SRO responsibilities are carried out in a neutral and unbiased manner, having regard to all potential conflicts of interest;~~
- ~~(3)(1) carry out an assessment of the compliance and market surveillance operations at least annually and report on same to the Board of Directors; and~~
- ~~(4) ensure that any concerns noted by the Commission are addressed.~~

~~The Committee may:~~

- ~~(i) submit rule changes on matters relating to trading, compliance and market surveillance issues directly to the Commission and may deal with any response(s) from the Commission; and/or~~
- ~~(ii) provide general advice to the Compliance Department on issues of policy and procedure relating to any matter under the jurisdiction of the Compliance Department but it may not, in any event, question, direct or deal with any matter that is under investigation or in the process of a hearing by the Compliance Department; and/or~~
- ~~(iii) make recommendations as it deems necessary to the Board to encourage and expand the self-regulatory organization jurisdiction of the Exchange; and/or~~
- ~~(iv) The Committee may seek input from Trading Participants on any matter before it.~~

2.159

Risk Management Committee

a. Composition

The Risk Management Committee will be composed of up to nine (9) members, ~~one of which shall be a Non-Executive Director, and including the President of the Exchange.~~

b. Purpose & Duties:

- (1) ~~Setting To make recommendations to the Board as to~~ guidelines for financial responsibility appropriate to the type and scale of operations of Participants;

- (2) ~~Receiving To receive~~ reports from staff of the Exchange and to authorize such further inquiries and reports by staff as may be required to assist the committee;
- (3) ~~Reviewing To review~~ reports and, based thereon, order such action(s) as the committee may deem necessary or advisable to ensure Participant compliance with the Exchange's financial rules and requirements; and
- (4) ~~Conducting To conduct~~ a review, at least annually, of the effectiveness of the Exchange's general risk management processes, including operational risks and controls across all activities.

c. Authority

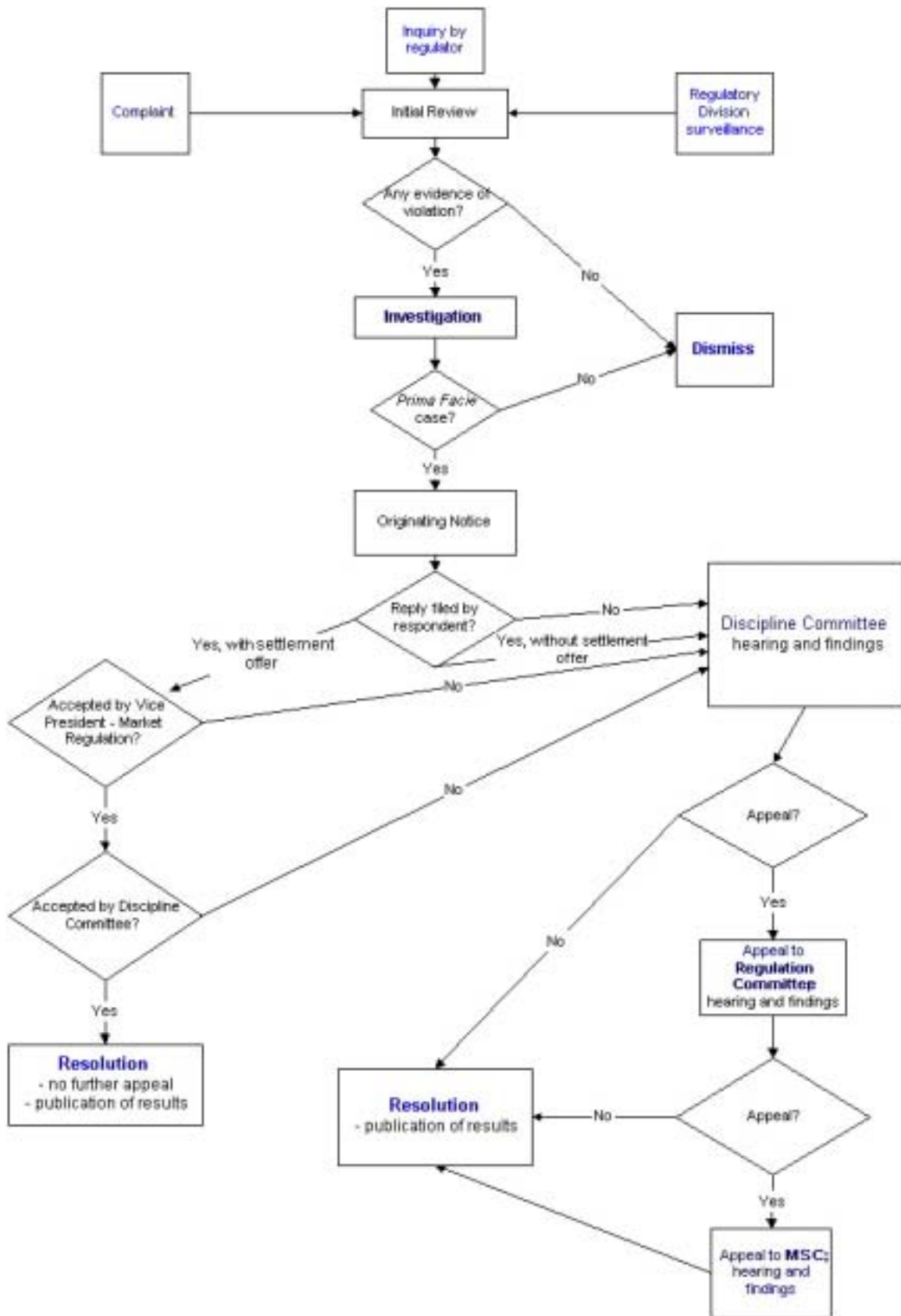
In carrying out its evaluations or investigations, the committee is specifically authorized:

- (1) Receive all information and documentation requested from employees of the Exchange on any matter relating generally to risk management practices and procedures;
- (2) to call for and review detailed financial information of Participants;
- (3) to call for the personal appearance of and question any Participant or an employee of any Participant;
- (4) to require detailed financial information from any parent, subsidiary, or associated company of a Participant;
- (5) to limit or revoke the capacity in which any Participant may act if the financial circumstances so require;
- (6) to suspend the trading privileges of any Participant, if financial circumstances so require; and
- (7) to refer any appropriate matter to the Clearinghouse;

provided however, that any decision made by the Risk Management Committee pursuant to subsections (4) and/or (5) hereto, shall be subject to the Participant's right to appeal the decision to the Regulation and Compliance Special Committee. Such appeal shall be made, in writing to the attention of Corporate Secretary, and shall state all reasons and grounds for the appeal.

~~2.20 Committee Matters to Proceed to the Board~~

~~Committees are to provide recommendations to the Board of Directors on issues within their purview and jurisdiction. All recommendations are to be provided to the Board on an expeditious basis together with Exchange staff's comments on each recommendation made.~~



RULE 10 – INVESTIGATIONS AND HEARING PROCEDURES

Part 10A Inspection and Investigation

10A.01 Responsibility for Investigation

The Regulatory Division is responsible for reviewing and addressing all complaints and may investigate any matter at its own initiative.

10A.02 Provision of Information

Participants, their officers, directors, partners, auditors and their employees must comply with the obligation to provide information as set forth in this section.

