

RULE 1900

OPTIONS

1900.1. For the purposes of this Rule 1900, unless the subject matter or content otherwise requires:

“**Option**” means a call option or put option issued by the Canadian Derivatives Clearing Corporation, The Options Clearing Corporation or any other corporation or organization recognized by the Board for the purposes of this Rule but does not include a futures contract or futures contract option as defined in Rule 1800.1.

1900.2.

- (a) A Dealer Member that trades in options on behalf of customers must designate a Supervisor qualified to supervise options trading to be responsible for approving customer accounts to trade in options and for establishing and maintaining procedures acceptable to the Corporation for the supervision of account activity involving options, to ensure that the handling of customer business is within the bounds of ethical conduct, consistent with just and equitable principles of trade and not detrimental to the interests of the securities industry;
- (b) A Dealer Member must enter into an options trading agreement in compliance with Rule 1900.6 with a customer before effecting the customer’s initial trade in options;
- (c) The Supervisor designated under Rule 1900.2(a) or another Supervisor qualified to supervise options trading must approve each customer account of the Dealer Member for trading in options before the customer’s first trade in options;
- (d) A Dealer Member must:
 - (i) provide to each customer the then current disclosure approved by the Corporation and obtain from the customer acknowledgement of its receipt before the customer’s first trade in options;
 - (ii) provide to each customer having an account approved for options trading any amendments to the disclosure document in subsection (i); and
 - (iii) maintain records showing the names and addresses of all persons to whom a current disclosure statement or an amendment thereto has been provided and the date or dates on which they were provided.
- (e) A Dealer Member must comply with the applicable rules and rulings of any exchange, clearing corporation or other organization on or through which the option is traded or issued including, without limitation, those respecting position limits and exercise limits.

1900.3. Repealed.

1900.4. Repealed

1900.5. A Dealer Member that trades in options must file reports as required by the Corporation on the following matters:

- (a) All transactions together with a summary of open positions showing those that are covered and those that are uncovered; and
- (b) All holdings on the previous day in aggregate long or short positions of any single class of options of the minimum amount or over as specified by the rules, regulations or by-laws of the exchange or the clearing house on or through which the option is traded. For

each class of option the report must include the number of options in each position and, in the case of short positions, whether they are covered.

1900.6.

- (a) The options trading agreement required in Rule 1900.2(b) must define the rights and obligations between the Dealer Member and the customer on the subjects that the Corporation may from time to time determine, including the following:
 - (i) the rights of the Dealer Member to exercise discretion in accepting orders;
 - (ii) the Dealer Member's obligations with respect to errors and/or omissions and qualification of the time periods during which orders will be accepted for execution;
 - (iii) the method of allocation of exercise assignment notices;
 - (iv) the notice that maximum limits may be set on short positions and that during the last 10 days to expiry cash only terms may be applied and, in addition, that the Corporation may impose other rules affecting existing or subsequent transactions;
 - (v) the customer's obligation to instruct the Dealer Member to close out contracts prior to expiry date;
 - (vi) the customer's obligation to comply with applicable Rules and Rulings of the Corporation and any exchange, clearing corporation or other organization on or through which the option is traded or issued including, without limitation, those respecting position limits and exercise limits;
 - (vii) the acknowledgement by the customer that he or she has received the current disclosure statement referred to in Rule 1900.2(d);
 - (viii) a statement of the time limit set by the Dealer Member prior to which the client must submit an exercise notice; and
 - (ix) any other matter required by the exchange, clearing corporation or other organization on or through which an option is traded or issued.
- (b) Notwithstanding Rule 1900.6(a), if the client is an acceptable institution or acceptable counter-party the Dealer Member may, in lieu of maintaining an options trading agreement, accept a letter of undertaking from the acceptable institution or acceptable counter-party in which the institution or counter-party agrees to abide by the Rules, Rulings and requirements of the Corporation and of the exchange, clearing corporation or other organization on or through which an option is traded including those relating to exercise and position limits.

1900.7. Repealed.