

THE COMMODITY FUTURES) Order No. 5897
ACT)
Sections 36(3), 38(4) and 66(1)) April 22, 2009

NATURAL GAS EXCHANGE INC.

WHEREAS:

A. Natural Gas Exchange Inc. ("Exchange" or "NGX") has applied to the Manitoba Securities Commission (the "Commission") for the following:

(a) an order pursuant to Section 36(3) of the Commodity Futures Act (Manitoba) (the "CFA") exempting the Exchange from the need for recognition as an extra-provincial commodity futures exchange under Section 36(1) of the CFA for the purpose of the trading restrictions contained in Section 40 of the CFA;

(b) an order pursuant to Section 38(4) of the CFA exempting the Exchange from the need for approval of the form of CFA Contract under Section 38(1) for the purpose of the trading restrictions contained in Section 40 of the CFA; and

(c) an order pursuant to section 66(1) of the CFA exempting current and future Contracting Parties from the registration requirement contained in Section 24(1) of the CFA;

where (a), (b) and (c) are referred to as the "Requested Relief".

B. The Applicant has represented to the Commission that:

1. The Exchange operates an electronic trading and clearing system (the "System") in Calgary, Alberta for trading and clearing of spot and forward (future) physical natural gas and crude oil contracts relating to various Canadian and U.S. pipeline hubs ("Physicals"), derivative and option spot and forward (future) contracts relating to natural gas, electricity and oil pricing points ("Financials") (all such Physicals and Financials being referred to as the "NGX Contracts"). These NGX Contracts constitute either commodity futures contracts or commodity futures options under the CFA (the "CFA Contracts").

2. The Exchange has operated the System in accordance with the terms and conditions (including the operating principles (the "Operating Principles")) of the Mutual Reliance Relief System order with the Alberta Securities Commission (the "ASC") as principal regulator on behalf of the Manitoba Securities Commission and the Saskatchewan Financial Services Commission, which granted relief from applicable laws in Alberta, Saskatchewan and Manitoba regarding: (i) the prohibition against carrying on business as an exchange unless recognized as an exchange; (ii) the prohibition against trading in exchange contracts and/or

commodity futures contracts unless the form of contract has been approved and unless such contracts are traded through a recognized exchange; and (iii) prospectus and/or registration requirements that may apply to trades in these contracts (the "Current Order").

3. The Exchange applied to the ASC for an order (the "ASC Order") for recognition as a commodities exchange pursuant to applicable provisions of the Alberta Securities Act (the "ASA") and for related approval of the form of NGX exchange contracts ("Exchange Contracts") and relief on behalf of current and future participants who trade in Exchange Contracts ("Contracting Parties") from applicable registration requirements and the ASC granted the ASC Order being satisfied that to do so would not be prejudicial to the public interest.

4. The Exchange has applied to the ASC to vary the ASC Order to add crude oil products to its exchange operations.

C. The Commission is of the opinion that it would not be prejudicial to the public interest to grant the Order requested;

IT IS ORDERED THAT:

(a) the Requested Relief is granted; and

(b) the existing relief granted by the Commission under the Current Order is hereby revoked; provided, in each case, that

(a) the Exchange complies with the ASC Order, including any variations or amendments.

BY ORDER OF THE COMMISSION

Director - Legal

SCHEDULE A
Operating Principles

1. Financial Resources- The Exchange maintains adequate financial, operational and managerial resources to operate the Trading System and support its trade execution and clearing functions.

2. Operational Information Relating to Trading System and Contracts- The Exchange provides public disclosure of relevant and related information to Contracting Parties about contract terms and conditions, trading conventions, mechanisms and practices, financial integrity protections and other information relevant to participants.

3. Market Oversight- The Exchange has established appropriate standards regarding creditworthiness of Contracting Parties, the monitoring of trading to ensure an orderly market system, and assurances that the Exchange has sufficient authority to intervene where appropriate. The Exchange has adhered to, and will continue to adhere to, this principle.

4. Rule Enforcement- The Exchange maintains adequate arrangements and resources for the effective monitoring and enforcement of the rules regarding trading and clearing conducted through the Trading Facility, the commitment by the Exchange to appropriate enforcement of such rules, and the establishment of mechanisms for resolving disputes.

5. System Safeguards- The Exchange has established and maintains:

(a) a program of oversight and risk analysis to ensure automated order entry and clearing systems function properly and have adequate capacity and security, including emergency procedures and a plan for disaster recovery to ensure daily processing, clearing and settlement of transactions; and

(b) a program of periodic objective system testing and risk review to assess the adequacy and effectiveness of the Trading System's internal control systems and financial integrity protections, including a risk review of every new service and significant enhancement to existing services.

6. Transparency- The Exchange makes information on settlement prices, price range, trading volume, open interest and other related market information available daily to participants.

7. Record Keeping- The Exchange will maintain records of all activities related to the Trading System's business in a form and manner acceptable to the Commission for a period of five years and will make books and records available for inspection by Commission representatives on request.

8. Risk Management- The Exchange identifies and manages the risks associated with clearance and settlement through the use of appropriate tools and procedures such as risk analysis tools and procedures, collateral, margin and credit limits.

9. Settlement Procedures- The Exchange prescribes standards and procedures to protect and safeguard participants' funds and limits concentration risk, including the safekeeping of funds in accounts with depositories or with custodians which meet industry standards.