- a. Upon the request of the Regulatory Division, these persons must provide forthwith all information related to their business, trades, positions or conduct as well as to the identity, business, trades or positions of any of their customers and employees and customers of persons for whom they provide account maintenance services. To this end, these persons shall submit and give access to any books, records, registers, data, data bases, files, documents, papers and information for examination, and the Regulatory Division will be permitted to obtain the original or a copy thereof on demand. If the original is taken, the Regulatory Division will be obligated to provide a certified copy of the said document(s) at no cost to the Participant.
- b. For the purposes of any inspection or investigation, the Regulatory Division or its representative may obtain such information from any source whatsoever, including any of the customers of any Participant.
- c. The Regulatory Division may require any person to provide a verbal, recorded statement or testimony at a time and place specified by the Regulatory Division on any issues that the Regulatory Division determines may be relevant to a matter under review or investigation in the following manner:
 - (i) in the case of a person other than an individual, by the sworn testimony of any appropriate officer, director or employee, or
 - (ii) in the case of an individual, by sworn testimony in person.
- d. For the purposes of any inspection or investigation, the Regulatory Division may obtain such information from any source whatsoever, including any of the customers of any Participant.
- e. The obligations in this Rule apply to officers, partners, directors, employees and auditors of any Participant and also includes the obligation to appear before the Exchange at the time and place indicated by the Regulatory Division.

Compliance with this section shall not create any liability by another Participant, employee of a Participant or client.

10A.03 Special Inspection or Investigation

Without in any way limiting the powers conferred upon the staff of the Regulatory Division by the Rules, the Board of Directors, the Special Regulatory Committee, or the President may in its or his absolute discretion, at any time, direct a special inspection or investigation to be made in respect of the conduct, the business or the affairs of a Participant or employee of a Participant.

10A.04 Failure to Provide Information or to Appear

Any Participant who refuses or neglects to provide information in the manner prescribed in these Rules or who fails to attend a hearing after having been notified, may be suspended without any notice, hearing or formality by the Special Regulatory Committee by resolution at a meeting of the committee called for this purpose, until the required information has been provided.

10A.05 Confidentiality

Until an Originating Notice is issued, all facts and/or information obtained by any party during the course of an investigation shall be treated as confidential and may not be disclosed to anyone, save and except that anyone may disclose any information to his/her own legal counsel. Further, staff of the Regulatory Division may disclose such information as is required to further the ends of an investigation and have the matter dealt with pursuant to a disciplinary hearing.

**Part 10B
Standards of Conduct**

10B.01 Standards of Conduct

The business of Participants and their dealings amongst themselves and with the public shall at all times comply with the standards ascribed under, including, without limitation, all Rules, regulations, policies, interpretation bulletins and similar materials set out in the Exchange's By-laws and Rules, *The Commodity Futures Act* and the Rules and Regulations promulgated thereunder, and any other applicable legislation.

**Part 10C
Disciplinary and Other Matters Subject
to Hearings**

10C.01 Complaints

a. The Exchange, the Regulatory Division, a Participant, a Shareholder, any regulatory authority, and/or a customer of a Participant, may file a complaint against a Participant or its employees, partners, officers and directors in respect of:

- (1) a breach of the Exchange's By-laws and Rules; or
- (2) any breach of the CFA or the Rules or regulations thereto;

provided such act, conduct or proceedings are generally related to dealings or transactions on the Exchange.

- b. The Regulatory Division may also initiate an investigation into the conduct described in section a. hereto against a former Participant or employee of a Participant for acts or omissions which occurred while the person was a Participant, provided that an Originating Notice is served on the person within twelve (12) months from the date upon which the person ceased to be a Participant or an employee of a Participant.

This provision is in addition to any and all powers the Regulatory Division and/or the Exchange may have pursuant to powers delegated by a securities commission or other regulatory organization.

- c. All investigations with respect to complaints and all processes that follow from an investigation under these Rules are the sole responsibility of staff of the Regulatory Division. The names of all Participants filing complaints will remain confidential.

10C.02 Conclusion of Investigation Files

- a. Upon concluding an investigation, staff of the Regulatory Division shall either;
 - (1) close the complaint file without any further action being taken, if, in the discretion of the staff of the Regulatory Division, there is not a *prima facie* case justifying proceeding with a hearing; or
 - (2) proceed to issue an Originating Notice in accordance with these Rules.
- b. In the case of either a (1) or a (2) above, staff of the Regulatory Division shall appoint a 2 person panel and submit a written report of the Special Regulatory Committee. The report is and remains confidential and is not discloseable for any purpose whatsoever.

Part 10D Proceedings

10D.01 Originating Notice

- a. The Regulatory Division must serve an Originating Notice in accordance with the Annex hereto on any person deemed by the Regulatory Division to be directly concerned, whenever the Regulatory Division;
 - (1) commences disciplinary proceedings;
 - (2) proposes to revoke, suspend or amend any of the rights or privileges of a Participant;
 - (3) proposes to exercise any disciplinary powers delegated to the Regulatory Division or to the Exchange by a securities commission or other regulatory organization.
- b. The Originating Notice must contain, where applicable;
 - (1) a reference to the regulatory provisions governing the matter;

- (2) a summary statement of the principal facts alleged and intended to be relied upon by the Regulatory Division and the conclusions drawn by the Regulatory Division based on the alleged facts;
 - (3) a statement of the intention of the Regulatory Division to call a hearing of the matter before the Discipline Committee on a date and at a place to be determined in the originating notice or, subsequently, in the notice of hearing;
 - (4) a reminder of the existence of all settlement procedures in the Rules;
 - (5) a warning that failure to file a Reply within ten (10) days from the date of service may result in foreclosure of the right to produce any witnesses at the hearing.
- c. A copy of the Originating Notice, together with proof of service, shall be filed with the Corporate Secretary of the Exchange.

10D.02 Reply

- a. A person served with an Originating Notice shall, within ten (10) days from the date of service, serve on the Corporate Secretary of the Exchange a Reply in accordance with the Annex hereto, signed by the person or by an individual authorized to sign on behalf of the person.
- b. The Reply must set out, in specific detail;
 - (1) whether the facts alleged in the Originating Notice are admitted or denied;
 - (2) a statement of the person's position with regard to the conclusions drawn by the Regulatory Division in the Originating Notice;
 - (3) a statement of any additional facts or evidence to be relied on by the person; and
 - (4) whether or not legal counsel will attend the hearing of the matter.
- c. In the absence of a specific denial of the facts alleged in the Originating Notice, the person(s) to whom the Originating Notice is addressed will be deemed to have admitted them.
- d. Failure to file a Reply within ten (10) days from the date of service may result in foreclosure of the right to produce any witnesses at the hearing.

10D.03 Notice of Hearing

Having determined by virtue of the Reply that a formal hearing is required, matters shall proceed as follows:

- a. After the expiry of the ten (10) day period for the service of the Reply, the Regulatory Division shall serve a Notice of Hearing, in accordance with the Annex hereto, on the person(s) to whom the Originating Notice was addressed. The Notice of Hearing shall indicate the date, time and place of the hearing.

- b. The date of the hearing shall be no less than fifteen (15) days from the date of service of the Notice of Hearing.
- c. The Notice of Hearing shall include a statement advising the persons(s) named that they are required to attend the hearing, and that failure to attend the hearing will result in the hearing of the matter proceeding in the person(s) absence.

Part 10E Disclosure Requirements

10E.01 Definition of Document

The term "document" includes a sound recording, videotape, film, photographs, chart, graph, map, plan, survey, book of account, and any other information recorded or stored by means of any device.

10E.02 Requirement to Disclose Documents

Each party to a hearing shall, as soon as practicable after service of the Notice of Hearing, and in any case no later than 10 days before the day upon which the hearing is scheduled to commence, deliver to every other party copies of all documents that the party intends to refer to or tender as evidence at the hearing.

10E.03 Requirement to Make Available Things Other Than Documents

Each party to a hearing shall, as soon as practicable after service of the Notice of Hearing and in any case no later than 10 days before the day upon which the hearing is scheduled to commence, make available for inspection by every other party any thing other than a document that the party intends to refer to or tender as evidence at a hearing.

10E.04 Orders for Further Disclosure

At any stage in a hearing, the disciplinary committee responsible for the matter may order a party to provide to another party any other disclosure which the said committee considers appropriate within a time period and on terms and conditions as specified by the said committee.

10E.05 Failure To Make Disclosure

If a party fails to make a disclosure of a document or thing in compliance with these Rules or an order made under these Rules, the party may not refer to the document or thing or tender it as evidence at the hearing without the consent of the disciplinary committee responsible for the matter, on such terms and conditions as the said committee considers just.

10E.06 Witness Lists and Statements

- a. Provision of Witness List

A party to a hearing shall, as soon as practicable after service of the Notice of Hearing, and in any case no later than 10 days before the day upon which the hearing is scheduled to commence, provide to every other party a list of the witnesses the party intends to call to give evidence at the hearing.

b. Provision of Witness Statements

A party to a hearing shall, as soon as practicable after services of the Notice of Hearing, and in any case no later than 10 days before the day upon which the hearing is scheduled to commence, provide to every other party witness statements signed by the witnesses, or for any witness for which a signed statement does not exist, a summary of the anticipated evidence that the witness is expected to give at the hearing.

c. Content of Witness Statements

A witness statement or summary of the anticipated evidence that the witness is expected to give at the hearing must contain:

- (i) the substance of the evidence of the witness;
- (ii) a reference to all documents, if any, that the witness will refer to; and
- (iii) the name and address of the witness, or in the alternative, the name of a person through whom the witness can be contacted.

d. Failure to Provide Witness List or Statement

If a party fails to include a witness in the witness list or provide a witness list or a witness statement or a summary of the anticipated evidence that the witness is expected to give at the hearing in compliance with these Rules, the party may not call the witness at the hearing without the consent of the disciplinary committee responsible for the matter on such terms and conditions as the said committee considers just.

e. Incomplete Witness Statement

A party may not call a witness to testify to matters not disclosed in the witness statement or summary of the anticipated evidence without the consent of the disciplinary committee responsible for the matter on such terms and conditions as the said committee considers just.

f. Expert Witness

(i) Notice of Intent to Call Expert

A party that intends to call an expert witness at the hearing shall, at least fourteen (14) days before the day upon which the hearing is scheduled to commence, inform the other parties of the intent to call the expert witness and the issue on which the expert will be giving evidence.

(ii) Provision of Expert's Report

A party that intends to refer to or to tender as evidence a report prepared by an expert witness at a hearing shall, at least fourteen (14) days before the day upon which the hearing is scheduled to commence, provide to every other party a copy of the report signed by the expert containing:

- (1) the name, address and qualifications of the expert;
- (2) the substance of the anticipated evidence of the expert; and
- (3) a list of all the documents, if any, to which the expert will refer.

(iii) Failure to Advise of Intent to Call Expert

A party that fails to comply with this Rule may not call the expert as a witness without the consent of the disciplinary committee responsible for the matter on such terms and conditions as the said committee considers just.

(iv) Failure to Provide Expert's Report

A party that fails to comply with this Rule may not refer to or tender as evidence the expert's report without the consent of the disciplinary committee responsible for the matter on such terms and conditions as the said committee considers just.

Part 10F Hearing Procedures

10F.01 Hearing Procedure

The following procedures apply, where appropriate, to hearings held before the Discipline Committee and the Regulation Committee:

- a. Any person to whom an Originating Notice was served shall be entitled to attend the hearing for the purpose of hearing the evidence, cross-examining the witnesses presented by staff of the Regulatory Division, presenting their own witnesses subject to the Rules and making representations to the disciplinary committee hearing the matter;
- b. Such person may be represented by legal counsel of their choice and at their cost at the hearing, provided that notice of such representation is provided for in the Reply filed. Regardless of the outcome of a hearing, and/or appeal. Respondents shall bear the entire costs of their own counsel.
- c. Staff of the Regulatory Division may be represented by legal counsel and may include the costs of said counsel, on a solicitor and own counsel basis, as part of the costs claimed against the Respondent(s) in the event the hearing and/or appeal is successful in whole or in part;
- d. At the hearing, the committee shall determine the process of the hearing and receive such evidence as is submitted that is relevant, in the discretion of the committee, to the hearing, but the committee is not bound by technical rules of evidence;
- e. Any person giving evidence to any committee must take an oath or make a solemn declaration;

- f. The committee shall be entitled to call for additional witnesses and/or evidence and in such case both the Respondent(s) to the hearing and staff of the Regulatory Division will be entitled to cross examine the witnesses and/or evidence; and
- g. The committee shall be entitled, upon request, to vary the procedure, but in absence of such a variation, the procedure at the committee hearing shall include the following:
 - an opening statement from staff of the Regulatory Division and the Respondent(s);
 - staff of the Regulatory Division will put forward its evidence. All witnesses may be cross examined by the Respondent(s);
 - the Respondent(s) shall put forward its evidence. All witnesses may be cross examined by staff of the Regulatory Division;
 - (4) a closing statement from staff of the Regulatory Division and the Respondents; and
 - (5) In the event of a guilty verdict in disciplinary matters, the parties shall then make submissions on the penalty to be imposed, unless the committee decides that representations on the penalty shall be made prior to its deliberations on the merits.

10F.02 Record of Evidence

At all hearings, all oral evidence received shall be taken down in writing or otherwise recorded, and, together with any documents or things received in evidence by the committee, shall form the record of the hearing.

10F.03 Burden of Proof

The burden of proof required to be met is the civil standard, “on a balance of probabilities” and not the criminal standard.

10F.04 Obligation to Answer

At a hearing, staff of the Regulatory Division has the right to put questions to any person, and such person shall be obliged to answer all questions. This includes any Respondent to a hearing, all Participants and their partners, officers, directors and employees.

10F.05 Ex Parte Hearing

If a person notified of the hearing fails to attend the hearing specified in the Notice of Hearing, the committee may proceed with the hearing and disposition of the matter on the date and at the time and place set out in the Notice of Hearing without further notice, and in the absence of the person, even if the person has served a Reply in accordance with these Rules.

10F.06 Deliberations

The deliberations of the disciplinary committee hearing any matter shall be made in the absence of any other person, however, the committee may have its own counsel present.

10F.07 Disciplinary Penalties

In finding any Participant or employee of a Participant guilty of an offence, the committee may, with respect to each offence, impose any one or more of the penalties set out in the Rules.

10F.08 Decision

- a. A decision of a committee hearing a matter or any appeal from a hearing shall be in writing and served on the person(s) concerned and a copy shall also be provided to staff of the Regulatory Division.
- b. In disciplinary matters, a notice of the decision shall be sent to the complainant, (if applicable) and, after all appeal periods have expired, filed in the Exchange records and be made available to the public on the website and the press.

10F.09 Counsel for Disciplinary Committees

Disciplinary committees may retain counsel of its choice to assist in their responsibilities and duties.

**Part 10G
Settlement**

10G.01 Offers of Settlement

A Respondent, after filing a Reply to an Originating Notice may, at any time prior to two (2) full business days before a scheduled hearing before the Review Committee, serve the Vice-President, Market Regulation with an offer of settlement.

10G.02 Form of the Offer of Settlement

The Offer of Settlement must:

- a. be in writing in the form prescribed by the Regulatory Division;
- b. be signed by the person or persons entering into the Offer of Settlement;
and
- c. contain the following:
 - (1) the provisions of the Exchange Rules or other allegations agreed to have been breached, or not complied with;
 - (2) a statement of the facts to be agreed upon by staff of the Regulatory Division and the person(s);

- (3) the proposed disposition of the matter, including any penalty to be imposed and the amount of costs and expenses to be paid by the person proposing the settlement;
- (4) the consent of the person to the settlement;
- (5) if an unnegotiated Offer of Settlement, a statement that the settlement must be approved by the Vice-President, Market Regulation, failing which it shall not bind the parties concerned, and staff of the Regulatory Division shall proceed with the hearing of the matter; and
- (6) a waiver by the person of all rights under the Exchange's rules to a hearing or to an appeal should the offer of settlement be accepted by the Vice-President, Market Regulation, and an acknowledgement that a notice of the settlement will be published on the website.

10G.03 Submission and Acceptance of an Offer of Settlement

All offers of settlement shall be submitted to the Vice-President, Market Regulation. Negotiations may be conducted to revise the Offer of Settlement. If the Vice-President, Market Regulation agrees to the terms of the Offer or the amended Offer, it shall be presented at the scheduled hearing on a joint basis to the appropriate committee.

10G.04 Acceptable Presentation of Offer of Settlement

An offer of settlement shall not be presented to a disciplinary committee unless all terms are agreed to by both staff of the Regulatory Division and the Respondent(s).

10G.05 Hearing by committee Where Offer of Settlement Presented

If an Offer of Settlement is presented to a committee;

- a. the committee will review the Offer of Settlement;
- b. each of staff of the Regulatory Division and the Respondent(s) named in the Offer of Settlement may present their position on why the Offer of Settlement should be accepted; and
- c. the committee may ask any questions of either party.

10G.06 Deliberations and Determinations

The committee, after complying with the procedures set out in these Rules shall:

- a. accept the Offer of Settlement; or
- b. reject the Offer of Settlement.

On no account may the committee amend any terms of the Offer of Settlement.

10G.07 Rejection of an Offer of Settlement

In the event that an Offer of Settlement is rejected by a committee, the hearing of the matter shall proceed before a separate panel of the committee at a later date.

10G.08 Privilege of Offers of Settlement

In the event that a committee rejects an Offer of Settlement, or in the event that an Offer of Settlement is not accepted by the Vice-President, Market Regulation, all matters relating to the Offer, including discussions, are without prejudice. Nothing related to any Offers of Settlement shall be used as evidence or referred to in any later proceedings by any party.

10G.09 Acceptance of an Offer of Settlement

In the event an Offer of Settlement is accepted by a committee;

- a. the matter becomes final and the settlement constitutes a decision;
- b. there is no further appeal of the matter by any party;
- c. the disposition of the matter agreed upon in the settlement is to be included in the permanent records of the Exchange; and
- d. the Regulatory Division must publish a summary notice of the decision which shall be sent to the complainant, (if applicable) the Respondent(s), the Board of Directors, and published on the website for a minimum seven (7) day period.

10G.10 Process to Apply to all Levels of the Disciplinary Process

Rules 10G.01 to 10G.09 apply to all stages of the disciplinary process, such that a settlement proposal can be entered into up to two (2) days prior to a hearing or appeal before the Discipline Committee, Regulation Committee, and/or The Manitoba Securities Commission.

10G.11 Hearing Not Voided by Defect in Form

No hearing at any stage in the disciplinary process is invalid by reason only of a defect or other irregularity in form.

Part 10H Appeals

10H.01 Appeal from Discipline Committee

An appeal from a decision of the Discipline Committee may be brought to the Special Regulatory Committee, by either staff of the Regulatory Division or any person(s) directly affected by the decision.

10H.02 Time to File Appeal

The appeal must be filed within ten (10) business days of the service of the written decision of the Discipline Committee.

10H.03 Notice of Appeal

Any appeal of a decision of the Discipline Committee shall be brought by filing a written notice of appeal in accordance with the Annex hereto, with the Corporate Secretary of the Exchange. This notice shall contain a brief statement of the grounds for appeal and be served upon all the parties by the appellant within two (2) business days of service on the Corporate Secretary.

10H.04 Security for Costs

When the appeal appears abusive, dilatory, frivolous, or for some other special reason, the Special Regulatory Committee may, upon request, order the appellant to furnish, within a set delay, security to guarantee, in whole or in part, the payment of the costs of appeal, the amount of the fine and the costs and expenses of the investigation and hearing(s), should the appeal be dismissed.

If the appellant does not furnish security within the prescribed delay, the Special Regulatory Committee may dismiss the appeal.

10H.05 Appeal Briefs

Within fifteen (15) business days of the filing of the Notice of Appeal, the appellant must file, with the Corporate Secretary of the Exchange, in seven (7) copies, a brief containing all arguments. Within fifteen (15) business days, the Respondent shall file with the Corporate Secretary of the Exchange six (6) copies of its own brief and serve one copy thereof on the appellant.

If the appellant fails to file its brief within this time period, the appeal may be dismissed upon application to the Special Regulatory Committee.

10H.06 Suspension of Execution

With regard to the provisions of a decision, including payment of fines or restitution, the filing of an appeal does not suspend the execution of a decision unless otherwise ordered by the Special Regulatory Committee.

10H.07 Hearing of the Appeal and Additional Evidence

The appeal is argued on the basis of the Record of Evidence filed in the first instance and the appeal briefs.

However, in exceptional circumstances and if the ends of justice so require, the Special Regulatory Committee may, in its sole discretion, authorize the presentation of additional evidence in appeal.

10H.08 Appeal Pursuant to *The Securities Act (Manitoba)*

An appeal from a decision of the Regulation Committee may be brought to The Manitoba Securities Commission by either staff of the Regulatory Division or any Person(s) directly affected by the decision. The appeal to the Commission shall be governed by the provisions of *The Securities Act (Manitoba)*.

**Part 10I
Miscellaneous Provisions**

10I.01 Service and Filing

a. Service

A document required under this Rule to be served must be served by one of the following methods:

- (1) personal service on an individual, by leaving a copy of the document with the individual;
- (2) personal service on any corporation, by leaving a copy of the document with an officer or director of the corporation, or with an individual at any place of business of the corporation who appears to be in control or management of the place of business;
- (3) service by sending a copy of the document by mail, courier or facsimile (fax) transmission to the last known address or fax number of the party to be served;

service on a party who is represented by a solicitor by,

- (i) acceptance of a copy of the document on behalf of the solicitor, or
 - (ii) sending a copy of the document by mail, courier or telephone transmission to the officer of the solicitor.
- (5) service by any other method permitted by the disciplinary committee.

b. Proof of Service

The committee may accept proof of service of a document by an affidavit of the person who served it.

c. Filing

A document required to be filed with the committee under the rules must be filed by either personal delivery of a copy or sending a copy by mail, courier or facsimile transmission to the Corporate Secretary.

d. Effective Date of Service or Filing

Service or filing of a document is deemed to be effective:

- (1) if served personally on the same day as service;
- (2) if received by mail on the fifth day after the day of mailing;
- (3) if sent by facsimile transmission, on the same day as the transmission unless received after 5:00 p.m., in which case the document will be deemed to have been served or filed on the next day that is not a holiday;
- (4) if sent by courier, on the second day after the day on which the document was given to the courier by the party serving or filing, unless the second day is a holiday, in which case the effective date is the next day which is not a holiday;
- (5) if deposited at a document exchange, on the first day after the day on which the document was deposited, unless the first day is a holiday, in which case the effective date is the next day which is not a holiday; or
- (6) as otherwise ordered by the committee.

10I.02 Required Information on Documents

A party serving or filing a document shall include the following information:

- a. the party's name, address, telephone number and fax number;
- b. the style of cause of the hearing to which the document relates;
- c. the name, address, telephone and fax number of the party's solicitor; and
- d. the name of the party or solicitor with whom the document is being served or filed.

10I.03 Extension or Abridgment of Time

Any time period prescribed by these rules may be extended or abridged as follows:

- a. upon order of the committee or after expiration of a prescribed period on such terms as the committee considers appropriate; or
- b. on consent of the parties before the expiration of a prescribed time period.

RULE 11- VIOLATIONS AND PENALTIES

Part 11A General Applicability

11A.01 Generality of Application

These Rules shall be applicable to all business dealings of Participants, whether transacted on this or another Exchange, in the cash markets, or elsewhere, to the extent that such business dealing may be deemed contrary to the public good or the best interests of the Exchange.

Part 11B Decorum Offences

This part is applicable to all Participants and Messengers.

11B.01 Misdemeanour Offences

A breach of any of the following rules is a misdemeanour offence. Misdemeanour offences are minor disciplinary offences.

a. Behaviour in the Trading Room

The Trading Room is designed exclusively for the transaction of business. The following conduct is specifically prohibited:

- (1) swearing or abusive language;
- (2) damaging the property of the Exchange or any other person;
- (3) leaving or throwing garbage on the furniture, floor or fixtures;
- (4) failure of any person, including members and their messengers, to wear the required identification badges;
- (5) any acts which interfere with the personal comfort or safety of others;
- (6) the possession of any non-prescription narcotic or other controlled substance; and
- (7) being intoxicated or otherwise incapacitated while in the Trading Room.

b. Food and Drink

- (1) Food and/or drink are not permitted in the pits at any time.
- (2) Participants may eat and drink (non-alcoholic beverages) in their own booths and private workstations provided that they keep them clean and promptly remove all garbage and debris from the area. Cleaning of stains or repairing of damage caused by food or drink shall be paid for by the Participant responsible and shall be done immediately.
- (3) Unsealed bottles or containers of alcoholic beverages (including beer, wine or liquor or any similar substance) are not permitted in the Trading Room at any time, except during specially organized events with the written permission of the Exchange.

c. Petitions or Exhibits

No petition of any description whatsoever, unless related to the affairs of the Exchange shall be circulated in the Trading Room of the Exchange. No written articles or similar materials shall be exhibited in the Trading Room of the Exchange without the consent of the Floor Committee or the President.

d. Dress

Appropriate dress must be worn in the Trading Room at all times. Appropriate dress shall consist of commonly acceptable business casual attire as approved by the Floor Committee from time to time.

e. Smoking

Smoking is prohibited everywhere on the Exchange premises, including the Trading Room, hallways and washrooms, excepting only the Trading Floor Lounge's designated smoking room.

f. Soliciting

Soliciting of money for any object or purpose whatsoever is prohibited unless the prior written consent of the Floor Committee or the President has been obtained.

g. Advertisements

Advertisements of any kind whatsoever are prohibited on the Trading Floor unless the prior written consent of the Floor Committee or the President has been obtained.

h. Bulletin Board

No notice shall be posted on the Bulletin Boards unless it relates to the business of the Exchange. No notice is to be removed from the Bulletin Board except by Exchange staff members.

i. Gambling

Gambling or wagering in any of the rooms of the Exchange is strictly prohibited.

j. Documentation

Any breach of Rule 7A.13 (Trading Cards) or Rule 7A.16 (Order Slips) may be dealt with as a misdemeanour offence.

11B.02 Penalties for Misdemeanour Offences

Misdemeanour offences shall be subject to the following mandatory penalties, to be imposed by staff of the Regulatory Division or any member of the Floor Committee:

- a. For the first violation, a letter of warning;
- b. For the second violation within one calendar year of the first violation, \$150.00 fine;
- c. For the third violation within one calendar year, a \$300.00 fine;
- d. For the fourth violation within one calendar year, a \$1,000.00 fine;
- e. For the fifth and all subsequent violations within one calendar year, a hearing before the Discipline Committee with a fine not to be less than \$3,000.00.

Part 11C
**Violations of General Conduct, Participant Status, Trading, Discipline and Prohibited Accounts,
Vicarious Liability Provisions**

This part is applicable to all Participants and Messengers.

11C.01 Violations

The following are violations of the Rules of the Exchange:

- a. Any violent or physically threatening conduct in any of the rooms of the Exchange;
- b. Conviction in any court of law of any indictable offence, or its equivalent that, in the opinion of the Board, is inimical to the objects of the Exchange;
- c. Failure to adhere strictly to the requirements of *The Commodity Futures Act*, S.M. 1996, c. 73 and the regulations and rules promulgated thereunder;
- d. Failure to adhere strictly to the requirements of the By-laws or Rules of the Exchange;
- e. Any act or public statement or remarks which, in the opinion of the Special Regulatory Committee or the Board;
 - (1) reflects upon the integrity of any Participant, employee of a Participant, Board or committee member or staff of the Exchange;
 - (2) may tend to lessen or impair confidence in, or reflects adversely upon, the methods, workings, trading, markets or stability of the Exchange, any staff member of the Exchange, the Board, any committee, and any Participant or employee of a Participant;
 - (3) is derogatory to the good name or dignity of the Exchange or its Participants, or which might bring either into disrepute; or,
 - (4) is detrimental to the Exchange, its interests and/or welfare.
- f. Any act which is contrary to the spirit which should govern the commercial transactions of Participants of the Exchange;
- g. Publishing or reporting for publication, without permission of the Board, quotations of domestic or foreign markets or statistics or other data officially secured or compiled by the Exchange;
- h. Committing any act of bad faith, or any unfair, dishonourable or dishonest conduct in any business dealings;
- i. Failure to establish, record, or maintain customers' accounts in accordance with the provisions of these Rules and any regulatory requirements;
- j. Any contempt of the Exchange as defined elsewhere in these Rules;
- k. Any act which, in the opinion of the Special Regulatory Committee, Discipline Committee, or the Board, is prejudicial to the public interest.

- l. Possession of firearms, mace or any toxic substance on Exchange premises;
 - m. Deliberately making any false statement in any application for Participation status or in answer to any question asked by any member of any committee or the Board when applying for Participant status;
 - n. Deliberately making any false or misleading statement in a response to an enquiry made by the Regulatory Division pursuant to Rules 10 herein, including the provision of any documentation that is false or misleading;
 - o. Failure to advise and update the Exchange in a timely manner with respect to the information required to be provided under Part A of the relevant Participant Application;
 - p. Being associated in business with, or participating in or carrying on the business on behalf of, any person;
- (1) (a) who has been expelled from the Exchange; or
- (b) whose Participation status has been revoked and/or whose regulatory registration has been rescinded;
- 1. provided, however, subject to other provisions of these Rules, that this section shall not be interpreted to prohibit employment of such person in a capacity which does not require such person to be a Participant of the Exchange, or to prohibit genuinely arm's length transactions with such a person;
- q. Granting any of the privileges of Participation status to a Participant which has been suspended or expelled from Participant status;
 - r. Operating without proper authorization in any category of Participant status as defined in the Rules;
 - s. Operating at any time or for any period while failing to conform with the standards of financial responsibility prescribed by the Rules;
 - t. Submitting any financial statements or financial questionnaire required pursuant to the Rules which a Participant knew or ought to have known to be false or misleading;
 - u. Failing to observe all terms and conditions of any agreement filed or required pursuant to these Rules, including any of the Annexures;
 - v. Entering or purporting to enter into or upon any false or fictitious transaction;
 - w. Purporting to make, or reporting, or purporting to report any false or fictitious transaction;
 - x. Knowingly giving or accepting an order for the purchase or sale of any commodity futures or options contract that does not involve change in the beneficial ownership thereof;

- y. Failing to perform or carry out any business contract, including trades, either oral or written;
- z. Disclosing stop-loss or limit orders;
- aa. Making or reporting any wash trade or any matched trade, except in such manner as may be prescribed by these Rules;
- bb. Bucketing any order;
- cc. Failing to execute all futures or option orders openly and competitively;
- dd. Manipulating or attempting to manipulate prices of any commodity traded under these Rules;
- ee. Cornering or attempting to corner the market in any commodity traded under these Rules;
- ff. Acting or attempting to act in any fashion which might bring about or permit any potential corner or squeeze or opportunity for the manipulation of prices of any commodity traded on the Exchange;
- gg. Purchasing or selling or offering to purchase or sell commodities, futures contracts or options for future delivery in a manner which may have the effect of upsetting the equilibrium of the market, or of demoralizing the market, so that prices will not properly reflect reasonable commercial values. Any Participant who makes or assists in making such purchases or sales, or offers to purchase or sell with the knowledge of an intent or who with such knowledge is a party to or assists in carrying out any plan or scheme is in violation of the Rules;
- hh. Except as specifically permitted in these Rules, directly or indirectly paying, giving or receiving, or offering to pay or give or agreeing to receive any consideration of any kind whatsoever to or from any person to influence or procure shipments or consignments of commodities to any Participant is a violation of the Rules;
- ii. Submitting or attempting to submit for clearance to a Clearing Participant any transactions which were executed after an announcement was made on the trading floor of the Exchange that such Clearing Participant was in default;
- jj. Disseminating any false, misleading or knowingly inaccurate information, including a report concerning crop or market information or conditions that affect or tend to affect the price of any commodity traded on the Exchange;
- kk. Trading or attempting to trade or accept any order(s) or margin monies after a Participant has become insolvent.
- ll. Violating, or failing to comply with, the terms of any agreement with the Exchange or any order or decision of or any suspension imposed by the Exchange, the Board of Directors or any committee of the Exchange;
- mm. Soliciting, giving, accepting or executing an order that is not an Acceptable Order as that term is defined in the Rules;

- nn. Neglecting or refusing to comply with any order of any disciplinary body authorized pursuant to these Rules or of the Board made according to these Rules;
- oo. Refusing to submit any matter of difference to arbitration under the Rules of the Exchange;
- pp. Neglecting or refusing to comply promptly with the award of any arbitrators or penalties ordered by any disciplinary body authorized according to these Rules or of the Board.
- qq. Neglecting or refusing to produce any evidence required in any investigation conducted under these Rules;
- rr. A Sponsored Participant, regardless of his employment capacity, may not place any commodity orders for his own account, whether the account is in his own name or for or in the name of any other party, without the written consent of his employer, Trading Participant;
- ss. No Participant may buy or sell any futures or options contracts or commodity for future delivery for the account of an employee of the Exchange, except where same is completed strictly in accordance with the provisions of the Exchange's staff conflict of interest policy;
- tt. No Participant may buy or sell any futures or options contract or commodity for future delivery for the account of any employee of any other Participant, whether such account is for and in the name of the employee or for or in the name of any other party, without the written consent of the employer Participant, which written consent shall not, under any circumstances, render the employer Participant responsible for any liability resulting from the operations of such account;
- uu. Any Participant who, subsequent to any entity's cancellation, withdrawal or termination of authorization to act as a Canadian Futures Commission Merchant, represents or transacts business with, for or on behalf of such company as if it were so authorized shall be deemed guilty of a violation of these Rules;
- vv. Any Participant who is associated with any company or person who acts as a Canadian Futures Commission Merchant and/or a U.S. Futures Commission Merchant without same being properly registered as such shall be guilty of an offence and subject thereby to a minimum penalty of suspension until such association is discontinued or such authorization or registration is effected;
- ww. Any Participant who aids and abets any other Participant in violating, failing to observe, or refusing to comply with the Rules also commits a violation;
- xx. Where an employee, Sponsored Participant or agent of any Participant commits a violation of Exchange Rules, the Participant is also deemed to have committed such violation;
- yy. A Participant, deemed to have been associated with any company required to have been registered, commits a violation when an employee or principal of the company, acting on its behalf, does or permits any act which would be a violation if such person were a Participant.

11C.02 Other Violations

In addition to the violations noted in this Rule, it shall also be a violation to:

- a. contravene any Exchange Rule or the spirit of any Exchange Rule or Annexures; or,
- b. participate in action that is interpreted to be in contravention of an Exchange rule, as determined by the Discipline Committee or the Special Regulatory Committee.

Part 11D Penalties

This Part is applicable to all Participants.

11D.01 Penalties for Violation of Rules

Subject to such limitations or requirements as may be prescribed elsewhere in these Rules, the following are penalties which may be imposed for violations of the Rules of the Exchange. Except where specifically stated, all penalties set out in the Rules may be assessed by any disciplinary committee of the Exchange. All penalties assessed will form part of a Participant's permanent record with the Exchange.

- a. Warning – a written letter of warning.
- b. Conditional discharge – requiring the prompt performance of conditions imposed.
- c. Compliance order - requiring compliance with the letter and spirit of the order.
- d. Cease and desist order - requiring a Participant to cease and desist from any practice or conduct.

An order to cease and desist may be permanent, or for a specific period, or until such conditions as may be set by the committee making the order are performed. In the event of any subsequent contravention of an order to cease and desist, the Board is empowered to order suspension of such Participant without further investigation.

- e. Reprimand - a formal written rebuke.
- f. Suspension of messenger or visitor's privileges - neither the messenger nor the visitor may re-appear within the Trading Room or Trading Floor Lounge of the Exchange within the time limit imposed.
- g. Suspension of admission to the Trading Room and Trading Floor Lounge of the Exchange.
- h. Fine - in such amount and payable within such period as shall be determined on such vote; provided further that failure to pay such fine within the period prescribed shall render the offending Participant liable to suspension or expulsion by the Special Regulatory Committee without further investigation.

- i. Suspension from Participant status - prohibits the offending Participant from exercising any of the rights and privileges of Participant status, subject to the following:
- (1) During any such period the Participant shall forfeit any or all of the privileges and advantages of Participant status in the Exchange;
 - (2) Nothing herein shall be construed so as to relieve such Participant from action or responsibility under the Rules of the Exchange for transactions or acts made or done while registered under these Rules;
 - (3) Suspension may be ordered:
 - (i) to expire on a specific date; or
 - (ii) until the Participant suspended shall comply with and perform specific conditions or orders. On completion of the specific conditions or orders the suspended Participant may apply to the suspending committee for reinstatement.
 - (4) If the suspending committee thereafter shall be satisfied that:
 - (i) the conditions or orders have been complied with and performed;
 - (ii) no further claim has been filed against the Participant;
 - (iii) the Participant has adjusted and settled all obligations which may have led to the suspension; and
 - (iv) the Participant has promptly paid all dues and assessments during the period of suspension by their due date;

it may direct the Participant's reinstatement, notice of which shall be posted on the Bulletin Board and Website for at least seven (7) business days.
 - (5) The Special Regulatory Committee shall have the power, to order the suspension without notice of any Participant from trading privileges during the period of any investigation; and may reinstate such trading privileges on receipt of satisfactory information concerning the investigation.

j. Expulsion:

- (1) Expulsion from Participant status may be ordered by the Special Regulatory Committee.
- (2) An expelled Participant may re-apply for Participant status, and such application will be subject to the regular rules, except that he/she may only be re-admitted upon an affirmative vote of two-thirds (2/3) of the Board and the consent of the Special Regulatory Committee.

ADDITIONAL RULE AMENDMENTS NEEDED

RE IMPLEMENTATION OF REGULATORY DIVISION AND SPECIAL REGULATORY COMMITTEE

A. RULE AMENDMENTS APPLICABLE TO DEFINITIONS

Add: “**Regulatory Division**” - a division of the Exchange mandated in Rule 9 to which reference shall mean the staff of the Regulatory Division or the Special Regulatory Committee, as the context of the Rule(s) require.

B. RULE AMENDMENTS APPLICABLE TO TRADING PARTICIPATION – RULE 3

3C.02 Application Process

- a. All applications will be reviewed by the ~~Exchange~~ **staff of the Regulatory Division** upon receipt of all necessary information and the application fee.
- b. Each individual or company applying for Participant status may be required to attend at a meeting, and answer any questions put to it.
- c. At any such meeting, an individual may be required to provide sworn evidence.
- d. Upon the approval or rejection of an application, written notice shall be given to the applicant forthwith and all acceptances will be posted on the Website.

3C.03 Acceptance as a Participant

The ~~Exchange~~ **staff of the Regulatory Division** may:

- a. accept an applicant unconditionally;
- b. accept an applicant subject to such terms and conditions as may be considered appropriate or necessary to ensure compliance by the applicant with the Exchange requirements; or
- c. refuse the application if, after having regard to such factors as ~~the Exchange~~ **staff of the Regulatory Division** may consider relevant including, but not limited to, the past or present conduct, business or condition of the applicant or any of its directors, senior officers or holders of a significant equity interest, ~~the Exchange~~ **staff of the Regulatory Division** is of the opinion that:
 - (1) the applicant will not comply with Exchange requirements;
 - (2) the applicant is not qualified by reason of integrity, solvency, training or experience; or
 - (3) such acceptance is otherwise not in the public interest.

3C.04 Appeal from Decision of ~~Exchange~~ by Staff of the Regulatory Division

- a. If an application is rejected by ~~the Exchange~~ **staff of the Regulatory Division** ~~staff~~ or is granted subject to terms and conditions, the applicant shall have a right of appeal to and the right to be heard by the ~~Board of Directors~~ **Special Regulatory Committee**. The hearing process will comply with the provisions of Rule 10. An appeal is commenced by the applicant filing a written notice with the

~~Exchange~~ **Regulatory Division** within seven (7) days of the date of receipt of the notice of rejection. Immediately upon receipt of the notice of appeal, ~~the Corporate Secretary~~ **staff of the Regulatory Division** shall give notice to the ~~Board of Directors~~ **Special Regulatory Committee** by calling a meeting to consider the appeal and the applicant shall be advised of the place and date of the meeting.

- b. The ~~Board of Directors~~ **Special Regulatory Committee** shall review all information it deems relevant and may ask for any additional information to be produced by the applicant and/or the ~~Exchange~~ **Regulatory Division**, as it requires.
- c. The decision of the ~~Board of Directors~~ **Special Regulatory Committee** is final.

3C.10 Withdrawal from Participant Status

- a. Upon suspension of Participant status for any reason, including the voluntary withdrawal of a Participant, a Participant shall remain and continue to be:
 - (1) subject to their Application/Agreement with the Exchange and all of the Rules;
 - (2) liable for all dues, fees, charges and penalties imposed by the Exchange, **the Regulatory Division and/or the Special Regulatory Committee**; and
 - (3) obligated to the Exchange, the Clearinghouse the Participant's Clearing Participant Guarantor, and all other Participants for all contracts, obligations and liabilities entered into or incurred before, during and after suspension.
- b. Upon the termination of a Participant's Participant status for any reason, including the voluntary or involuntary withdrawal of a Participant, the Participant shall remain and continue to be:
 - (1) liable for all dues, fees, charges, penalties and interest imposed by the Exchange, **the Regulatory Division and/or the Special Regulatory Committee** for matters prior to the termination of such rights and privileges; and
 - (2) obligated to the Exchange, the Clearinghouse, the Participant's Clearing Participant Guarantor and all other Participants for all contracts, obligations and liabilities entered into before or at the time of termination.
- c. A Participant may withdraw from Participant status upon satisfaction of the following conditions:
 - (1) providing notification in writing to the ~~Exchange~~ **staff of the Regulatory Division** of the intent to withdraw from Participant status. The notification must be provided no less than thirty (30) days prior to the intended date of withdrawal; and
 - (2) that there are no dues, fees, penalties or assessments, outstanding against the Participant and no claim, complaint or charges have been lodged by the Exchange, **the Regulatory Division, the Special Regulatory Committee**, a regulator or the Participant's Clearing Participant Guarantor or are lodged after posting of the notice of intention to withdraw by the Clearing Participant Guarantor or the Exchange.

- d. After receipt of a notice of intention to withdraw from Participant status, ~~the Exchange shall post~~ a notice **shall be posted** on the trading floor and on the **Exchange's** Website and the Clearing Participant Guarantor shall have seven (7) days to file any claim, complaint or charge against the Participant withdrawing. The Exchange has up to one (1) year to file a claim under Rules 10 and 11.
- e. Persons withdrawing from Participant status shall not be entitled to a refund or redemption of any monies paid to the Exchange **and/or the Regulatory Division**.
- f. The **Regulatory Division of the** Exchange may postpone the effective date of termination until it is satisfied that the Participant has:
 - (1) complied with the Exchange requirements; and
 - (2) obtained the necessary consents from any recognized self-regulatory organization of which it is a member.

3C.11 Failure to Pay

- a. Any Participant failing to pay any application or annual Participant Fee or any other monies owed to the Exchange within eight (8) days of the date on which the same became payable shall lose all privileges of Participant Status, provided that the invoice shall have been mailed or delivered not less than one calendar month before the date on which it became payable. In order to be reinstated, such Participant shall pay all monies owing together with a late penalty fee.
- b. Any Participant who has not paid the annual Participant Fees owing to the Exchange within one (1) calendar month of the date on which the same became payable shall be required to re-apply for Participant status.
- c. Disciplinary penalties assessed **by the Exchange** are due and payable to the Exchange on the date noted ~~in the Order or Settlement Agreement~~. Failure to pay all monies owing within this time period shall result in immediate suspension of Participant status. Any Participant who has not paid such monies within two (2) calendar months will be required to re-apply for Participant status.
- d. Disciplinary penalties assessed **by staff of the Regulatory Division and/or the Special Regulatory Committee** are due and payable to the Exchange on the date noted in the Order or Settlement Agreement. Failure to pay all monies owing within this time period shall result in immediate suspension of Participant status. Any Participant who has not paid such monies within two (2) calendar months will be required to re-apply for Participant status.

C. RULE AMENDMENTS APPLICABLE TO FUTURES COMMISSION MERCHANTS – RULE 4

4.05 Modification by the ~~Regulation and Compliance~~ **Special Regulatory Committee**

Upon application, and excluding the categories of associate futures contracts portfolio manager and futures contracts portfolio manager, the ~~Regulation and Compliance~~ **Special Regulatory Committee** may modify or vary the requirements of the Rules relating to Participant qualifications where the applicant produces evidence of qualifications and experience equivalent to those prescribed herein for the Category in which the applicant seeks to operate, except that in no case may an applicant be registered unless they have met all requirements provided for in the CFA. In the event the Commission has approved

an exemption to the requirements of the CFA the ~~Regulation and Compliance~~ **Special Regulatory** Committee may provide for an identical exemption to an applicant if it, in its sole discretion, deems it to be in the interests of the Exchange and in the public interest.

D. **RULE AMENDMENTS APPLICABLE TO ELEVATORS – RULE 5**

5A.04 Misrepresentations on Warrants – Penalties Attached

Any misrepresentation in the issuance of Warrants by a Merchant Participant is considered to be a very serious violation that endangers the integrity of the delivery process. Such violation is subject to a penalty to be imposed by the ~~Business Conduct Committee~~ **Special Regulatory Committee** of up to 10% of the value of such Warrants issued, based on current market value of the underlying commodity, with the minimum penalty being \$100,000.

5B.01 Audit of Registered Elevators

Merchant Participants with elevators registered as either “regular” or “non-regular” for delivery must cooperate fully and permit all their registered facilities to be audited by the Exchange or its agent. Failure to comply with an audit conducted in accordance with these Rules is considered to be a very serious violation that endangers the integrity of the delivery process. Such violation is subject to a hearing before the ~~Business Conduct Committee~~ **Special Regulatory Committee**.

5B.02 Audit Initiated by ~~Compliance Department~~ Staff of the Regulatory Division

Audits will be initiated by the ~~Compliance Department~~ **staff of the Regulatory Division**. The request (“Audit Notice”) must be in writing and may be sent by mail, courier, fax, e-mail or hand delivered. The Audit Notice shall be sent to at least one of: the Authorized Representative; the Marketing Director/Manager; and/or the Manager of Country Operations of the Merchant Participant.

5B.03 Requirement to Provide Particulars

All Merchant Participants registered as either “regular” or “non-regular” are required to provide the ~~Compliance Department~~ **staff of the Regulatory Division** with details in writing on two or three employees to be contacted in the event that an audit is required. The details must include the full legal name of the person, their address at work and home, their phone numbers at work and home and cell, e-mail addresses and a fax number. If the employee has a second residence, those details must also be provided. It is the responsibility of the company to ensure that the details are updated as and when necessary.

5B.04 Hearing Before ~~Executive~~ Special Regulatory Committee

The Merchant Participant receiving the Audit Notice may request a hearing before the ~~Executive Committee of the Board of Directors~~ **Special Regulatory Committee**. In order to request a hearing, the Merchant Participant must file written notice with the Exchange, Attn: ~~Corporate Secretary~~ **Regulatory Division**, within eight (8) business hours of being served with the audit notice. The written notice must provide detailed particulars of why the audit would cause the company extreme and/or undue hardship. Both the Merchant Participant and the ~~Compliance Department~~ **staff of the Regulatory Division** ~~may~~ **shall** attend ~~at the Executive Committee~~ **before the Special Regulatory Committee** hearing to present their positions. The hearing will be scheduled and held as soon as possible. The determination of the ~~Executive~~ **Special Regulatory** Committee will be final.

E. RULE AMENDMENTS APPLICABLE TO AUDIT, CAPITAL AND FINANCIAL REPORTING – RULE 6

6C.02 Temporary Suspension

The Risk Management Committee may order suspension of a Participant pending a hearing on any matter under its jurisdiction if the Risk Management Committee determines that it would be in the public interest or in the interest of the Exchange to so order. Alternatively, the Risk Management Committee may refer the issue to the ~~Business Conduct Committee~~ **Special Regulatory Committee**. Such suspension will require that a hearing be commenced within ten (10) business days.

6C.04 Hearing on Financial Condition

- d. A Participant may appeal any order of the Risk Management Committee to the ~~Business Conduct Committee~~ **Special Regulatory Committee** by filing a written Notice of Appeal with the ~~Corporate Secretary~~ **Regulatory Division** of the Exchange within seven (7) days of the date of the order of the Risk Management Committee.

F. RULE AMENDMENTS APPLICABLE TO TRADING – RULE 7

7A.24 Time-Clocks

- b. The Exchange will conduct random spot-checks of all time-clocks on the floor. The failure to strictly conform to the requirements of this Rule twice within a 15 day period will result in the automatic removal of that Participant's privileges to use their own time-clocks for a minimum of six (6) months. At the end of the six (6) month period the Participant must apply in writing to ~~the Compliance Department~~ **staff of the Regulatory Division** to have the privilege reinstated and the application must include a detailed plan for how that Participant intends to ensure ongoing compliance with this Rule.

7B.05 Principal/Agent Trading

- b. There must be written permission between a Participant and his customer or principal in order for such Participant to trade his personal account, or the account of his employer, against customer or principal orders. Such written permission must be renewed annually, with the written permission promptly submitted to ~~the staff of the Regulatory Division~~ **the staff of the Regulatory Division** ~~Compliance Department of the Exchange~~. Should the permission be revoked by either party, the ~~Compliance Department~~ **Regulatory Division** must be immediately notified in writing. It is the responsibility of both parties to ensure compliance with this Rule. CFCMs who have their clients sign this type of agreement when opening an account do not have to submit a permission form to the ~~Compliance Department~~ **Regulatory Division** for those clients.

7C.07 Contract Binding

- b. Subject to the prohibition in paragraph a., the issuer of a Warrant and the relevant buyer may enter into a mutually acceptable written agreement to ship and receive under conditions other than those stipulated in the Rules. Written notification by the issuer of the Warrant and the relevant buyer to ~~the~~ **staff of the Regulatory**

~~Division Compliance Department of the Exchange~~ and to the Clearinghouse must be made and receipt of same will be deemed a completed shipment. The making of such agreement shall be considered a cash contract and shall relieve the Clearinghouse of any further obligations with respect to any Exchange contract involved, and the Exchange and the Clearinghouse shall have no further liability whatsoever with respect to the said contract.

G. RULE AMENDMENTS APPLICABLE TO WESTERN BARLEY – RULE 20

20.10 Issuance of Warrants

Any misrepresentation in the issuance of Warrants by an authorized Merchant Participant is considered to be a very serious violation that endangers the integrity of the delivery process. Such violation is subject to a penalty to be imposed by the ~~Business Conduct Committee~~ **Special Regulatory Committee** of up to 10% of the value of such Warrants issued, based on current market value, with the minimum penalty being \$100,000.

H. AMENDMENTS APPLICABLE TO ANNEXURES OF RULES

1. All Warrants – footnote must be amended as follows:

Any misrepresentation in the issuance of Warrants by a Merchant Participant is considered to be a very serious violation that endangers the integrity of the delivery process. Such violation is subject to a penalty to be imposed by the ~~Business Conduct Committee~~ **Special Regulatory Committee** of up to 10% of the value of such Warrants issued, based on current market value of the underlying commodity, with the minimum penalty being \$100,000.

2. Annex 19

General Directions to Staff Respecting an Audit of Elevator(s)

1. Audits are to be done on an as-needed basis for compliance purposes in the course of an investigation. They are not to be done on a “random” or “spot” basis.
2. It is intended that audits will be done where there is a serious concern by the compliance department that there are insufficient stocks in store to support outstanding warrants.
3. Where possible, ~~the compliance department~~ **staff of the Regulatory Division** should attempt to satisfy itself by other means that there are or are not sufficient stocks in store. For example, if stocks reports submitted by the company show insufficient stocks to cover the issued and outstanding warrants, there should be correspondence between the ~~compliance department~~ **Regulatory Division** and the company to ensure that the reports were not misstated. The fact that the company advises that the mistake was due to a clerical error will not, in and of itself, be deemed to be satisfaction of the mistake. Where possible there should be communication with both the Authorized Representative and the Country Operations Manager. Where the Authorized Representative is not the company’s marketing manager, attempts should also be made to speak to the marketing manager.
4. If ~~the Compliance Department~~ **staff of the Regulatory Division** determines that an audit is required it is to provide written notice of same to at least one of the following: the country operations manager, the marketing manager, and the Authorized Representative.
5. Where possible, the ~~Compliance Department~~ **Regulatory Division** will provide 48 hours notice.

6. SGS Canada Inc. ("SGS") is the company that will be retained by the Exchange to do any audits.
7. Any audits conducted should be full audits; that is the bins should be completely run through with the contents weighed and graded.
8. Representatives of the firm being audited may be on site to view (not participate in or hinder) the audit as it is being done.
9. Any dispute on grade shall be submitted to the Canadian Grain Commission who will conduct an independent grade inspection. The determination of the CGC as to grade shall be determinative.
10. Audit results may be used at a hearing, if required.
11. If the company has a concern about an audit to be conducted, they are entitled to request, on short notice, a hearing by the **Special Regulatory Committee** ~~Executive Committee~~. Both the company and the ~~compliance department staff of the Regulatory Division~~ will be required to address the ~~Executive~~ **Special Regulatory** Committee whose decision on the matter shall be final. The company must provide a letter to the WCE, Attention: ~~Corporate Secretary~~ **Regulatory Division**, within 8 business hours of receiving notice that an audit will be performed if they intend to seek a hearing before the ~~Executive~~ **Special Regulatory** Committee.

3. Annexures 20 through 24 (Disciplinary Hearing Notices)

4. Annex 26 – Harassment Policy Applicable to All Participants and Employees

This document will be amended to reflect that any hearings will be before the Special Regulatory Committee – deleting reference to the Business Conduct Committee

5. Annex 27 – Use of Internet and Electronic Communication Devices Policy for the Trading Floor of the WCE

This document will be amended to reflect that any hearings will be before the Special Regulatory Committee – deleting reference to the Business Conduct Committee